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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2023

OR

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

For the transition period from to

Commission File Number 001-38819

SUPER LEAGUE ENTERPRISE, INC.

(Exact name of registrant as specified in its charter)

Delaware	47-1990734
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

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

Company: (213) 421-1920; Investor Relations: (203) 741-8811
(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	SLE	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 ☒

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

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non–Accelerated filer	☒	Small reporting company	☒
		Emerging growth company	☒

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

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

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

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

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

The aggregate market value of the common stock of the registrant held by non-affiliates of the registrant on June 30, 2023, the last business day of the registrant's second fiscal quarter was approximately $14,237,000.

As of March 28, 2024, there were 5,982,912 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 Enterprise, Inc.’s definitive proxy statement, to be filed with the Securities and Exchange Commission on or before April 29, 2024.

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References in this Annual Report on Form 10-K to "Super League Enterprise, Inc.," "Super League," "Company," "we," "us," "our," or similar references mean Super League Enterprise, Inc. References to the "SEC" refer to the U.S. Securities and Exchange Commission. All references to "Note," followed by a number reference from one to twelve herein, refer to the applicable corresponding numbered footnotes to the consolidated financial statements contained elsewhere herein.

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 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 Report, 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 Enterprise, Inc. (Nasdaq: SLE) ("Super League," the "Company," "we," "us" or "our") is a leading creator and publisher of content experiences and media solutions across the world's largest immersive platforms. From open gaming powerhouses such as Roblox, Minecraft and Fortnite Creative, to bespoke worlds built using the most advanced 3D creation tools, Super League's innovative solutions provide incomparable access to massive audiences who gather in immersive digital spaces to socialize, play, explore, collaborate, shop, learn and create. As a true end-to-end activation partner for dozens of global brands, Super League offers a complete range of development, distribution, monetization and optimization capabilities designed to engage users through dynamic, energized programs. As an originator of new experiences fueled by a network of top developers, a comprehensive set of proprietary creator tools and a future-forward team of creative professionals, Super League accelerates intellectual property ("IP") and audience success within the fastest growing sector of the media industry.

We generate revenue from (i) innovative advertising including immersive game world and experience publishing and in-game media products, (ii) direct to consumer offers, including in-game items, e-commerce, game passes and ticketing and digital collectibles, and (iii) content and technology through the production and distribution of our own, advertiser and third-party content. We operate in one reportable segment to reflect the way management and our chief operating decision maker review and assess the performance of the business.

Our Strategy

We believe that virtual world platforms are where the next generation lives and are a launchpad of unlimited new interactive worlds and content. In a world of blended physical-to-digital lives and smarter, more immersive screens, consumer expectations are increasing for more customized and personalized digital experiences, changing the way consumers will socialize, play, create, collaborate, shop, learn and work.

While our roots are in open gaming platforms where interactive worlds were first spawned, we believe our success is in the creation, growth, and monetization of digital experiences across the wider immersive web landscape. Super League's vision is to build the most comprehensive immersive web publishing and products engine to deliver the future of digital advertising and brand and IP monetization through the newer immersive, 3D engagement marketing channels.

Built on a powerful foundation of unmatched capabilities and software platforms that have driven consistent success for innovative brand experiences, creator growth and monetization, and significant consumer engagement, our scalable, vertically-integrated solution offers:

- Successful owned and third-party publishing worlds, experiences and destinations;
- Innovative product and marketing solutions for brands and developers; and
- Valued tools and analytics for brands and developers.

Our Business

As an early-mover creating engaging experiences inside of metaverse, or "open world," game platforms since 2015, Super League has converted our deep understanding of young gamers into significant audience reach in virtual world gaming platforms. We believe we have successfully iterated our business model through these market insights, and our organic and inorganic growth to establish scale and ultimately drive our monetization strategies. Our strong and growing product-market fit currently reaches over 130 million monthly unique players in Roblox, Minecraft and Fortnite and generates over one billion monthly impressions. Our software supports the creation and operation of our owned and third-party metaverse gaming worlds and experiences, along with creator tools and analytics underpinned by a creator economy. These capabilities and tools enable Super League to build immersive experiences and custom worlds, as well as, extend audience reach with our innovative in-game ad and consumer products, allowing our content creator partners to participate in our advertising economy. Our analytics suite provides Super League, brands and advertisers, and game developers data that informs campaign measurement and insights, along with enhanced game design. Beyond our primary advertising revenue stream, we have the opportunity to extend further downstream in the metaverse gaming worlds we operate, and generate in-game direct to consumer revenues. In addition, our platform, and our capability to produce compelling gaming-centric video and livestream broadcasts drives viewership to our experiences and our brand partner's digital channels for further amplification.

Specifically, Super League's digital experience and media products provide a wide range of solutions for brands and advertisers. From branded in-game experiences, through to custom content and media, Super League can provide end-to-end solutions for brands to acquire customers, deepen brand affinity and deliver digital to physical conversion to drive meaningful brand business performance. As Super League has scaled in both metaverse player and viewing audience reach, we have experienced growth in both the average revenue size of branded programs, along with a strong percentage of repeat buyers, while upholding our premium cost per impressions ("CPM") rates, further validating a new premium social marketing channel for advertisers to reach elusive Generation Z and Alpha gamers. Additionally, our capability and proprietary technology is now being applied to new virtual world platforms beyond our core offering with the vision of being an enterprise solution for brands to have a persistent, omni-channel across immersive world platforms driving back to a brand's web experience that speaks this new language of 3D engagement. A move to more persistent branded programs shifts the Company's business model from being one of temporal, campaign-centric, engagements to streams that are more annual, recurring, and forecastable in nature, smoothing out some of the current traditional advertising model seasonality.

Digital Properties and Offerings

Our gaming content and media network is underpinned by our proprietary tech and applied to much of our owned and operated consumer properties as well. Our consumer facing digital properties include:

Mineville: Through a relationship with Microsoft, the owner of Minecraft, we operate a Minecraft server world for more casual players enjoying the game on consoles and tablets. One of seven partner servers with Microsoft that, while "free to play," monetize the players through in-game micro transactions, such as gameplay passes and durable goods which run through the Microsoft marketplace.

Minehut: Attracting younger gamers and creators, Minehut is an "always on" social and gaming portal and one of the largest server farms for advanced, avid Minecraft players in the world. Within Minehut is a vibrant community in which players create their own Minecraft worlds to share, socialize and play with friends in addition to Super League operated communal game lobbies for enhanced gaming and social experiences that serve as a portal for branded experiences and advertising. On February 29, 2024, the Company sold substantially all of the assets related to its Minehut operations to GamerSafer, Inc., and has thereafter ceased all Minehut operations. The transaction allows Super League to streamline its position in partnering with major brands to build, market, and operate 3D experiences across multiple immersive platforms, including open gaming powerhouses like Minecraft, and aligns with our cost improvement initiatives. Super League and GamerSafer will maintain a commercial relationship which ensures that Minehut can remain an ongoing destination available to Super League's partners.

In-Game Digital Goods: While nascent in development, the company has the capability to develop 1st party and 3rd party branded digital consumer goods inside virtual world platforms currently being piloted in their owned and operated game worlds, as well as with a small set of brand partners.

Our brand partner and creator facing digital properties include:

Super League Game Studio: One of the preeminent game creation resources in virtual world game platforms, our Super Games publishing capability provides bespoke game development and custom game experiences within our owned and affiliate game worlds and is a power source connecting our developer network to our brand partners.

Super Biz: Our proprietary suite of metaverse media products and analytics connecting brands and advertisers to hundreds of Roblox games and our extensive Minecraft audiences. Through our technology, we partner with game developers to bring innovative ad inventory and custom brand experiences into game worlds, allowing developers to participate in our advertising economy and benefit from our analytics to continually enhance player experience.

Super View: Super Studios is our fully virtual production studio providing state-of-the-art, scalable solutions for video, television, and branded content, powered by our patented Super View technology, offering a browser-based, fully remote control room solution. Whether for the creation and broadcast of premium content, or monitoring productions from remote locations, Super Studios and Super View are an innovative, affordable solution to deliver compelling content to meet advertiser objectives and generate additional sources of revenue.

Monetization

Innovative Brand & Media Integrations

The highly sought-after Generation Z and Alpha audience is increasingly difficult for brands to reach due to the fragmentation of content distribution channels, ad-blocking technology and a sentiment against overt marketing and promotion. Our ability to uniquely aggregate a diverse, global user base across young age ranges, skill levels and game genres and embed direct, authentic branded product placement 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 new, more social and creation-centric gaming experience, providing a positive access point for both endemic and non-endemic brands to reach these mainstream audiences.

We have experienced significant organic and inorganic growth in our audience, further expanding our premium advertising inventory, increasing deal-sizes and strong repeat buying across the advertiser verticals of retail, entertainment, toys, fashion, consumer packaged goods, and automotive. We further developed our in-house direct sales capability to monetize our experiential and media inventory and continued to realize increases in sales force effectiveness, as demonstrated by larger total revenue wins for our direct sellers.

Our various advertiser offerings include:

- Dedicated, on-platform experiential spaces;
- Custom integrations into existing, popular games;
- In-game media placement including digital billboards, 3-D ad products, portals and catalogue units;
- In-game branded digital goods;
- Display and video advertising;
- Social amplification through influencer partnerships;
- In-stream and in-video custom and banner ad products;
- Entertainment and competitive play broadcasts, on-demand clips and other custom content;
- Brand lift studies, performance reporting and advanced analytics; and
- Children’s Online Privacy and Protection Act (“COPPA”) compliant and kidSAFE-verified inventory.

Direct to Consumer

Direct to consumer revenues are comprised of revenues generated from the growing number of Minecraft and Roblox virtual gaming worlds we operate. As a component of our revenue diversification strategy, consumer monetization includes in-game items, e-commerce, game passes and ticketing, and digital collectibles.

Content & Technology

As part of our strategy to provide an end-to-end solution for advertiser objectives, Super League’s creative services team, powered for broadcasting by Super View, augment our advertiser offer to take a greater share of campaign dollars. Additionally, we leverage our technology and capability to generate content production revenues with third-parties and support our ability to syndicate and monetize our sizable library of our own and player-generated entertainment content.

Industry

According to Statista (2022), there are over 3 billion gamers on the planet and more than 500 million monthly active players in metaverse, open-world game platforms, namely Roblox, Minecraft and Fortnite. Generation Z spends 7.2 hours per week hanging out with friends in immersive spaces, two times more than in real life per the Newzoo Gen Z & Alpha report (2022), which is relevant to advertisers. Per Newzoo (2022), immersive content warrants a 252% higher engagement rate, and 33% of 13 to 39 year olds say their virtual life influences their real-world life interests. Not only has there been a massive audience shift, but it is also taking a disproportionate amount of this next generation consumer’s time with the Roblox users averaging 156 minutes per day of play vs. the next closest social media channel, Tik Tok, averaging 95 minutes per day of usage.

Other notable trends that amplify these statistics:

- The rise of metaverse, open-world gaming as preferred social channels that go way beyond the traditional concept of gaming;
- The democratization of content creation, launching self-produced social content platforms and new creator economies;
- The further disaggregation of content and increasing underperformance of traditional digital advertising channels forcing advertisers to find new solutions;
- With smarter screens, an increasing consumer expectation for more personalized, customized and interactive web experiences;
- Cross-generational reach of gaming as a lifestyle trend placing it at the intersection of pop culture, cutting broadly across dimensions;
- Younger generations live a blended life where digital and physical personas are viewed as one, driving cross-over consumer preference, and
- Use of Artificial Intelligence ("AI") to accelerate the company's development cycles and product road maps for faster-to-market, turnkey solutions that enable scale and margin growth.

Our Scalable Technology Platform

Our platform is focused on the creator and player journey and provides innovative ways for brands and advertisers to engage with audiences of gaming enthusiasts. We access players and creators through our vast network of digital game worlds and content channels and then drive them into branded digital experiences through our media products and creator tools. Our proprietary cloud-based platform serves three core functions (i) dynamic media technology (ii) metaverse game experience and tournament technology, and (iii) fully remote production and livestream broadcast technology. 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, and email and mobile marketing.

Our dynamic media technology, both in the size of monetizable ad products and the creator tool suite, was materially expanded with the acquisitions of Bloxbiz Co. *(*doing business as, and hereinafter referred to as "Super Biz"*)* during the year ended December 31, 2021 ("Fiscal Year 2021"). In addition to Super League's original owned and operated consumer reach, including, but not limited to, Minehut, and our Roblox partner game worlds, advertisers are able to reach tens of millions of monthly metaverse players in-game through our distributed game world network and hundreds of millions of viewers through our amplified programs with influencers distributed across social media channels including YouTube, TikTok and Instagram. This, coupled with custom brand integrations and content, powerful campaign analytics and insights and compliance, offers an immersive and high-performing marketing channel for brands and advertisers. Specifically, our turnkey metaverse ad products are a progressive and differentiated way for advertisers to embed natively into games through interactive 3-D characters, pop-up shops, and catalogues, to name a few, to access their target audience by enhancing the gaming experience without interrupting the play itself. These are high-performing media products offering a best-in-class benchmark for in-game advertising. For example, we ensure viewability with advanced technology that observes if ads are on screen, unobstructed, meet a screen coverage threshold, and other requirements set by Interactive Advertising Bureau ("IAB") which translates into our premium CPM business model.

Additionally, a core differentiator for Super League is our deep insight and capability to deliver contagious custom Roblox game worlds and integrated experiences along with tailored off-platform entertainment content to drive exposure and on-platform engagement. Beyond our few thousand Roblox partner game worlds, we have deepened our internal capability to create custom Roblox worlds through the acquisition of Melon Studios in May 2023 and are extending this capability to new virtual world platforms such as Fortnite.

Finally, from our earliest inception we utilized a local hardware solution to create interactive physical spaces for in-person gaming experiences. In doing so, 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 Super Studios capability powered by Super View, our patented, fully-remote visualization, production and broadcast technology. Super View 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 supported by computer vision to glean key events, graphics and data from the game screen. Since COVID-19, we have augmented our virtual control room with remote monitoring and communications and enhanced broadcast-level graphics, for an end-to-end, cloud-based production system built around Super View's proprietary workflow, primarily used for branded broadcasting requests.

Our Growth Strategy

Our core strategy is to further monetize the audience reach we have built on existing metaverse, or "open-world" game platforms and continue applying that smart backbone to other virtual world engines for extended reach and diversification of revenues. We have several leverage points including:

- Deepen our owned metaverse game worlds to grow direct to consumer revenues.
- Grow our publishing, media and creator tool suite to expand audience and analytic insights;
- Increase average overall deal-size and total annual spend per advertiser as we become a standard part of their marketing strategies;
- Increase domestic sales force effectiveness resulting in higher salesperson throughput and net revenue;
- Move beyond our advertising model by applying our end-to-end immersive experience and media engine to new platforms for a persistent immersive marketing strategy for brands and IP owners, and;
- Explore strategies to further develop ownable IP to participate in direct to consumer, digital to physical conversion, and first-party data.

Intellectual Property and Patents

Similar to other interactive entertainment companies, our business depends 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. 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.

As of the date of this Report, we have one pending patent application and five issued patents, and other trademark applications, most of which are granted and some of which are currently pending, covering our technologies and brands. 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.

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.

Our Corporate Values and Company Culture

Super League is a creator-first company, a credo embraced by every employee. We are committed to empowering our creators, energizing our players and entertaining fans through our vibrant and immersive gameplay experiences, innovative creator tools and viewing entertainment. Because we have successfully built our own metaverse gaming worlds and content network over the course of several years, we deeply understand the ecosystem of players and creators and what it takes to help brands and advertisers navigate this this new digital social channel in an authentic and engaging way. Our corporate brand values are:

- We fearlessly pioneer.
- We excite creativity.
- We ignite connections.
- We live where we play.

Seasonality

Our revenue fluctuates quarterly and is generally higher in the second half of our fiscal year, with the fourth quarter typically representing our highest revenue quarter each year. Advertising spending is traditionally seasonally strong in the second half of each year, reflecting the impact of seasonal back to school, game release and holiday season advertising spending by brands and advertisers. We believe that this seasonality in advertising spending affects our quarterly results, which generally reflect relatively higher advertising revenue in the second half of each year, compared to the first half of the year.

Employees and Labor Relations

As of December 31, 2023, we had 91 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, 2023, 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 well as the kinds of content that website operators may present to children under such age. On December 20, 2023, the FTC announced long-awaited proposed amendments to the Children's Online Privacy Protection Rule ("COPPA Rule"). If adopted, the proposed amendments would be the first changes to the COPPA Rule in a decade. The amendments aim to modernize the COPPA framework and shift the burden for protecting children's privacy and security from parents to service providers. The proposed changes include:

- Requiring separate opt-in for targeted advertising;
- Prohibiting conditioning a child's participation on collection of personal information;
- Limiting the support for the internal operations exception, which allows operators to collect persistent identifiers without first obtaining verifiable parental consent as long as the operator does not collect any other personal information;
- Imposing restrictions on educational technology companies, including prohibiting these companies' use of students' data for commercial purposes;
- Increasing accountability for Safe Harbor programs, including by requiring each program to publicly disclose its membership list and report additional information to the Commission;
- Strengthening data security requirements; and
- Limiting data retention.

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;
- a rapidly developing and relatively new market;
- inability to sustain or manage our growth, or otherwise implement our business strategies;
- 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 users and creators;
- our ability to maintain, enhance, and promote our brand;
- negative perceptions about our brand, platform, content, 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 human-caused 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;
- changes in the state of the U.S. economy 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.

The Company incurred net losses of $30.3 million and $85.5 million during the year ended December 31, 2023 ("Fiscal Year 2023") and the year ended December 31, 2022 ("Fiscal Year 2022", and collectively with Fiscal Year 2023, "Fiscal Years 2023 and 2022"), respectively. Fiscal Years 2023 and 2022 included noncash stock compensation, amortization and impairment charges totaling $17.3 million and $60.1 million, respectively. As of December 31, 2023, we had an accumulated deficit of $249.0 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 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 costs to host our leagues and tournaments;

- costs to retain and attract users and creators and license first tier game titles, grow our online user 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 costs 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 experiences, and business development related to game platforms and publishers, advertisers, sponsors and user 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 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. 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.

Our auditors have included an explanatory paragraph in their opinion regarding our ability to continue as a going concern. If we are unable to continue as a going concern, our securities will have little or no value.

WithumSmith+Brown, PC, our independent registered public accounting firm for the fiscal year ended December 31, 2023, has included an explanatory paragraph in their opinion that accompanies our audited consolidated financial statements as of and for the year ended December 31, 2023, indicating that our recurring losses from operations and negative cash flows from operations raises substantial doubt about our ability to continue as a going concern. If we are unable to obtain profitability or improve our liquidity position, we may not be able to continue as a going concern.

We anticipate that we will continue to generate operating losses and use cash in operations through the foreseeable future. As further set forth below, we anticipate that we will need significant additional capital, or we may be required to curtail or cease operations.

In order to continue as a going concern, we will require significant additional capital, which we may be unable to obtain.

Revenues generated from our operations are not presently sufficient to sustain our operations. Therefore, we will need to raise additional capital in the future to continue our operations. We anticipate that our principal sources of liquidity will not be sufficient to fund our activities to obtain long-term, sustainable profitability. In order to have sufficient cash to fund our operations to obtain long-term, sustainable profitability, we will need to raise additional equity or debt capital. There can be no assurance that additional funds will be available when needed from any source or, if available, will be available on terms that are acceptable to us. We will be required to pursue sources of additional capital through various means, including debt or equity financings. Future financings through equity investments will be dilutive to existing stockholders. The terms of securities we may issue in future capital transactions may be more favorable for new investors. Newly issued securities may include preferences, superior voting rights, the issuance of warrants or other derivative securities, and the issuances of incentive awards under equity employee incentive plans, all of which will have additional dilutive effects. Further, we may incur substantial costs in pursuing future capital and/or financing, including investment banking fees, legal fees, accounting fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we may issue, such as convertible notes and warrants, which may adversely impact our financial condition. Our ability to obtain needed financing may be impaired by such factors as the capital markets and our history of losses, which could impact the availability and cost of future financings. If the amount of capital we are able to raise from financing activities, together with our revenues and profits from operations, is not sufficient to satisfy our capital needs, even to the extent that we reduce our operations accordingly, we may be required to curtail or cease operations.

Our business is highly competitive and subject to rapid changes. We face significant competition to attract and retain our users, developers, and creators that we anticipate will continue to intensify. Should we fail to attract and retain users, developers, and creators, our business and results of operations may suffer.

We compete for both users, developers, and creators. We compete to attract and retain our users' attention on the basis of our content and user experiences. We compete for users and their engagement hours with global technology leaders such as Amazon, Apple, Meta Platforms, Google, Microsoft, and Tencent, global entertainment companies such as Comcast, Disney, and ViacomCBS, online content platforms including Netflix, Spotify, and YouTube, as well as social platforms such as Facebook, Instagram, Pinterest, and Snap.

We rely on developers to create the content that leads to and maintains user engagement (including maintaining the quality of experiences). We compete to attract and retain developers by providing developers the tools to easily build, publish, operate, and monetize content. We compete for developers and engineering talent with gaming and metaverse platforms such as Epic Games, Unity, Meta Platforms, and Valve Corporation, which also give developers the ability to create or distribute interactive content.

We do not have any agreements with our developers that require them to continue to use our platform for any time period. In the future, if we are unable to continue to provide value to these developers and they have alternative methods to publish and commercialize their offerings, they may not continue to provide content to our platform. Should we fail to provide compelling advantages to continued use of our ecosystem to developers, they may elect to develop content on competing interactive entertainment platforms. If a significant number of our developers no longer provide content, we may experience an overall reduction in the quality of our experiences, which could adversely affect users' interest in our platform and lead to a loss of revenue opportunities and harm our results of operations.

Many of our existing competitors have, and some of our potential competitors could have, substantial competitive advantages, such as:

- larger sales and marketing budgets and resources;
- broader and more established relationships with users, developers, and creators;
- greater resources to make acquisitions and enter into strategic partnerships;
- lower labor and research and development costs;
- larger and more mature intellectual property portfolios; and
- substantially greater financial, technical, and other resources.

We expect competition to continue to increase in the future. Conditions in our market could change rapidly and significantly as a result of technological advancements, the emergence of new entrants into the market, partnering or acquisitions by our competitors, continuing market consolidation, or changing developer, creator and user preferences, which can be difficult to predict or prepare for.

Our competitors vary in size, and some may have substantially broader and more diverse offerings or may be able to adopt more lucrative payment policies or structures for developers. Failure to adequately identify and adapt to these competitive pricing pressures could negatively impact our business.

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 as a leading creator and publisher of content experiences and media solutions across the world's largest immersive platforms and have experienced substantial growth during the periods presented herein due, in large part, to the acquisitions we completed during Fiscal Year 2023 and the year ending December 31, 2021 ("Fiscal Year 2021"). However, recent growth rates may not be indicative of our future performance due to our limited operating history and the rapid evolution of our business model. We may not be able to achieve similar results or accelerate growth at the same rate as we have organically or following the completion of our recent acquisitions and we may not achieve our expected results, all of which 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, and experiences in response to shifting demand in open world 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 leading position as a creator and publisher of content experiences and media solutions across the world's largest immersive platforms. The market for gaming-related content has grown significantly in recent years and continues to rapidly develop, which may present significant challenges. Our business relies upon our ability to cultivate and grow a robust community of developers and creators and audience members, and our ability to successfully monetize such community through advertising and direct to consumer opportunities. In addition, our continued growth depends, in part, on our ability to respond to 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 into 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 industry within which we operate will continue to grow as rapidly as it has in the past.

We generate a significant portion of our revenues from advertising and sponsorships. If we fail to attract more advertisers and sponsors to our platform, 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 on existing digital platforms and within our owned and operated platforms, which we expect to further develop and expand in the near future as online viewership across platforms continues to 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 gaming and content streaming 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 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 user experience and satisfaction may limit our platform's ability to generate revenues from advertising and sponsorship. For example, in order to provide our users and creators with an uninterrupted 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 platform, which will help us expand and maintain our current base of users and creators and enhance our monetization potential in the long-term. However, this philosophy of putting our users 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.

The Company generates revenue from (i) innovative advertising including immersive game world and experience publishing and in-game media products, (ii) content and technology through the production and distribution of our own, advertiser and third-party content, and (iii) direct to consumer offers, including in-game items, e-commerce, game passes and digital collectibles. We have generated, and expect to continue to generate, a substantial portion of revenues using this revenue model in the near term. 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 user 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 Fiscal Years 2023 and 2022, one customer accounted for 14% and one customer accounted for 8% of revenue, respectively. At December 31, 2023, three customers accounted for 55% of accounts receivable. At December 31, 2022, three customers accounted for 33% of accounts receivable. At December 31, 2023, two vendors accounted for 37% of accounts payable. At December 31, 2022, one vendor accounted for 10% 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 gamers and creators.

Our service offerings 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 user 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 user preferences, marketing regulations, privacy and data protection laws, technology changes or service disruptions may negatively impact our ability to reach target users and creators. Our ability to market our service offerings is dependent in part upon the success of these programs. If the marketing for our service offerings fails to resonate and expand with both the gamer and metaverse 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 user communities.

We have cultivated an interactive and vibrant online social user community centered around online gaming and content creation. We ensure a superior user experience by continuously improving the user interface and features of our platform along with offering a multitude of user experiences with first tier service offerings. We believe that maintaining and promoting a vibrant community culture is critical to retaining and expanding our user 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 users and creators as we expand our footprint, which would be detrimental to our business operations.

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

Select game titles and platforms dominate competitive online gaming and open world gaming, and many new games titles and platforms 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 or platforms account for a significant portion of total revenue in each segment.

The size and engagement level of our users are critical to our success and are closely linked to the quality and popularity of the game publishers with which we have licenses and the platforms on which we operate. Game publishers on our platform, including those who have entered into license agreements with us, may leave us for other gaming platforms which may offer better competition, and terms and conditions than we do. Furthermore, we may lose our licenses with certain 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 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. Platforms on which we operate may modify or restrict our access to their platforms.

If we fail to license multiple additional "hit" games or any of our existing licensed 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, or if platforms on which we operate modify or restrict our access, the popularity of our experiences and content generated across platforms may decline and the number of our users and creators may decrease, which could materially and adversely affect our results of operations and financial condition.

We have not entered into definitive license agreements with certain game publishers or platforms 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 and platforms 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 or platforms choose not to allow us to offer experiences involving their respective game titles to our users, the popularity of our experiences and competitions may decline and the number of our users and creators may decrease, which could materially and adversely affect our results of operations and financial condition.

If we fail to keep our existing users and creators highly engaged, and/or acquire new users and creators, our business, profitability and prospects may be adversely affected.

Our success depends on our ability to maintain and grow the number of users and creators using our platform, and keeping our users and creators highly engaged.

In order to attract, retain and engage users and creators and remain competitive, we must continue to develop and expand our product offerings, including internationally, implement new technologies and strategies, improve features of our platform and stimulate interactions in our user community.

A decline in the number of our users and creators in our ecosystem may adversely affect the engagement level of our users and creators, the vibrancy of our user community, or the popularity of our platform, which may in turn reduce our monetization opportunities, and have a material and adverse effect on our business, financial condition and results of operations.

We cannot assure you that our platform will remain sufficiently popular with users 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 user preferences and offer first-tier content that attracts our users and creators. We must also keep providing users 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 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 user 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.

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, 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 online 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 users 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 live and on-demand content on certain channels and platforms. A channel or platform may not succeed as expected or new channels or platforms may take market share and users and creators away from platforms for which we have devoted significant resources. If demand for the channels or platforms for which we are developing 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 users and creators and the level of engagement of our overall user 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 through word of mouth referrals, and key strategic partners, 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 service offerings, or operations, regardless of its veracity, could harm our brands and reputation. Negative publicity or public complaints from users 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 perceptions about our brand, or platforms, and/or business practices may damage our business and increase the costs incurred in addressing user concerns.

Expectations regarding the quality, performance and integrity of our service offerings are high. Users and creators may be critical of our brand, platform, content, service offerings, and/or business practices for a wide variety of reasons. These negative user reactions may not be foreseeable or within our control to manage effectively, including user reactions to content via social media or other outlets, components and services, or objections to certain of our business practices. Negative user 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 offered services may suffer.

Rapid technology changes 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 both the content-creation and delivery market, social media markets, and the metaverse gaming market. We have invested, and in the future may invest, in new business strategies including within metaverse gaming, a direct to consumer model, technologies, products, or games or first-tier game titles to continue to persistently engage the user and deliver the best user experience. For example, if we are unable to react quickly to new technology trends—for example the continued growth of generative Artificial Intelligence ("AI") solutions which disrupts the ways developers create experiences or may disrupt the way users consume virtual goods—it may harm our business and results of operation. Further, social and ethical issues relating to the use of new and evolving technologies such as AI in our offerings, may result in reputational harm and liability, and may cause us to incur additional research and development costs to resolve such issues. AI presents emerging ethical issues and if we enable or offer solutions that draw controversy due to their perceived or actual impact on society, we may experience brand or reputational harm, competitive harm, or legal liability. Failure to address AI ethics issues by us or others in our industry could undermine public confidence in AI.

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 technologies, products, or services that become popular with users 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 user 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.

Our new services and changes to existing services could fail to attract or retain users or generate revenue and profits.

Our ability to retain, increase, and engage our user base and to increase our revenue depends heavily on our ability to continue to evolve our existing services and to develop successful new services, both independently and in conjunction with developers or other third parties. We may introduce significant changes to our existing services or acquire or introduce new and unproven services, including using technologies with which we have little or no prior development or operating experience. For example, we do not have significant experience with virtual or augmented reality technology, which may adversely affect our ability to successfully develop and market our offerings within these technologies. We continue to incur substantial costs, and we may not be successful in generating profits, in connection with these efforts. In addition, the introduction of new services, or changes to existing services, may result in new or enhanced governmental or regulatory scrutiny, litigation, or other complications that could adversely affect our business and financial results. We have also invested, and expect to continue to invest, significant resources in growing our service offerings to support increasing usage of such products. If our new or enhanced services fail to engage users, marketers, or developers, or if our business plans are unsuccessful, we may fail to attract or retain users or to generate sufficient revenue, operating margin, or other value to justify our investments, and our business may be adversely affected.

We may not be successful in our metaverse gaming strategy and investments, which could adversely affect our business, reputation, or financial results.

We believe the metaverse, an embodied internet where people have immersive experiences beyond two-dimensional screens, is the next evolution in social technology. Our business strategy focuses on offerings within metaverse gaming. We expect this will be a complex, evolving, and long-term initiative that will involve the development of new and emerging technologies, continued investment in privacy, safety, and security efforts, and collaboration with other companies, developers, partners, and other participants. However, the metaverse may not develop in accordance with our expectations, and market acceptance of features, products, or services we build for the metaverse is uncertain. In addition, we have limited experience with virtual and augmented reality technology, which may enable other companies to compete more effectively than us. We may be unsuccessful in our research and product development efforts, including if we are unable to develop relationships with key participants in metaverse gaming or develop products that operate effectively with metaverse gaming technologies, products, systems, networks, or standards. Our metaverse gaming efforts may also divert resources and management attention from other areas of our business. In addition, as our metaverse gaming efforts evolve, we may be subject to a variety of existing or new laws and regulations in the United States and international jurisdictions, including in the areas of privacy and e-commerce, which may delay or impede the development of our products and services, increase our operating costs, require significant management time and attention, or otherwise harm our business. As a result of these or other factors, our metaverse gaming strategy and investments may not be successful in the foreseeable future, or at all, which could adversely affect our business, reputation, or financial results.

We focus our business on our developers, creators, and users, and acting in their interests in the long-term may conflict with the short-term expectations of analysts and investors.

A significant part of our business strategy and culture is to focus on long-term growth and developer, creator, and user experience over short-term financial results. We expect our expenses to continue to increase in the future as we broaden our developer, creator, and user community, as developers, creators, and users increase the amount and types of content they make available on our platform and the content they consume, as we continue to seek ways to increase payments to our developers, and as we develop and further enhance our platform, expand our technical infrastructure, and hire additional employees to support our expanding operations. As a result, in the near- and medium-term, we may continue to operate at a loss, or our near- and medium-term profitability may be lower than it would be if our strategy were to maximize near- and medium-term profitability. We expect to continue making significant expenditures to grow our platform and develop new features, integrations, capabilities, and enhancements to our platform for the benefit of our developers, creators, and users. Such expenditures may not result in improved business results or profitability over the long-term. If we are ultimately unable to achieve or improve profitability at the level or during the time frame anticipated by securities or industry analysts, investors and our stockholders, the trading price of our common stock may decline.

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 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 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 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 platform, degrade the user experience, cause users 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 platform can have other negative effects upon the user experience we offer. In particular, the virtual economies that exist in certain of our licensed game publishers' games and developers' outside platforms, such as Roblox, 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 user 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 user 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 European Union's General Data Protection Regulation ("GDPA"), 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 users and creators and revenue.

We depend on servers to operate our service offerings with online features and our proprietary online platform. 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 user 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 advertising revenue is dependent on targeting and measurement tools that incorporate data signals from user activity on websites and services that we do not control, and changes to the regulatory environment, third-party mobile operating systems and browsers, and our own products have impacted, and we expect will continue to impact, the availability of such signals, which will adversely affect our advertising revenue.

We rely on data signals from user activity on websites and services that we do not control in order to deliver relevant and effective ads to our users. Our advertising revenue is dependent on targeting and measurement tools that incorporate these signals, and any changes in our ability to use such signals will adversely affect our business. For example, legislative and regulatory developments, such as the GDPR, and the California Consumer Privacy Act ("CCPA"), have impacted, and we expect will continue to impact, our ability to use such signals in our ad products. In particular, we may see an increasing number of users opt to control certain types of ad targeting, which may increase further with expanded control over certain third-party data as part of our compliance with these laws and regulations, and we may have to introduce product changes that limit data signal use for certain users in California following adoption of the CCPA. Regulatory guidance or decisions or new legislation in these or other jurisdictions may require us to make additional changes to our products in the future that further reduce our ability to use these signals. In addition, mobile operating system and browser providers, such as Apple and Google, have implemented product changes and/or announced future plans to limit the ability of websites and application developers to collect and use these signals to target and measure advertising. These developments may limit our ability to target and measure the effectiveness of ads across platforms and may negatively impact our advertising revenue. If we are unable to mitigate these developments as they take further effect in the future, our targeting and measurement capabilities may be materially and adversely affected, which would in turn significantly impact our future revenue growth.

Our online platform and services offered through our platform may contain defects.

Our online platform and the services offered through our platform are extremely complex and are difficult to develop and distribute. We have quality controls in place to detect defects in our 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 platform and associated systems and controls. Therefore, our platform and quality controls and preventative measures we have implemented may not be effective in detecting all defects in our platform. In the event a significant defect in our platform and associated systems and controls is realized, we could be required to offer refunds, suspend the availability of our service offerings, 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, network disruptions, and cloud hosting and broadband disruptions. 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 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.

If we are unable to successfully grow our user base, compete effectively with other platforms, and further monetize our platform, our business will suffer.

We have made, and are continuing to make, investments to enable our developers to design and build compelling content and deliver it to our users on our platform. Existing and prospective developers may not be successful in creating content that leads to and maintains user engagement (including maintaining the quality of experiences) or they may fail to expand the types of experiences that our developers can build for users, and other global entertainment companies, online content platforms, and social platforms may entice our users and potential users away from, or to spend less time with, our platform, each of which could adversely affect users' interest in our platform and lead to a loss of revenue opportunities and harm our results of operations.

Additionally, we may not succeed in further monetizing our platform and user base. As a result, our user growth, user engagement, financial performance and ability to grow revenue could be significantly harmed if:

- we fail to increase or maintain KPIs;
- our user growth outpaces our ability to monetize our users, including if our user growth occurs in markets that are not profitable;
- we fail to establish a base of our developers, creators, and users;
- we fail to provide the tools and education to our developers and creators to enable them to monetize their experiences;
- we fail to increase or maintain the amount of time spent on our platform, the number of experiences that our users share and explore with friends, or the usage of our technology for our developers;
- we do not develop and establish the social features of our platform, allowing it to more broadly serve the entertainment, education, and business markets;
- we fail to increase penetration and engagement across target age demographics;
- developers do not create engaging or new experiences for users;
- users reduce their subscriptions for our services within our platform; or
- the experiences on our platform do not maintain or gain popularity.

If we are able to continue to grow, we will need to manage our growth effectively, which could require expanding our internal IT systems, technological operations infrastructure, financial infrastructure, and operating and administrative systems and controls. In addition, we have expended in the past and may in the future expend significant resources to launch new features and changes on our platform that we are unable to monetize, which may significantly harm our business. Any future growth would add complexity to our organization and require effective coordination across our organization, and an inability to do so would adversely affect our business, financial conditions and results of operations.

We provide access to offerings within our platform that are subscription-based. While we intend for these efforts to generate increased recurring revenues from our existing user base, they may cause users to decrease their overall spend on our platform. Our ability to continue to attract and retain users of our paid subscription services will depend in part on our ability to consistently provide our subscribers with a quality experience. If our users do not perceive these offerings to be of value, or if we introduce new or adjust existing features or pricing in a manner that is not favorably received by them, we may not be able to attract and retain subscribers or be able to convince users to become subscribers of such additional service offerings, and we may not be able to increase the amount of recurring revenue from our user base. Subscribers may cancel their subscription to our service for many reasons, including a perception that they do not use the service sufficiently, the need to reduce household expenses, competitive services that provide a better value or experience or as a result of changes in pricing. If our efforts to attract and retain subscribers are not successful, our business, operating results, and financial condition may be adversely impacted.

We have seen the growth rate of our users fluctuate and expect it to continue to change over time. If we fail to retain users or add new users, or if our users decrease their level of engagement with our platform, revenue, bookings, and operating results will be harmed.

We believe we have successfully iterated our business model through market insights, and our organic and inorganic growth to establish scale and ultimately drive our monetization strategies. Our strong and growing product-market fit currently reaches over 100 million monthly unique players in Roblox, Minecraft and Fortnite and generates over one billion monthly impressions. We view our key performance Indicators ("KPIs") as a critical measure of our user engagement, and adding, maintaining, and engaging users has been and will continue to be necessary to our continued growth. Our KPI growth rate has fluctuated in the past and may slow in the future due to various factors. As COVID-19 related shelter-in-place orders lifted and children returned to school, we saw growth rates moderate in certain markets. Other factors including: the introduction of new experiences on our platform, higher market penetration rates, and competition from a variety of entertainment sources for our users and their time could also cause our growth rates to fluctuate. For example, while our KPIs have grown sequentially on a quarterly basis for the last several years, there have been months where they have not or have grown at a slower pace, often due to seasonal or other factors. Seasonal factors may have been impacted by the COVID-19 pandemic and we expect that seasonality could again cause user activity to decrease, including below historical levels as the impacts of the COVID-19 pandemic moderate. In addition, our strategy seeks to expand the age groups and geographic markets that make up our users, and if and when we achieve maximum market penetration rates among any particular user cohort overall and in particular geographic markets, future growth in KPIs will need to come from other age or geographic cohorts in other markets, which may be difficult, costly or time consuming for us to achieve. Accessibility to the internet and bandwidth or connectivity limitations as well as regulatory requirements, may also affect our ability to further expand our user base in a variety of geographies. If our KPI growth rate slows or becomes stagnant, or we have a decline in KPIs, or we fail to effectively monetize users in certain geographic markets, our financial performance will increasingly depend on our ability to elevate user activity or increase the monetization of our users.

Our business plan assumes that the demand for interactive entertainment offerings, specifically, the adoption of a metaverse with users interacting together by playing, communicating, connecting, making friends, learning, or simply hanging out, all in 3D environments, will increase for the foreseeable future. However, if this market shrinks or grows more slowly than anticipated, if the metaverse does not gain widespread adoption as a forum for experiences, social interaction and creative expression for our users, or if demand for our platform does not grow as quickly as we anticipate, whether as a result of competition, product obsolescence, budgetary constraints of our developers, creators, and users, technological changes, unfavorable economic conditions, uncertain geopolitical or regulatory environments or other factors, we may not be able to increase our revenue and bookings sufficiently to ever achieve profitability and our stock price would decline.

The multitude of other entertainment options, online gaming, and other interactive experiences is high, making it difficult to retain users who are dissatisfied with our platform and seek other entertainment options. Moreover, a large number of our users are within a demographic which may be less brand loyal and more likely to follow trends, including viral trends, than other demographics. These and other factors may lead users to switch to another entertainment option rapidly, which can interfere with our ability to forecast usage or KPIs and would negatively affect our user retention, growth, and engagement. We also may not be able to penetrate other demographics in a meaningful manner to compensate for the loss of KPIs in this age group. Falling user retention, growth, or engagement rates could seriously harm our business.

Our user metrics and other estimates are subject to inherent challenges in measurement, and real or perceived inaccuracies in those metrics may significantly harm and negatively affect our reputation and our business.

We regularly review metrics and KPIs, including monthly unique players and monthly impressions to evaluate growth trends, measure our performance, and make strategic decisions. These metrics are calculated using internal data gathered on an analytics platform that we developed and operate and have not been validated by an independent third party. Our metrics and estimates may also differ from estimates published by third parties or from similarly titled metrics of our competitors due to differences in methodology or the assumptions on which we rely. If our estimates are inaccurate, then investors will have less confidence in our company and our prospects, which could cause the market price of our common stock to decline, our reputation and brand could be harmed.

While these metrics are based on what we believe to be reasonable estimates of our user base for the applicable period of measurement, there are inherent challenges in measuring how our service offerings are used and as a result, the metrics may overstate the number of monthly unique players and monthly impressions. For example, there may be users who have multiple accounts, fake user accounts, or fraudulent accounts created by bots to inflate user activity for a particular developer or creator, thus making the developer or creator's experience or other content appear more popular than it really is. We strive to detect and minimize fraud and unauthorized access to our service offerings, and these practices are prohibited in our terms of service and we implement measures to detect and suppress that behavior. Some of our demographic data may be incomplete or inaccurate. For example, because users self-report their dates of birth, our age demographic data may differ from our users' actual ages. If our users provide us with incorrect or incomplete information regarding their age or other attributes, then our estimates may prove inaccurate.

Errors or inaccuracies in our metrics or data could also result in incorrect business decisions and inefficiencies. For instance, if a significant understatement or overstatement of active users were to occur, we may expend resources to implement unnecessary business measures or fail to take required actions to attract a sufficient number of users to satisfy our growth strategies. If our developers do not perceive our user, geographic, or other demographic metrics to be accurate representations of our user base, or if we discover material inaccuracies in our user, geographic, or other demographic metrics, our reputation may be seriously harmed. Our developers, creators and partners may also be less willing to allocate their budgets or resources to our service offerings, which could seriously harm our business.

Growth and engagement of our user 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 our 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 users 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.

Our business is affected by seasonal demands, and our financial condition and results of operations will fluctuate from quarter to quarter, which makes our financial results difficult to predict and may not fully reflect our underlying performance.

Historically, our business has been highly seasonal, with the highest percentage of our revenues occurring in the second half of the fiscal year, with the fourth quarter typically representing our highest revenue quarter each year, when advertising spending is typically strongest due to the holiday seasons, and we expect this trend to continue. For example, our revenue for the quarters ending September 30, 2023 and December 31, 2023 represented approximately 29% and 38% of our bookings for Fiscal Year 2023, respectively. We may also experience fluctuations due to factors that may be outside of our control that affect user, developer, or creator engagement with our Platform.

Accordingly, our quarterly results of operations have fluctuated in the past and will fluctuate in the future, both based on the seasonality of our business as well as external factors impacting the global economy, our industry and our company, including, but not limited to our ability to maintain and grow our customer base, customer engagement, developer base and developer engagement; the level of demand for our service offerings; the ability of our developers to monetize their experiences; increased competition; our pricing model; the maturation of our business; our ability to introduce new revenue streams; legislative or regulatory changes; macroeconomic conditions, such as high inflation, recessionary or uncertain environments, and fluctuating foreign currency exchange rates; our ability to maintain operating margins, cash used in operating activities, and free cash flow; system failures or actual or perceived breaches or other incidents relating to privacy or cybersecurity; adverse litigation judgments, settlements, or other litigation and dispute-related costs; adverse media coverage or unfavorable publicity; the effectiveness of our internal control over financial reporting; changes in our effective tax rate; and changes in accounting standards, policies, guidance, interpretations, or principles. As a result, you should not rely on our past quarterly results of operations as indicators of future performance. You should take into account the risks and uncertainties frequently encountered by companies in rapidly evolving market segments.

We plan to continue to make acquisitions and pursue other strategic transactions, which could require significant management attention, disrupt our business, dilute our stockholders, impact our financial condition or results of operations, significantly harm our business, and adversely affect the price of our common stock.

As part of our business strategy, we have made and intend to continue to make acquisitions to add specialized employees and complementary companies, products, or technologies, and from time to time may enter into other strategic transactions such as investments and joint ventures. We may not be able to find suitable acquisition candidates, and we may not be able to complete acquisitions or other strategic transactions on favorable terms, or at all, including as a result of regulatory challenges. The pursuit of potential acquisitions may divert the attention of management and cause us to incur significant expenses related to identifying, investigating, and pursuing suitable acquisitions, whether or not they are consummated. In some cases, the costs of such acquisitions or other strategic transactions may be substantial, and there is no assurance that we will realize expected synergies from future growth and potential monetization opportunities for our acquisitions or a favorable return on investment for our strategic investments. Furthermore, our acquisition strategy may not succeed if we are unable to remain attractive to target companies or expeditiously close transactions. If we develop a reputation for being a difficult acquirer or having an unfavorable work environment, or if target companies view our common stock unfavorably, we may be unable to consummate key acquisition transactions essential to our corporate strategy and our business may be significantly harmed.

We may pay substantial amounts of cash or incur debt to pay for acquisitions or other strategic transactions, which has occurred in the past and could adversely affect our liquidity. The incurrence of indebtedness would also result in increased fixed obligations and increased interest expense, and could also include covenants or other restrictions that would impede our ability to manage our operations. We may also issue equity securities to pay for acquisitions and may grant stock options or other equity awards to retain the employees of acquired companies, which could increase our expenses, adversely affect our financial results, and result in dilution to our stockholders. In addition, any acquisitions or other strategic transactions we announce could be viewed negatively by users, marketers, developers, or investors, which may adversely affect our business or the price of our common stock.

We may also discover liabilities, deficiencies, or other claims associated with the companies or assets we acquire that were not identified in advance, which may result in significant unanticipated costs. The effectiveness of our due diligence review and our ability to evaluate the results of such due diligence are dependent upon the accuracy and completeness of statements and disclosures made or actions taken by the companies we acquire or their representatives, as well as the limited amount of time in which acquisitions are executed. In addition, we may not successfully evaluate or use the acquired products, technology, and personnel, or accurately forecast the financial impact of an acquisition or other strategic transaction, including tax and accounting charges which could be recognized as a current period expense. Furthermore, it generally takes several months after the closing of an acquisition to finalize the purchase price allocation. Therefore, it is possible that our valuation of an acquisition may change and result in unanticipated write-offs or charges, impairment of our goodwill, or a material change to the fair value of the assets and liabilities associated with a particular acquisition, any of which would affect our balance sheet and could significantly harm our business. Acquisitions or other strategic transactions may also result in our recording of significant additional expenses to our results of operations and recording of substantial finite-lived intangible assets on our balance sheet upon closing. Any of these factors may adversely affect our financial condition or results of operations.

We may experience difficulties in integrating the operations of Melon into our business and in realizing the expected benefits of the Melon Acquisition.

The success of the Melon Acquisition will depend in part on our ability to realize the anticipated business opportunities from combining the operations of the Melon Assets with our business in an efficient and effective manner. The integration process could take longer than anticipated and could result in the loss of key employees, the disruption of each company's ongoing businesses, tax costs or inefficiencies, or inconsistencies in standards, controls, information technology systems, procedures and policies, any of which could adversely affect our ability to maintain relationships with customers, employees or other third parties, or our ability to achieve the anticipated benefits of the Melon Acquisition, and could harm our financial performance. If we are unable to successfully or timely integrate the operations of the Melon Assets with our business, we may incur unanticipated liabilities and be unable to realize the revenue growth, synergies and other anticipated benefits resulting from the Melon Acquisition, and our business, results of operations and financial condition could be materially and adversely affected.

The Melon Acquisition will present challenges associated with integrating operations, personnel, and other aspects of the companies and the potential assumption of liabilities that may exist and which may be known or unknown by the Company.

The results of the Company following the Melon Acquisition will depend in part upon the Company's ability to integrate Melon's business with the Company's business in an efficient and effective manner. The Company's attempt to integrate Melon's assets into the Company, two companies that have previously operated independently, may result in significant challenges, and the Company may be unable to accomplish the integration smoothly or successfully. In particular, the necessity of coordinating geographically dispersed organizations and addressing possible differences in corporate cultures and management philosophies may increase the difficulties of integration. The integration may require the dedication of significant management resources, which may temporarily distract management's attention from the day-to-day operations of the businesses of the Company. In addition, the Company may adjust the way in which Melon or the Company has conducted its operations and utilized its assets, which may require retraining and development of new procedures and methodologies. The process of integrating operations and making such adjustments after the Melon Acquisition could cause an interruption of, or loss of momentum in, the activities of one or more of Company's or Melon's businesses and the loss of key personnel. Employee uncertainty, lack of focus, or turnover during the integration process may also disrupt the business of the Company. Any inability of management to integrate the operations of the Company and Melon successfully could have a material adverse effect on the business and financial condition of the combined company.

In addition, the Melon Acquisition will subject the Company to contractual or other obligations and liabilities associated with the Melon Assets, some of which may be unknown. Although the Company and its legal and financial advisors have conducted due diligence on Melon and its business, there can be no assurance that the Company is aware of all obligations and liabilities of Melon related to the Melon Assets. These liabilities, and any additional risks and uncertainties related to Melon's business and to the Melon Acquisition not currently known to the Company or that the Company may currently be aware of, but that prove to be more significant than assessed or estimated by the Company, could negatively impact the business, financial condition, and results of operations of the combined company following consummation of the Melon Acquisition.

We may not be able to successfully integrate our acquisitions and we may incur significant costs to integrate and support the companies we acquire.

The integration of companies or assets we acquire requires significant time and resources, particularly with respect to companies that have significant operations or that develop products where we do not have prior experience, and we may not manage these processes successfully. We continue to make substantial investments of resources to support our acquisitions, which has in the past resulted, and we expect will in the future result, in significant ongoing operating expense and the diversion of resources and management attention from other areas of our business. We cannot assure you that these investments will be successful. If we fail to successfully integrate the companies we acquire, we may not realize the benefits expected from the transaction and our business may be harmed.

We may encounter significant difficulties integrating acquired businesses.

The integration of any businesses is a complex, costly and time-consuming process. As a result, we have devoted, and will continue to devote, significant management attention and resources to integrating acquired businesses. The failure to meet the challenges involved in integrating businesses and to realize the anticipated benefits of any acquisition could cause an interruption of, or a loss of momentum in, the activities of our combined business and could adversely affect our results of operations. The difficulties of combining acquired businesses with our own include, among others:

- the diversion of management attention to integration matters;
- difficulties in integrating functional roles, processes and systems, including accounting systems;
- challenges in conforming standards, controls, procedures and accounting and other policies, business cultures and compensation structures between the two companies;
- difficulties in assimilating, attracting and retaining key personnel;
- challenges in keeping existing clients and obtaining new clients;
- difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects from an acquisition;
- difficulties in managing the expanded operations of a significantly larger and more complex business;
- contingent liabilities, including contingent tax liabilities or litigation, that may be larger than expected; and
- potential unknown liabilities, adverse consequences or unforeseen increased expenses associated with an acquisition, including possible adverse tax consequences to the combined business pursuant to changes in applicable tax laws or regulations.

Many of these factors are outside of our control, and any one of them could result in increased costs, decreased expected revenues and diversion of management time and energy, all of which could adversely impact our business and results of operations. These difficulties have been enhanced further as a result of our office closures and work-from home policies, which may hinder the assimilation of key personnel.

If we are not able to successfully integrate an acquisition, if we incur significantly greater costs to achieve the expected synergies than we anticipate or if activities related to the expected synergies have unintended consequences, our business, financial condition or results of operations could be adversely affected.

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 consolidated 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 consolidated 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 consolidated financial statements and our business.

We are currently dependent on certain game publishers and online game platforms for a substantial portion of our revenue. In the event such publishers or online platforms change their terms and conditions impacting our ability to deploy advertising campaigns on their platforms, or otherwise engage in direct-to-consumer offers, our business, growth prospects and financial condition could be adversely affected.

We currently generate a substantial portion of our revenue from in-game platform advertising and direct to consumer offers, including digital subscriptions, in-game digital goods, and gameplay access fees, on various metaverse gaming platforms. Additional revenue is generated through our owned and operated properties, along with properties we operate on behalf of others. In the event such game publishers or online game platforms change their current terms and conditions in a manner that limits our ability to deploy advertising campaigns or otherwise engage in direct-to-consumer offers through our partner's metaverse gaming platforms, or our owned and operated properties, our business, growth prospects and financial condition could be adversely affected.

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 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 consolidated 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 consolidated 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 platform, we use third-party applications, websites, and social media platforms to promote our service offerings and engage users, as well as monitor and collect certain information about users 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 platform 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 access our service offerings online through 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 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.

On June 23, 2016, the United Kingdom ("U.K.") held a referendum in which voters approved an exit from the European Union, commonly referred to as "Brexit." This decision created an uncertain political and economic environment, especially in regard to regulation of data protection, in the U.K. and other European Union countries, and the formal process for leaving the European Union has taken years to complete. The U.K. formally left the European Union on January 31, 2020 and began a transition period which expired on December 31, 2020. In particular, while the U.K. has implemented legislation that implements and complements the GDPR, with penalties of noncompliance of up to the greater of £17.5 million or four percent of worldwide revenues, it is unclear 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 platform, or distributed to our users.

Our interactive live streaming platform enables users and creators to exchange information and engage in various other online activities. Although we require our users and creators to register their real name, we do not require user identifications used and displayed while using the platform to contain any real-name information, and hence we are unable to verify the sources of all the information posted by our users and creators. In addition, because a majority of the communications on our online and in person platform is conducted in real time, we are unable to examine the content generated by users and creators before they are posted or streamed. Therefore, it is possible that users 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 users 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 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 our platform, service offerings, 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 platform or that we would like to offer in the future. We may discover that future opportunities to provide new and innovative services to users 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 platform, all of which could cause confusion, divert users and creators away from our platform and service offerings, 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 users 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 users and creators away from our 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 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 one patent application pending, and 187 registered trademarks, along with certain licenses from game publishers to utilize their proprietary games. For our pending patent application, 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.

Governance Risks and Risks Related to our Common Stock

We received a notice from Nasdaq that our common stock may be delisted from trading on the Nasdaq Capital Market if we fail to comply with the continued listing requirements, including the minimum bid price requirement. A delisting of our common stock is likely to reduce the liquidity of our common stock and may inhibit or preclude our ability to raise additional financing.

We are required to comply with certain Nasdaq continued listing requirements, including a minimum bid price for our common stock, as well as a series of financial tests relating to stockholder equity, market value of listed securities and number of market makers and stockholders. If we fail to maintain compliance with any of those requirements, our common shares could be delisted from Nasdaq.

On October 4, 2022, we received a letter (the "Notice") from the Listing Qualifications Staff of Nasdaq, indicating that, based upon the closing bid price of our common stock for the prior 30 consecutive business days, were not in compliance with the requirement to maintain a minimum bid price of $1.00 per share for continued listing on the Nasdaq Capital Market, as set forth in Nasdaq Listing Rule 5550(a)(2). To regain compliance, the closing bid price of our common stock must be at least $1.00 per share for 10 consecutive business days (the "Minimum Bid Price Requirement") during the 180-day period from October 4, 2022 to April 3, 2023. On April 4, 2023, we received a letter (the "Extension Notice") from Nasdaq notifying us that Nasdaq granted the Company a 180-day extension, or until October 2, 2023 to regain compliance with the Minimum Bid Price Requirement.

On September 7, 2023, the Company effected a reverse stock split of the Company's issued and outstanding shares of common stock, at a ratio of 1-for-20 (the "*Reverse Split*"). As a result of the Reverse Split, the Company regained compliance with the Minimum Bid Price Requirement. On September 25, 2023, we received a written notice from Nasdaq informing the Company that it has regained compliance with the Minimum Bid Price Requirement for continued listing on the Nasdaq Capital Market.

If, for any reason, Nasdaq should delist our common stock from trading on its exchange and we are unable to obtain listing on another national securities exchange or take action to restore our compliance with the Nasdaq continued listing requirements, a reduction in some or all of the following may occur, each of which could have a material adverse effect on our stockholders:

- the liquidity of our common stock;
- the market price of our common stock;
- we will become a "penny stock", which will make trading of our common stock much more difficult;
- our ability to obtain financing for the continuation of our operations;
- the number of institutional and general investors that will consider investing in our common stock;
- the number of investors in general that will consider investing in our common stock;
- the number of market makers in our common stock;
- the availability of information concerning the trading prices and volume of our common stock; and
- the number of broker-dealers willing to execute trades in shares of 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 live stream and 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 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 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. 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. If the market price of our common stock after our offering does not exceed what you paid per share, 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 cash dividends on our common stock 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 on your investment will only occur if our stock price appreciates.

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.

Our issuance of additional shares of preferred stock could adversely affect the market value of our common stock, dilute the voting power of common stockholders and delay or prevent a change of control.

Our board of directors have the authority to cause us to issue, without any further vote or action by the stockholders, up to an additional 9,960,875 shares of preferred stock in one or more series, to designate the number of shares constituting any series, and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, voting rights, rights and terms of redemption, redemption price or prices and liquidation preferences of such series. As of March 14, 2024, we had the following shares of Preferred Stock outstanding: (i) 440 shares of Series A Convertible Preferred Stock, par value $0.001 per share (the “Series A Preferred”); (ii) 463 shares of Series A-2 Convertible Preferred Stock, par value $0.001 per share (the “Series A-2 Preferred”); (iii) 315 shares of Series A-3 Convertible Preferred Stock, par value $0.001 per share (the “Series A-3 Preferred”); (iv) 476 shares of Series A-4 Convertible Preferred Stock, par value $0.001 per share (the “Series A-4 Preferred”); (v) 780 shares of Series A-5 Convertible Preferred Stock, par value $0.001 per share (the “Series A-5 Preferred”), (vi) 4,491 shares of Series AA Convertible Preferred Stock, par value $0.001 per share (the “Series AA Preferred”); (vii) zero shares of Series AA-2 Convertible Preferred Stock, par value $0.001 per share (the “Series AA-2 Preferred”); (viii) 391 shares of Series AA-3 Convertible Preferred Stock, par value $0.001 per share (the “Series AA-3 Preferred”); (ix) 515 shares of Series AA-4 Convertible Preferred Stock, par value $0.001 per share (the “Series AA-4 Preferred”); (x) 550 shares of Series AA-5 Convertible Preferred Stock, par value $0.001 per share (the “Series AA-5 Preferred”), (xi) 8,423 shares of Series AAA Convertible Preferred Stock, par value $0.001 per share (the “Series AAA Preferred”); and (xii) 5,234 shares of Series AAA-2 Convertible Preferred Stock, par value $0.001 per share (the “Series AAA-2 Preferred”); and, collectively with the Series A Preferred, Series A-2 Preferred, Series A-3 Preferred, Series A-4 Preferred, Series A-5 Preferred, Series AA Preferred, Series AA-2 Preferred, Series AA-3 Preferred, Series AA-4 Preferred, Series AA-5 Preferred, Series AAA Preferred, and Series AAA-2 Preferred (the “Preferred Stock”).

The issuance of shares of preferred stock with dividend or conversion rights, liquidation preferences or other economic terms favorable to the holders of preferred stock could adversely affect the market price for our common stock by making an investment in the common stock less attractive. For example, investors in the common stock may not wish to purchase common stock at a price above the conversion price of a series of convertible preferred stock because the holders of the preferred stock would effectively be entitled to purchase common stock at the lower conversion price causing economic dilution to the holders of common stock.

Further, the issuance of shares of preferred stock with voting rights may adversely affect the voting power of the holders of our other classes of voting stock either by diluting the voting power of our other classes of voting stock if they vote together as a single class, or by giving the holders of any such preferred stock the right to block an action on which they have a separate class vote even if the action were approved by the holders of our other classes of voting stock. The issuance of shares of preferred stock may also have the effect of delaying, deferring or preventing a change in control of our company without further action by the stockholders, even where stockholders are offered a premium for their shares.

The holders of Series A Preferred Stock are entitled to vote on an as-converted to common stock basis and have rights to approve certain actions.

From November 2022 to December 2023, we issued an aggregate of 39,125 shares of our Preferred Stock to a group of accredited investors (collectively, the “Investors”), pursuant to certain placement agency agreements.

The holders of our Preferred Stock are generally entitled to vote with the holders of our common stock on all matters submitted for a vote of our stockholders (voting together with the holders of common stock as one class) on an as-converted basis. Additionally, the consent of the holders of a majority of the outstanding shares of Preferred Stock are required in order for us to take certain actions, including issuances of securities that are senior to, or equal in priority with, the Preferred Stock. As a result, the holders of Preferred Stock may in the future have the ability to influence the outcome of certain matters affecting our governance and capitalization.

As of April 1, 2024, there were approximately 2,474 shares of our Series A Preferred, 5,947 shares of our Series AA Preferred, and 13,657 shares of our Series AAA Preferred outstanding, which are convertible without payment of additional consideration, into approximately 11.4 million shares of our common stock, subject to certain ownership limitations. The conversion of the outstanding shares of our Series A Stock into common stock would be substantially dilutive to existing stockholders. Any dilution or potential dilution may cause our stockholders to sell their shares, which may contribute to a downward movement in the stock price of our common stock.

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 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 a* "*smaller reporting company*" *and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies or smaller reporting companies will make an investment in us less attractive to investors. In particular, our independent registered public accounting firm is not required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act.

We are an "emerging growth company" as defined in the JOBS Act. We will remain an "emerging growth company" until the earliest to occur of (i) the last day of the first fiscal year in which our annual gross revenues exceed $1.07 billion, (ii) the date on which we become a "large accelerated filer" as defined in Rule 12b-2 under the Exchange Act, (iii) the date on which we have issued more than $1.0 billion in nonconvertible debt during the preceding three-year period, and (iv) the end of the year in which the five-year anniversary of the initial public offering of our common stock occurs in the future, if applicable. We may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements.

Section 404 of the Sarbanes-Oxley Act requires annual management assessments of the effectiveness of our internal control over financial reporting, and generally requires in the same report a report by our independent registered public accounting firm on the effectiveness of our internal control over financial reporting. Under the JOBS Act, our independent registered public accounting firm will not be engaged to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act until we are no longer an "emerging growth company."

In addition, we are also a smaller reporting company, as defined in Rule 12b-2 under the Exchange Act. In the event that we are still considered a smaller reporting company at such time as we cease being an emerging growth company, the disclosure we will be required to provide in our SEC filings will increase, but will still be less than it would be if we were not considered either an emerging growth company or a smaller reporting company.

Rule 12b-2 of the Exchange Act defines a "smaller reporting company" as an issuer that is not an investment company, an asset-backed issuer or a majority-owned subsidiary of a parent that is not a smaller reporting company and that:

1. had a public float of less than $250 million; or

2. had annual revenues of less than $100 million during the most recently completed fiscal year for which audited financial statements are available and either had no public float or a public float of less than $700 million.

Similar to emerging growth companies, smaller reporting companies are able to provide simplified executive compensation disclosures in their filings, and have certain other decreased disclosure obligations in their SEC filings, including, among other things, being required to provide only two years of audited financial statements in annual reports.

To the extent we take advantage of some or all of the reduced reporting requirements applicable to emerging growth companies or smaller reporting companies, an investment in our company may be less attractive to investors.

We have identified a material weakness in our internal controls over financial reporting as of December 31, 2023, related solely to the accounting for the noncash value of the effect of a down round feature that was triggered on preferred stock during the three months ended September 30, 2023.

For a discussion of management's consideration of the material weakness identified related to our accounting for a non-standard and complex transaction related to the noncash value of the effect of a down round feature that was triggered on our Series AA preferred stock, see Note 12, as well as Part II, Item 9A: "Controls and Procedures" elsewhere herein.

On March 26, 2024, the Audit Committee of the Board of Directors of the Company (the "Audit Committee"), based upon the recommendation of management, concluded that the Company's previously filed Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 (the "Third Quarter 10-Q"), as filed with the SEC on November 14, 2023, and any reports, related earnings releases, investor presentations or similar communications of the Company's Third Quarter 10-Q should no longer be relied upon, as described below.

The determination resulted from an error made in the Company's unaudited consolidated financial statements for the three and nine months ended September 30, 2023, as previously filed in the Third Quarter 10-Q, arising from the exclusion of the calculated noncash value of the effect of the down round feature triggered in August of 2023 on the Company's Series AA Convertible Preferred Stock, which should have been recorded as a noncash charge directly to accumulated deficit and a noncash reduction to income available to common stockholders in the computation of earnings per share.

In connection with the Company's year-end 2023 closing procedures, management reassessed the guidance set forth in ASC 260, "Earnings Per Share" and determined that the value of the effect of a down round feature that is triggered on preferred stock should be recognized as a noncash charge to accumulated deficit and a noncash reduction to income available to common stockholders in the computation of earnings per share in the period that the down round feature is triggered.

As a result: (i) management noted an error affecting additional paid in capital and accumulated deficit, with no impact on total equity, and a noncash error with respect to the computation of loss per share as reported in the Third Quarter 10-Q; and (ii) in connection with the Company's 2023 year-end closing procedures, on March 26, 2024, due to the material error to loss per share originally reported in the Third Quarter 10-Q, the Company's management and the Audit Committee determined that the Company's Third Quarter 10-Q should be restated to reflect the modifications described above.

None of the above changes had any impact on total assets, total liabilities, total equity, revenues, cost of revenues, operating expense, net loss, or cash flows as reported for the three and nine months ended September 30, 2023 in the Company's Third Quarter 10-Q. No financial statements or disclosures prior to the financial statements for the quarterly periods ended September 30, 2023 were affected by the issue described above.

The Company has not amended its previously filed Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023. The financial information that has been previously filed or otherwise reported for the quarterly period ended September 30, 2023 is superseded by the information in this Annual Report (refer to Note 12), and the financial statements and related financial information for the quarterly period ended September 30, 2023 contained in such previously filed report should no longer be relied upon.

The Company's management concluded that, in light of the error described above, a material weakness existed in the Company's internal control over financial reporting and that the Company's disclosure controls and procedures were not effective for the applicable quarterly period. The Company's remediation plan with respect to such material weakness is described below under Part II, Item 9A: "Controls and Procedures."

A material weakness is a deficiency, or a combination of deficiencies, in internal controls over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented, or detected and corrected on a timely basis.

Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud, and a material weakness could result in us being unable to maintain compliance with securities law requirements regarding timely filing of periodic reports in addition to applicable stock exchange listing requirements, investors losing confidence in our financial reporting, our securities price declining or us facing litigation as a result of the foregoing. We have taken steps to remediate the material weakness identified, including a review of the accounting practices for non-standard and complex transactions in consultation with accounting and legal experts. These remediation measures may be time consuming and costly, and we cannot provide assurance that the measures we have taken to date, or any measures we may take in the future, will be sufficient to avoid potential future material weaknesses.

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.

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 Fiscal Year 2023 and Fiscal Year 2022, we recorded share-based compensation expense of $2.7 million and $4.3 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.

Uncertainty in global economic conditions could negatively affect our business, results of operations and financial condition.

We have significant intangible assets recorded on our consolidated balance sheets as of December 31, 2023. We will continue to evaluate the recoverability of the carrying amount of our intangible assets on an ongoing basis, and we may incur substantial impairment charges, which would adversely affect our consolidated financial results. There can be no assurance that the outcome of such reviews in the future will not result in substantial impairment charges. Impairment assessment inherently involves judgment as to assumptions about expected future cash flows and the impact of market conditions on those assumptions. Future events and changing market conditions may impact our assumptions as to prices, costs, holding periods or other factors that may result in changes in our estimates of future cash flows. Although we believe the assumptions we used in testing for impairment are reasonable, significant changes in any one of our assumptions could produce a significantly different result.

General Risk Factors

Catastrophic events may disrupt our business.

Natural disasters or other catastrophic events may cause damage or disruption to our operations, international commerce, and the global economy, and thus could harm our business. We have our headquarters in Santa Monica, California, an area which in recent years has been increasingly susceptible to fires, severe weather events, and power outages, any of which could disrupt our operations, and which contains active earthquake zones. In the event of a major earthquake, hurricane, or catastrophic event such as fire, power loss, rolling blackouts or power loss, telecommunications failure, pandemic, geopolitical conflict such as the Russian invasion of Ukraine and Hamas' attack against Israel and the ensuing war, cyber-attack, war, other physical security threats or terrorist attack, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our service offering development, lengthy interruptions in our service offerings, breaches of security, and loss of critical data, all of which would harm our business, results of operations, and financial condition. Acts of terrorism and similar events would also cause disruptions to the internet or the economy as a whole. Global climate change could also result in natural disasters occurring more frequently or with more intense effects, which could cause business interruptions. The long-term effects of the COVID-19 pandemic and recovery from it on society and developer, creator, and user engagement remain uncertain, and a subsequent health crisis or pandemic, as well as the actions taken by various governmental, business and individuals in response, will impact our business, operations and financial results in ways that we may not be able to accurately predict. In addition, the insurance we maintain would likely not be adequate to cover our losses resulting from disasters or other business interruptions. Our disaster recovery plan may not be sufficient to address all aspects of any unanticipated consequence or incident, we may not be able to maintain business continuity at profitable levels or at all, and our insurance may not be sufficient to compensate us for the losses that could occur.

Changes in the state of the U.S. economy, such as rising inflation and a return to volatile or recessionary conditions in the United States or abroad, and volatile global economic conditions in general, 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 historically high levels of inflation recently experienced by the United States, Europe and other key global markets. If the inflation rate continues to increase, it will likely affect all of our expenses, including, but not limited to, employee compensation expenses and energy expenses and it may reduce consumer discretionary spending, which could affect the buying power of individuals to which our advertisers promote, developers, and creators and lead to a reduced demand for our service offerings.

Geopolitical developments, such as the war in Ukraine, Hamas' attack against Israel and the ensuing war, and tensions with China, and the responses by central banking authorities to control inflation, can increase levels of political and economic unpredictability globally and increase the volatility of global financial markets. Adverse macroeconomic conditions, including lower consumer confidence, persistent unemployment, wage and income stagnation, slower growth or recession, changes to fiscal and monetary policy, inflation, higher interest rates, currency fluctuations, economic and trade sanctions, the availability and cost of credit, and the strength of the economies in which we and our customers are located, have adversely affected and may continue to adversely affect our consolidated financial condition and results of operations. 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 third-party and our own games and interactive content, economic conditions that adversely affect discretionary consumer spending, changes in user 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 1C. CYBERSECURITY

Risk Management and Strategy

We recognize the importance of cybersecurity risk management and have a defined strategy to support our business operations, platforms and information systems. We have implemented a comprehensive cybersecurity program to protect information systems and data. We have based our cybersecurity program on defined industry accepted frameworks with the goal of building enterprise resilience against an evolving cybersecurity threat landscape and to respond to cybersecurity threats as they materialize. Our program includes identification, assessment, monitoring, and management components, as well as informational and escalation components designed to inform management and the Board of prospective risks and developments.

Our cybersecurity program encompasses functions dedicated to both proactive and reactive management of cybersecurity threats. We implement our cybersecurity program internally through maintaining cybersecurity policies; deploying updated security technologies; and using third-party services and consultants to support and improve our cybersecurity program. Our proactive management of cybersecurity risks entails many actions, including actively monitoring our information technology systems; engaging service providers to monitor and, as appropriate, respond to cybersecurity threats; developing and updating incident response plans to address potential cybersecurity threats; and training our personnel on cybersecurity. We engage third-party auditors and consultants and leverage our internal information security, audit, and compliance functions to assess various facets of our cybersecurity program. We also maintain enterprise-wide processes to oversee and identify risks from cybersecurity threats associated with our use of third-party service providers.

We assess cybersecurity contingencies within our overall business continuity risk management planning process. Our information technology and information security teams utilize various technology tools to prevent, monitor, detect, and respond to cybersecurity threats. Our incident response policy outlines processes, roles, responsibilities, notifications, and other communications applicable to the assessment, mitigation, and remediation of realized cybersecurity events. The nature and scope of assessed risk of a realized cybersecurity event dictates the pace and extent of relevant processes, and communications, including an evaluation of any necessary or required disclosure. Depending on its nature and scope, a cybersecurity threat may be managed within our IT Department, responsible for day-to-day management of cybersecurity risks, and escalated to our executive management team, the Board, and the Audit Committee, as appropriate.

We have not historically been materially impacted by risks from cybersecurity threats and, as of the date of this Annual Report on Form 10-K, we are not aware of any cybersecurity risks that are reasonably likely to materially affect our business. However, the breadth and scope of cybersecurity threats have grown over time and our systems and networks may be the target of increasingly sophisticated cyberattacks. For more information on our cybersecurity risks and their potential impact to our business, see Item 1A, "*Risk Factors-Risks related to Our Business and Industry - We may experience security breaches and cyber threats*" and Item 1A, "*Risk Factors-Risks related to Our Business and Industry - 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*."

Governance

Our board considers cybersecurity risk as part of its risk oversight function and has delegated to the Audit Committee (the "*Committee*") oversight of cybersecurity and other information technology risks. The Committee oversees management's implementation of our cybersecurity risk management program.

Our IT Department updates management on cybersecurity matters, including risk assessments, security controls, incident response procedures, employee training and Third-Party Risk Management.

The Committee oversees the Company's cybersecurity risk management and strategy, while management is responsible for implementing the Company's cybersecurity program. This approach ensures that cybersecurity risks are appropriately prioritized and managed throughout the organization.

Our Chief Platform Officer has 25 years of experience in information technology, including cybersecurity, and is supplemented by our VP of Devops, who also has over 15 years of experience in audit, compliance, and cybersecurity, and maintains IT and Ops professional certifications.

In addition to the IT Department, the VP of Devops may call upon other business and legal stakeholders across our company to help manage cybersecurity threats and incidents. Our Audit Committee is responsible for oversight of our programs, policies, procedures, and risk management activities related to information security and data protection. The Audit Committee meets periodically with the Chief Platform Officer to discuss threats, risks, and ongoing efforts to enhance cyber resiliency, as well as changes to the broader cybersecurity landscape. Our Board also periodically participates in presentations on cybersecurity and information technology from internal leadership. In addition to periodic presentations, management promptly updates our Board and Audit Committee regarding significant threats and incidents as they arise.

ITEM 2. PROPERTIES

As of December 31, 2023 we maintain approximately 3,200 square feet of office space, 1,650 square feet of which is on a month-to-month basis, and 1,550 square feet of which is subject to a two-year lease, commencing on August 1, 2021, at a combined rate of approximately $12,000 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 "SLE."

As of April 1, 2024, we had 274 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.

Issuance of Common Stock as Dividends

During the fourth quarter of 2023, the Company paid dividends to the holders of the Company's Series A Convertible Preferred Stock, in the form of 232,981 shares of common stock, as further described in Note 7.

Recent Sales of Unregistered Equity Securities

No unregistered securities were issued during the years ended December 31, 2023 and 2022 that were not previously reported.

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. [Reserved]

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 consolidated 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. All references to "Note," followed by a number reference from one to twelve herein, refer to the applicable corresponding numbered footnotes to the consolidated financial statements contained elsewhere herein.

General

Super League Enterprise, Inc. is a leading creator and publisher of content experiences and media solutions across the world's largest immersive platforms. From open gaming powerhouses such as Roblox, Minecraft and Fortnite Creative, to bespoke worlds built using the most advanced 3D creation tools, Super League's innovative solutions provide incomparable access to massive audiences who gather in immersive digital spaces to socialize, play, explore, collaborate, shop, learn and create. As a true end-to-end activation partner for dozens of global brands, Super League offers a complete range of development, distribution, monetization and optimization capabilities designed to engage users through dynamic, energized programs. As an originator of new experiences fueled by a network of top developers, a comprehensive set of proprietary creator tools and a future-forward team of creative professionals, Super League accelerates IP and audience success within the fastest growing sector of the media industry.

We generate revenue from (i) innovative advertising including immersive game world and experience publishing and in-game media products, (ii) direct to consumer offers, including in-game items, e-commerce, game passes and ticketing and digital collectibles, and (iii) content and technology through the production and distribution of our own, advertiser and third-party content. We operate in one reportable segment to reflect the way management and our chief operating decision maker review and assess the performance of the business.

Reverse Stock Split and Name Change

On September 7, 2023, the Company filed a Certificate of Amendment (the “Amendment”) to the Company’s Second Amended and Restated Certificate of Incorporation, as Amended (the “Charter”), which became effective September 11, 2023, to change the name of the Company from Super League Gaming, Inc. to Super League Enterprise, Inc. (the “Name Change”) and to effect a reverse stock split of the Company’s issued and outstanding shares of common stock, par value $0.001 per share, at a ratio of 1-for-20 (the “Reverse Split”). The Name Change and the Reverse Split were approved by the Company’s Board of Directors (the “Board”) on July 5, 2023, and approved by the stockholders of the Company on September 7, 2023. Refer to Note 7 for additional information regarding the Reverse Split.

All references to common stock, warrants to purchase common stock, options to purchase common stock, restricted stock, share data, per share data and related information contained in the financial statements have been retroactively adjusted to reflect the effect of the Reverse Split for all periods presented.

Increase in Authorized Common Stock

On May 30, 2023, the Company filed a Certificate of Amendment to its Charter (the “May Amendment”), increasing the number of authorized shares of common stock from 100,000,000 to 400,000,000. The Company’s Board previously approved the May Amendment on March 17, 2023, and the Company obtained the approval of the May Amendment by written consent of its stockholders holding greater than 50% of the voting securities of the Company on April 5, 2023.

In connection with the Name Change, the Company also changed its Nasdaq ticker symbol to “SLE” from “SLGG.”

Matters Affecting Comparability

Impairment Charges. In the fourth quarter of 2023, we recorded a non-cash impairment charge related to our partner relationship related intangible assets, comprised primarily of our Microsoft Minecraft server and InPvP developed technology intangible assets originally acquired in connection with the acquisition of Mobcrush, Inc., in June 2021. The Company assesses the recoverability of long-lived assets whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Factors we consider important, which could trigger an impairment review, include significant underperformance relative to expected historical or projected future operating results, and significant changes in the manner of our use of the acquired assets or the strategy in the context of our overall business. Due to underperformance relative to historical and projected future operating results and a decision to deploy resources in other areas of the business, we performed an impairment analysis and determined that the sum of the expected undiscounted future cash flows resulting from the use of the assets was less than the carrying amount of the assets, resulting in an impairment loss totaling $7.1 million, which is recorded in the accompanying consolidated statement of operations for the year ended December 31, 2023.

Loss on intangible asset disposal. In June 2023*,* the Company assigned the intangible assets originally acquired in connection with the Company’s acquisition of Bannerfy in fiscal year 2021, to the original sellers. The assets were disposed of in connection with management’s review of operations and decision to allocate resources elsewhere. As a result, the Company recorded a write-off of net developed technology related intangible assets acquired in connection with the acquisition of Bannerfy totaling $2.3 million, which is included in “Loss on intangible asset disposal” in the accompanying consolidated statement of operations for the year ended December 31, 2023.

Impairment of Goodwill. As described in more detail at Note 2, we performed goodwill impairment tests as of September 30, 2022 and December 31, 2022, resulting in aggregate goodwill impairment charges of $50.3 million for the year ended December 31, 2022.

Executive Summary

Revenue for the years ended December 31, 2023 (“Fiscal Year 2023”) and 2022 (“Fiscal Year 2022”) totaled $25.1 million and $19.7 million, reflecting a year over year increase of 27%. Excluding product design and software development kit related revenue totaling $919,000 recognized in the first quarter of Fiscal Year 2022, total revenue for Fiscal Year 2023 increased $6.3 million, or 34% compared to the comparable prior year period. Cost of revenue for Fiscal Year 2023 and Fiscal Year 2022 (“Fiscal Years 2023 and 2022”) was $15.3 million and $11.2 million, respectively, reflecting an increase of 37%, driven primarily by the significant increase in Fiscal Year 2023 revenues, compared to the prior year. As a percent of revenue, gross profit for Fiscal Year 2023 decreased to 39%, compared to 43% for the prior year period, driven by partial delivery during the third and fourth quarters of 2023 under a significant custom integration and platform media revenue contract with a customer that had a higher average direct cost profile, compared to the programs that generated revenues during the comparable prior year period, and lower cost one-off product design and software development kit related revenue recognized during the first quarter of Fiscal Year 2022.

Total operating expense for Fiscal Year 2023 decreased to $42.6 million compared to $93.5 million in the comparable prior year period. Operating expense for Fiscal Year 2023 included aggregate noncash impairment and loss on intangible asset disposal charges totaling $9.3 million, and Fiscal Year 2022 included a noncash goodwill impairment charge of $50.3 million. Excluding the noncash impairment charges, the decrease in total operating expense reflects decreases in cloud services and other technology platform costs and decreases in personnel, marketing and other corporate costs, resulting from ongoing cost reduction and optimization activities. Excluding noncash stock compensation expense, amortization expense, intangible asset impairment charges, legal settlement charges and mark to market related fair value adjustments, operating expense for Fiscal Year 2023 was $25.1 million, reflecting a 25% reduction in operating expense, compared to the comparable prior year period.

Net loss for Fiscal Year 2023, which includes the impact of significant mark to market related credits as described below, and noncash stock compensation, amortization and intangible asset impairment charges, as summarized below, was $30.3 million or $(13.67) per share, compared to a net loss of $85.5 million, or $(45.95) per share, in the comparable prior year period. The calculation of net loss per share for Fiscal Year 2023 included noncash common stock dividend and deemed dividend related direct charges to accumulated deficit totaling $7.9 million, as described at Note 2. Excluding the impact of the noncash common stock dividend and deemed dividend related direct charges to accumulated deficit, net loss per share for Fiscal Year 2023 was $(10.84).

During Fiscal Year 2023, we continued to deliver top line revenue growth, including, 52%, 42% and 32% increases in sequential quarterly revenues in the second, third and fourth quarters of Fiscal Year 2023, and 17% (excluding product design and software development kit related revenue in Fiscal Year 2022), 18%, 60% and 34%, increases in revenues compared to the prior year comparable quarter in the first, second, third and fourth quarters of Fiscal Year 2023. During the quarter we continued to demonstrate the effectiveness of our overall strategy, providing us with increasing opportunities to take a greater share of advertisers' wallet, as demonstrated by larger deal sizes and continued high repeat customer percentages, and our focus on cost reductions and optimization has positively impacted operating leverage. In addition, we continued to focus on our direct sales force and continued to see increases in sales force effectiveness, as demonstrated by larger total revenue wins for our direct sellers.

During Fiscal Year 2023, we continued to work with signature Brands and clients, along with the acquisition and integration of Melon, where we are delivering immersive experiences that are not just short-term campaigns, but persistent virtual worlds that we believe will continue to change the magnitude and the distribution of our future revenues, more in-line with a recurring revenue model, more forecastable in nature and less like a traditional advertising model. We are a leading scalable, vertically integrated publishing machine across some of today's largest digital social platforms and a metaverse innovation engine for the future of the immersive web.

Entry into Financing and Security Agreement

The Company and its subsidiaries (collectively with the Company, the "Borrowers"), entered into a Financing and Security Agreement (the "SLR Agreement") with SLR Digital Finance, LLC ("Lender"), effective December 17, 2023 (the "Effective Date"). Pursuant to the SLR Agreement, Lender may, from time to time and in its sole discretion, make certain cash advances to the Company (each an "Advance", and collectively, "Advances"), against the face amounts of certain uncollected accounts receivable of the Borrowers on an account-by-account basis (each, a "Financed Account", and collectively, the "Accounts"), at a rate of 85% multiplied by the face value of such Account (the "Advance Rate"), less any reserved funds and any other amounts due to Lender from Borrowers, up to a maximum aggregate Advance amount of $4,000,000 (the "Maximum Amount")(the Advances on the Accounts is hereinafter, the "Facility"). Upon receipt of any Advance, Borrowers will have assigned all of its rights in such receivables and all proceeds thereof. The proceeds received from the Facility are, and will be, used to fund general working capital needs.

The SLR Agreement is effective for 24 months from the Effective Date (the "Term"), automatically extends for successive Terms (each, a "Renewal Term"), and the Borrowers' are obligated to pay the Lender an early termination fee in the event the SLR Agreement is terminated under certain circumstances prior to the end of any Term or Renewal Term, as more specifically set forth in the SLR Agreement.

In connection with the Facility, the Company agreed to, among other things, (i) pay a finance fee equal to 2% of the Maximum Amount, payable in 24 equal monthly installments on the last day of each month of the Term until paid in full, (ii) pay a servicing fee equal to 0.30% multiplied by the actual average daily amount of Advances outstanding at the time of determination (the "Outstanding Amount") for the applicable month, on the last day of each calendar month during the Term (or so long as any obligations arising under the SLR Agreement are outstanding); (iii) be charged a monthly financing fee (the "Financing Fee"), due upon receipt of full payment of a Financed Account by Lender, equal to 1/12 of (a) the prime rate plus 2% (the "Facility Rate"), multiplied by (b) the amount of the Outstanding Amount; and (iv) utilize the facility such that the monthly average aggregate Advances outstanding is at $400,000 (the "Minimum Utilization"). In the event that Borrower's monthly utilization is less than the applicable Minimum Utilization for any month, the Financing Fee for such month shall be calculated as if the applicable Minimum Utilization has been satisfied.

Furthermore, the SLR Agreement imposes various restrictions on the activities of the Borrowers, including a prohibition on fundamental changes to the Company or its subsidiaries (including certain consolidations, mergers and sales and transfers of assets, and limitations on the ability of the Borrowers to grant liens upon their property or assets). The SLR Agreement includes standard Events of Default (as defined in the SLR Agreement), and provide that, upon the occurrence of certain events of default, Lender may, among other things, immediately collect any obligation owing to Lender under the SLR Agreement, cease advancing money to the Borrowers, take possession of any collateral, and/or charge interest at a rate equal to the lesser of (i) 6% above the Facility Rate, and (ii) the highest default rate permitted by applicable law.

As security for the full and prompt payment and performance of any obligations arising under the SLR Agreement, the Borrowers granted to Lender a continuing first priority security interest in all the assets of the Borrowers. The SLR Agreement also provides for customary provisions, including representations, warranties and covenants, indemnification, waiver of jury trial, arbitration, and the exercise of remedies upon a breach or default.

Acquisition of Melon, Inc.

On May 4, 2023 (the "Melon Closing Date"), we entered into an Asset Purchase Agreement (the "Purchase Agreement") with Melon, Inc., a Delaware corporation ("Melon"), pursuant to which the Company acquired substantially all of the assets of Melon (the "Melon Assets") (the "Melon Acquisition"). The consummation of the Melon Acquisition (the "Closing") occurred simultaneously with the execution of the Purchase Agreement. Melon is a development studio building innovative virtual worlds in partnership with powerful consumer brands across music, film, TV, sports, fashion and youth culture. With this acquisition, Super League further strengthens its position as a one-stop solutions provider and strategic operating partner for marquee brands and businesses seeking to expand and activate communities throughout the gaming metaverse.

At the Closing, the Company paid an aggregate total of $900,000 to Melon (the "Closing Consideration"), of which $150,000 was paid in cash, and the remaining $750,000 was paid in the form of shares of the Company's common stock (with a closing date fair value of $722,000), valued at $9.64 (the "Closing Share Price"), the volume weighted average price ("VWAP") of the Company's common stock for the five trading days immediately preceding the Melon Closing Date, as quoted on the Nasdaq Capital Market. Refer to the table at Note 5 for calculation of the fair value of consideration paid.

Pursuant to the terms and subject to the conditions of the Purchase Agreement, up to an aggregate of $2,350,000 (the "Contingent Consideration") will be payable to Melon in connection with the achievement of certain revenue milestones for the period from the Closing until December 31, 2023 (the "First Earnout Period") in the amount of $1,000,000, and for the year ending December 31, 2024 (the "Second Earnout Period) in the amount of $1,350,000 (the "Second Earnout Period" and the First Earnout Period are collectively referred to as the "Earnout Periods"). The Contingent Consideration is payable in the form of cash and common stock, with $600,000 of the aggregate Contingent Consideration being payable in the form of cash, and $1,750,000 payable in the form of common stock, valued at the greater of (a) the Closing Share Price, and (b) the VWAP for the five trading days immediately preceding the end of each respective Earnout Period.

Additionally, pursuant to the Purchase Agreement, the Company entered into employment agreements with two former key Melon employees ("Key Melon Employees"), pursuant to which the Key Melon Employees were granted inducement awards consisting of restricted stock unit awards ("RSUs") to acquire an aggregate of 103,780 shares of its common stock as described at Note 5.

Roblox Partner Program

On August 2, 2023, we announced that Super League joined the Roblox (NYSE: RBLX) Partner Program. As an early mover in building and distributing creative and impactful programs for brands, in partnership with hundreds of top Roblox developers, joining the Roblox Partner Program will allow Super League to elevate its offerings to include the official Roblox advertising system with Immersive Ads. The added capabilities augment Super League's powerful end-to-end, innovative solutions, enabling brands to reach the highly engaged audience on Roblox, a global immersive platform where over 66 million people connect and communicate daily.

Super League was an early mover in the space, enabling extensive third-party distribution for brands on Roblox by providing hundreds of developers in the community with measurement, monetization, and optimization tools. Through the Roblox Partner Program, Super League is evolving its offering by repurposing its previous ad network to solely focus on Roblox's Immersive Ads product to enable brands to reach audiences at scale. Super League will be integrating Roblox's Immersive Ads into its growing suite of cross-platform offerings and capabilities inclusive of experience creation, promotion, distribution, and monetization:

- Highly immersive ad formats for the official Roblox advertising system;
- Bespoke brand integrations into popular experiences;
- Proprietary Pop-Up Shops, interactive characters, and integrated content products;
- First-to-market home grown solution to turn digital in-experience codes into real-world physical redemptions;
- Robust influencer marketing programs;
- In-experience brand lift studies;
- Expert video content creation for Tik Tok, YouTube, and more; and
- Metaverse strategy & innovation consulting.

Super League's inclusion in the Roblox Partner Program, combined with its longstanding dedication to supporting hundreds of Roblox developers with software to help manage and grow their businesses, creates an unparalleled opportunity to achieve massive reach and powerful results for brands. Immediate benefits of being part of the program include access to educational resources and training, along with comprehensive tools, collateral, and insights for brand onboarding and education.

LandVault Strategic Partnership

In April 2023, we formed a strategic partnership with LandVault, the largest construction company in the metaverse. This created a unique powerful metaverse alliance ready to provide brands with scalable solutions and bridge the gap between Web2 and Web3. Together, we have already launched programs in the UAE specific to virtual tourism and see significant opportunities in this vertical and others across the greater Gulf Cooperation Council ("GCC") countries.

Equity Financings

Convertible Preferred Stock Issuances

- *Series AAA Convertible Preferred Financing*

  On the dates set forth in the applicable table below, we entered into subscription agreements with accredited investors in connection with the sale of an aggregate of 8,355 shares of newly designated Series AAA and AAA-2 Convertible Preferred Stock, each series having a $0.001 par value and a $1,000 purchase price, hereinafter collectively referred to as "Series AAA Preferred," and the individual offerings of Series AAA Preferred stock, hereinafter collectively referred to as the "Series AAA Offerings", raising gross proceeds of $8.4 million, before fees.

- *Series AA Convertible Preferred Financing*

  On the dates set forth in the applicable table below, we entered into subscription agreements with accredited investors in connection with the sale of an aggregate of 11,781 shares of newly designated Series AA, AA-2, AA-3, AA-4 and AA-5 Convertible Preferred Stock, each series having a $0.001 par value and a $1,000 purchase price, hereinafter collectively referred to as "Series AA Preferred," and the individual offerings of Series AA Preferred stock hereinafter collectively referred to as the "Series AA Offerings", raising gross proceeds of $11.8 million, before fees.

- *Series A Convertible Preferred Financing*

  On the dates set forth in the applicable table below, we entered into subscription agreements with accredited investors in connection with the sale of an aggregate of 12,622 shares of newly designated Series A, A-2, A-3, A-4 and A-5 Convertible Preferred Stock, each series having a $0.001 par value and a $1,000 purchase price, hereinafter collectively referred to as "Series A Preferred," and the individual offerings of Series A Preferred stock, hereinafter, collectively referred to as the "Series A Offerings", raising gross proceeds of $12.6 million, before fees.

In connection with the Series A Offerings, Series AA Offerings, and Series AAA Offerings (collectively, the "Preferred Offerings"), the Company filed Certificates of Designation of Preferences, Rights and Limitations of the respective series stock with the State of Delaware. Use of net proceeds from the Preferred Offerings for the periods presented included working capital, repayment of certain indebtedness and general corporate purposes, including sales and marketing activities and product development.

The Company undertook the Preferred Offerings pursuant to certain placement agency agreements (collectively, the "Placement Agency Agreements") with Aegis Capital Corporation, a New York corporation and registered broker-dealer and member of the Financial Industry Regulatory Authority (the "Placement Agent"), which acted as the Company's exclusive placement agent for the Offerings. Pursuant to the terms of the Placement Agency Agreements, in connection with the closings of the Offerings, the Company paid the Placement Agent aggregate cash fees, and non-accountable expense allowances as disclosed in the applicable tables below, and issued to the Placement Agent or its designees warrants to purchase shares of common stock as disclosed in the tables below, at the conversion prices disclosed below. Refer to Liquidity and Capital Resources, below, and Note 7 for additional information.

Common Stock Issuances

On August 21, 2023, we entered into an underwriting agreement (the "Underwriting Agreement") with Aegis Capital Corp. (the "Underwriter"), relating to the Company's public offering (the "Common Stock Offering") of 778,653 shares of its common stock, and pre-funded warrants to purchase 67,500 shares of the Company's common stock, in lieu of the Company's common stock (the "Pre-Funded Warrants", and collectively with the Shares, the "Firm Securities") to certain investors. Pursuant to the Underwriting Agreement, the Company also granted the Underwriters a 45-day option ("Option") to purchase an additional 126,923 shares of the Company's common stock and/or Pre-Funded Warrants (the "Option Securities", and together with the Firm Securities, the "Securities"). On September 12, 2023, the Underwriter partially exercised its Option and purchased an additional 32,616 shares of common stock at a price of $2.60 per share. The issuance by the Company of the Option Securities resulted in total gross proceeds of approximately $84,800, before deducting underwriting discounts, commissions, and other offering expenses payable by the Company.

On August 23, 2023, the Company issued the Firm Securities and closed the Offering at a public price of $2.60 per share, and $2.58 per share underlying each Pre-Funded Warrant, for net proceeds to the Company of approximately $1.8 million after deducting underwriting discounts and commissions and estimated offering expenses payable by the Company. Use of net proceeds from the Common Stock Offering for the periods presented included working capital and general corporate purposes, including sales and marketing activities and product development.

The Firm Securities were offered, issued, and sold pursuant to a prospectus supplement and accompanying prospectus filed with the Securities and Exchange Commission (the “SEC”) pursuant to an effective shelf registration statement filed with the SEC on Form S-3 (File No. 333-259347) (the “Registration Statement”) under the Securities Act of 1933, as amended (the “Securities Act”), as supplemented by a prospectus supplement, dated August 23, 2023, relating to the Securities (together with the accompanying base prospectus, dated September 7, 2021, the “Prospectus Supplement”), filed with the SEC pursuant to Rule 424(b) of the Securities Act on August 23, 2023. Refer to “Liquidity and Capital Resources” and Note 7 below for additional information.

Compliance with NASDAQ Listing Rule 5550(a)(2)

On September 25, 2023, we received a written notice from The Nasdaq Stock Market (“Nasdaq”) informing us that the Company has regained compliance with the minimum bid price requirement under NASDAQ Listing Rule 5550(a)(2) (the “Rule”) for continued listing on the Nasdaq Capital Market.

Previously, On October 4, 2022, we received a letter (the “Letter”) from the Listing Qualifications Staff of Nasdaq, indicating that, based upon the closing bid price of our common stock for 30 consecutive business days, the Company was not currently in compliance with the requirement to maintain a minimum bid price of $1.00 per share for continued listing on the Nasdaq Capital Market, as set forth in the Rule, and on April 4, 2023, we received an extension notice letter (the “Extension Notice”) from Nasdaq notifying the Company that Nasdaq has granted the Company a 180-day extension until October 2, 2023 (the “Extension Period”), to regain compliance with the Rule.

Sale of Minehut

On February 29, 2024, the Company sold its Minehut business unit (“Minehut”) to GamerSafer, Inc., a Delaware corporation (“GamerSafer”), in a transaction approved by the Board of Directors of the Company. Pursuant to the Asset Purchase Agreement entered into by and between GamerSafer and the Company on February 26, 2024 (the “GS Agreement”), the Company will receive $1,000,000 of purchase consideration for Minehut, which amount will be paid by GamerSafer in revenue and royalty sharing over a period of two years, as described in the GS Agreement. Other than with respect to the GS Agreement, there is no relationship between the Company or its affiliates with GamerSafer or its affiliates.

The transaction allows Super League to streamline its position in partnering with major brands to build, market, and operate 3D experiences across multiple immersive platforms, including open gaming powerhouses like Minecraft, and aligns with our cost improvement initiative. The two companies will maintain a commercial relationship which ensures that Minehut can remain an ongoing destination available to Super League’s partners.

Seasonality

Our revenue fluctuates quarterly and is generally higher in the second half of our fiscal year, with the fourth quarter typically representing our highest revenue quarter each year. Advertising spending is traditionally seasonally strong in the second half of each year, reflecting the impact of seasonal back to school, game release and holiday season advertising spending by brands and advertisers. We believe that this seasonality in advertising spending affects our quarterly results, which generally reflect relatively higher advertising revenue in the second half of each year, compared to the first half of the year.

Results of Operations for the Fiscal Years Ended December 31, 2023 and 2022

We derived the financial data as of and for the Fiscal Years 2023 and 2022, set forth below, from our audited consolidated financial statements included elsewhere herein, and should be read in conjunction with those audited consolidated financial statements and related notes thereto, as well as the information found under this section. Our historical results are not necessarily indicative of the results to be expected in future periods. All references to “Note,” followed by a number reference from one to twelve herein, refer to the applicable corresponding numbered footnotes to the consolidated financial statements contained elsewhere herein.

The following table sets forth a summary of our results of operations for Fiscal Years 2023 and 2022:

	Fiscal Year Ended December 31,		Change	
	2023	2022	$	%
REVENUE	$ 25,079,000	$ 19,677,000	$ 5,402,000	27%
COST OF REVENUE	15,297,000	11,162,000	4,135,000	37%
GROSS PROFIT	9,782,000	8,515,000	1,267,000	15%
OPERATING EXPENSE				
Selling, marketing and advertising	12,450,000	12,036,000	414,000	3%
Engineering, technology and development	9,500,000	15,876,000	(6,376,000)	(40)%
General and administrative	10,258,000	12,094,000	(1,836,000)	(15)%
Contingent consideration	1,075,000	3,206,000	(2,131,000)	(66)%
Loss on intangible asset disposal	2,284,000	-	2,284,000	100%
Impairment of intangible assets and goodwill	7,052,000	50,263,000	(43,211,000)	(86)%
Total operating expense	42,619,000	93,475,000	(50,856,000)	(54)%
NET LOSS FROM OPERATIONS	(32,837,000)	(84,960,000)	(52,123,000)	(61)%
OTHER INCOME (EXPENSE), NET	2,194,000	(696,000)	(2,890,000)	(415)%
Loss before benefit from income taxes	(30,643,000)	(85,656,000)	(55,013,000)	(64)%
Benefit from income taxes	313,000	205,000	108,000	53%
NET LOSS	$ (30,330,000)	$ (85,451,000)	$ (55,121,000)	(65)%

Comparison of the Results of Operations for the Fiscal Years Ended December 31, 2023 and 2022

Revenue

	Fiscal Year Ended December 31,		Change	
	2023	2022	$	%
Media and advertising	$ 10,919,000	$ 12,122,000	$ (1,203,000)	(10%)
Publishing and content studio	12,732,000	5,744,000	6,988,000	122%
Direct to consumer	1,428,000	1,811,000	(383,000)	(21%)
	$ 25,079,000	$ 19,677,000	$ 5,402,000	27%

	Fiscal Year	
	2023	2022
Number of customers > 10% of revenue / percent of revenue	One / 14%	- / -
By revenue category:		
Advertising and sponsorships	One / 3%	- / -
Publishing and content studio	One / 11%	- / -

- Total revenue increased $5.4 million, or 27%, to $25.1 million, compared to $19.7 million in the comparable prior year period. Revenue for Fiscal Year 2022 included $919,000 of product design and software development kit related revenue pursuant to a development agreement with a customer. Excluding product design and software development kit related revenue recognized during Fiscal Year 2022, total revenue for Fiscal Year 2023 increased $6.3 million, or 34% compared to the comparable prior year period.

- Media and advertising revenue decreased $1.2 million, or 10%, to $10.9 million, compared to $12.1 million in the comparable prior year period. The change reflected a $1.6 million increase in on-platform, off-platform and other related media sales revenue, offset by a $2.8 million decrease in influencer marketing related revenues, reflecting a strategic shift in the allocation of resources to higher margin media and custom products.

- Publishing and content studio revenue, excluding product design and software development kit related revenue recognized during Fiscal Year 2022, increased $7.9 million, or 164%, driven primarily by a 253% increase in custom game development and immersive experience related revenues, including revenues for immersive experiences for Kraft Lunchables, Lego, Dave & Busters, Proctor & Gamble, Yas Island, Hamiliton, Arm & Hammer, Universal Pictures, "Trolls Band Together," Universal Pictures, "Migration", Canon and Motorola Solutions. Publishing and content studio sales revenue for Fiscal Year 2022 included $919,000 of product design and software development kit related revenue pursuant to a development agreement with a customer.

- Direct to consumer revenue decreased $383,000, or 21%, compared to the comparable prior year period, driven primarily by a 35% decrease in "in-game" platform sales of digital goods within our Mineville, official Microsoft Minecraft partner gaming server digital property, partially offset by a 26% increase in revenues for our Minehut digital property, which provides Minecraft server hosting services on a subscription basis and other digital goods to the Minecraft gaming community.

Cost of Revenues

Cost of revenue includes direct costs incurred in connection with the satisfaction of performance obligations under our revenue arrangements including internal and third-party engineering, creative, content, broadcast and other personnel, talent and influencers, internal and third-party game developers, content capture and production services, direct marketing, cloud services, software, prizing, and revenue sharing fees. Cost of revenue fluctuates 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, media and advertising campaigns and publishing and content studio sales activities occurring each period.

Cost of revenue increased $4.1 million, or 37%, driven primarily by the 27% increase in related revenues for the fiscal year periods presented. The greater than proportionate change in cost of revenue was driven by partial delivery during the period under a significant custom integration and platform media revenue contract with a customer that had a higher average direct cost profile compared to the programs that generated revenues during the prior year period, and lower cost product design and software development kit related revenue recognized during the first quarter of Fiscal Year 2022.

Operating Expense

	Fiscal Year Ended December 31,		Change	
	2023	2022	$	%
Selling, marketing and advertising	$ 12,450,000	$ 12,036,000	$ 414,000	3%
Engineering, technology and development	9,500,000	15,876,000	(6,376,000)	(40)%
General and administrative	10,258,000	12,094,000	(1,836,000)	(15)%
Contingent consideration	1,075,000	3,206,000	(2,131,000)	(66)%
Loss on intangible asset disposal	2,284,000	-	2,284,000	100%
Impairment of intangible assets and goodwill	7,052,000	50,263,000	(43,211,000)	(86)%
Total operating expense	$ 42,619,000	$ 93,475,000	$ (50,856,000)	(54)%

Noncash Stock-Based Compensation Expense

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

	Fiscal Year Ended December 31,		Change	
	2023	2022	$	%
Selling, marketing and advertising	$ 879,000	$ 1,079,000	$ (200,000)	(19)%
Engineering, technology and development	219,000	389,000	(170,000)	(44)%
General and administrative	1,637,000	2,795,000	(1,158,000)	(41)%
Total noncash stock-based compensation expense	$ 2,735,000	$ 4,263,000	$ (1,528,000)	(36)%

Modifications to Equity-Based Awards

On January 1, 2022, the Company issued 67,500 performance stock units ("PSUs") under the Company's 2014 Amended and Restated Stock Option and Incentive Plan (the "2014 Plan"), which vest in five equal increments of 13,500 PSUs, based on satisfaction of market based vesting conditions, as described at Note 8. Noncash stock compensation expense related to the PSUs, which is recognized on an accelerated basis over the derived term, totaled $299,000 and $2,142,000 for Fiscal Years 2023 and 2022, respectively.

On April 30, 2023, the Board approved the cancellation of the 67,500 PSUs previously granted to certain executives under the 2014 Plan (as described above). In exchange for the cancelled PSUs, the executives were granted an aggregate of 67,500 PSUs, which vest, over a five-year term, upon the Company's common stock achieving certain VWAP goals as follows: (i) 20% upon achieving a 60-day VWAP of $16.00 per share, (ii) 20% upon achieving a 60-day VWAP of $20.00 per share; (iii) 20% upon achieving a 60-day VWAP of $24.00 per share; (iv) 20% upon achieving a 60-day VWAP of $28.00 per share; and (v) 20% upon achieving a 60-day VWAP of $32.00 per share, in each case, as quoted on the Nasdaq Capital Market ("PSU Modification"). Total incremental compensation cost related to the PSU Modification totaled $540,000 which is recognized over the remaining implied service period, ranging from .69 years to 1.5 years, calculated in connection with the Monte Carlo simulation model used to determine the fair value of the PSUs immediately before and after the modification. Noncash stock compensation expense related to the modified PSUs, which is recognized on an accelerated basis over the derived term, totaled $351,000 for Fiscal Year 2023.

On April 30, 2023, the Board approved the cancellation of certain stock options to purchase an aggregate of 58,951 shares of the Company's common stock previously granted to certain executives and employees under the 2014 Plan, with an average exercise price of approximately $56.40. In addition, the Board approved the cancellation of certain warrants to purchase an aggregate of 26,100 shares of the Company's common stock previously granted to certain executives and employees, with an average exercise price of approximately $199.80 ("Executive Grant Modification"). In exchange for the cancelled options and warrants, certain executives and employees were granted options to purchase an aggregate of 305,000 shares of common stock under the 2014 Plan, at an exercise price of $9.80 (the closing price of the Company's common stock as listed on the Nasdaq Capital Market on April 28, 2023, the last trading day before the approval of the awards), with one-third of the options vesting on the April 30, 2023, the grant date, with the remainder vesting monthly over the thirty-six month period thereafter, subject to continued service ("Executive Grant Modifications"). The exercise of the options under these awards was contingent upon the Company receiving approval from its stockholders to increase the number of shares available under the 2014 Plan, which was obtained in connection with the Company's 2023 annual shareholder meeting. Total incremental compensation cost related to the Executive Grant Modifications totaled $347,000, $112,000 of which related to vested awards as of the modification date and was recognized as expense immediately, and $235,000 related to unvested awards which is recognized prospectively over the remaining service period of 3 years.

On May 1, 2023, the Board approved the cancellation of options to purchase an aggregate of 29,224 shares of the Company's common stock previously granted to its employees under the 2014 Plan, in exchange for newly issued options to purchase an aggregate of 63,900 shares of the Company's common stock under the 2014 Plan, at an exercise price equal to the closing trading price on May 1, 2023, or $9.81, with a range of zero to one-third of the options vesting on the May 1, 2023, the grant date, dependent upon the tenure of the employee, and the remainder vesting monthly over the forty-eight month period thereafter, subject to continued service ("Employee Grant Modifications"). Unrecognized compensation expense related to the original award as of the date of the Employee Grant Modifications totaled $960,000 which is recognized prospectively over the remaining service period of 4 years. Total incremental compensation cost related to the Employee Grant Modifications totaled $449,000, $101,000 of which related to vested awards as of the modification date and was recognized as expense immediately, and $348,000 related to unvested awards which is recognized prospectively over the remaining service period of 4 years.

Intangible Asset Amortization Expense

Intangible asset amortization expense for the periods presented was included in the following operating expense line items:

	Fiscal Year Ended December 31,		Change	
	2023	2022	$	%
Sales, marketing and advertising	$ 2,125,000	$ 2,104,000	$ 21,000	1%
Engineering, technology and development	2,331,000	2,326,000	5,000	-%
General and administrative	782,000	1,199,000	(417,000)	(35)%
Total amortization expense	$ 5,238,000	$ 5,629,000	$ (391,000)	(7)%

Selling, Marketing and Advertising

Selling, marketing and advertising expense increased $414,000 or 3%, primarily due to the following:

- An increase in personnel costs and sales commissions totaling $1.3 million, including an increase in personnel costs totaling $608,000, in connection with the Melon Acquisition, which included the acquisition of ten former Melon full time resources, which are included in our client facing sales and marketing functions.

- The increase was partially offset by a $625,000, or 63% decrease in digital and other marketing and sales consulting expenses during Fiscal Year 2023, in connection with ongoing cost reduction and optimization activities.

Engineering, Technology and Development

Components of our platform are available on a "free to use," "always on basis," and are utilized and offered as an audience acquisition tool, as a means of growing our audience, engagement, viewership, players and community. Engineering, technology and development related operating expenses include the costs described below, incurred in connection with our audience acquisition and viewership expansion activities. Engineering, technology and development related operating expense includes (i) allocated internal engineering personnel expense, including salaries, noncash stock compensation, taxes and benefits, (ii) third-party contract software development and engineering expense, (iii) internal use software cost amortization expense, and (iv) technology platform related cloud services, broadband and other platform expense, incurred in connection with our audience acquisition and viewership expansion activities, including tools and product offering development, testing, minor upgrades and features, free to use services, corporate information technology and general platform maintenance and support. Capitalized internal use software development costs are amortized on a straight-line basis over the software's estimated useful life.

The net increase in engineering, technology and development costs was primarily due to the following:

- Engineering, technology and development costs decreased $6.4 million, or 40% driven primarily by a decrease in cloud services and other technology platform costs totaling $3.3 million, or 58%, and a decrease in product and engineering personnel costs totaling $2.7 million, or 39%, reflecting the impact of ongoing cost reduction and optimization activities.

General and Administrative

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

	Fiscal Year Ended December 31,		Change	
	2023	2022	$	%
Personnel costs	$ 2,605,000	$ 2,901,000	$ (296,000)	(10)%
Office and facilities	202,000	249,000	(47,000)	(19)%
Professional fees	798,000	1,247,000	(449,000)	(36)%
Stock-based compensation	1,638,000	2,795,000	(1,157,000)	(41)%
Depreciation and amortization	866,000	1,306,000	(440,000)	(34)%
Other	4,149,000	3,596,000	553,000	15%
Total general and administrative expense	$ 10,258,000	$ 12,094,000	$ (1,836,000)	(15)%

The net decrease in general and administrative expense for the periods presented was primarily due to the following:

- Personnel costs decreased due to headcount reductions in various corporate, general and administrative functions in connection with ongoing cost reduction and optimization activities.

- Noncash stock compensation expense included in general and administrative expense decreased primarily due to a reduction in amortization of noncash stock compensation expense in connection with performance-based stock units granted on January 1, 2022, which vest based on the achievement of certain Company stock price targets, as described at Note 8, and are amortized on an accelerated basis in the earlier periods due to the utilization of a Monte Carlo simulation model to determine the estimated fair value of the equity-based award. The decrease also reflects the impact of the PSU Modification, as described above, and the related reduction in the grant date fair market value of the underlying Company common stock, as compared to the original grant date fair market value, which is used as an input to the Monte Carlo simulation model utilized to determine the estimated fair value of the equity-based award on the modification date.

- Professional fees costs decreased primarily due to legal and audit related professional fees incurred in the prior year period in connection with our June 2022 convertible debt financing which were expensed as incurred, a decrease in external legal fees due to the transitioning of the Company's corporate legal services function from third-party consultant to inhouse, and a reduction in complex transaction related audit fees.

- Depreciation and amortization expense decreased due primarily to certain products and offerings acquired in connection with the Mobcrush Acquisition being rebranded during Fiscal Year 2022. As a result, the Company recorded a write down of trademark related intangible assets acquired in connection with the Mobcrush Acquisition totaling $423,000 during Fiscal Year 2022.

- During the fourth quarter of 2023, the Note Holders (as defined at Note 6) made certain claims arising from an interpretation of certain rights that the Note Holders had pursuant to the terms of the SPA (as defined at Note 6). On March 12, 2024, the Company and the Note Holders (the "Parties") executed a Mutual General Release and Settlement Agreement (the "Settlement Agreement") settling all claims between the Parties with respect to the SPA. In consideration for the Settlement Agreement, the Company agreed to issue the Parties an aggregate amount of 500,000 shares of common stock (the "Settlement Payment"). The Company accrued the fair value of the Settlement Payment as of December 31, 2023, resulting in a settlement expense of $760,000 which is included in general and administrative expense in the consolidated statement of operations.

Contingent Consideration

Super Biz Acquisition

The Company hired the Founders of Super Biz Co. ("Super Biz") in connection with the acquisition of (i) substantially all of the assets of Super Biz (the "Super Biz Assets"), and (ii) the personal goodwill of the founders of Super Biz (the "Founders") regarding Super Biz's business (collectively, the "Super Biz Acquisition"). Pursuant to the provisions of the Asset Purchase Agreement entered into for the Super Biz Acquisition (the "Super Biz Purchase Agreement"), in the event that a Founder ceases to be an employee during the period from the October 4, 2021 (the "Super Biz Closing Date") until December 31, 2022, and for Fiscal Year 2023 (the "Super Biz Earnout Periods"), as a consequence of his resignation without good cause, or termination for cause, the Super Biz Contingent Consideration will be reduced by one-half (50%) for the respective Super Biz Earn Out Period, if and when earned. Under the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 805 - Accounting For Contract Assets And Contract Liabilities From Contracts With Customers ("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, the Contingent Consideration, is accounted for as post-combination services and expensed in the period that payment of any amounts of Contingent Consideration is determined to be probable and reasonably estimable. During Fiscal Year 2022, the Company determined that it was probable that the contingency for the Super Biz Earn Out Periods would be met in accordance with the terms of the Super Biz Purchase Agreement, and the applicable amounts were reasonably estimable. Contingent Consideration is recorded as a liability in the accompanying consolidated balance sheets in accordance with FASB ASC Topic 480 – "Distinguishing Liabilities from Equity" ("ASC 480"), which requires freestanding financial instruments where the company must or could settle the obligation by issuing a variable number of its shares, and the obligation's monetary value is based solely or predominantly on variations in something other than the fair value of the company's shares, to be recorded as a liability at fair value and re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations.

The change in accrued Super Biz Contingent Consideration and the related impact on our consolidated statement of operations for the periods presented was comprised of the following:

	Fiscal Year Ended December 31,	
	2023	2022
Beginning balance	$ 3,206,000	$ -
Change in fair value	137,000	(174,000)
Current period accrued contingent consideration	1,750,000	3,380,000
Contingent consideration payments(2)	(3,423,000)	-
Accrued contingent consideration(1)	$ 1,670,000	$ 3,206,000

(1) As of December 31, 2023, includes 27,968 shares of common stock valued at $1.52, the closing price of our common stock as of the applicable period end date. As of December 31, 2022, included 49,399 shares of common stock valued at $6.72, the closing price of our common stock as of December 31, 2022.

(2) In April 2023, the Company paid accrued contingent consideration related to the Initial Earn Out Period, comprised of $2.9 million of cash payments and payment of 49,399 shares of our common stock valued at $548,000.

Melon Acquisition

On May 4, 2023, (the "Melon Acquisition Date"), Super League entered into the Melon Purchase Agreement with Melon, pursuant to which the Company acquired substantially all of the Melon Assets in the Melon Acquisition.

Pursuant to the terms and subject to the conditions of the Purchase Agreement, the Melon Contingent Consideration will be payable to Melon in connection with the achievement of certain revenue milestones for the Earnout Periods. The Melon Contingent Consideration is payable in the form of cash and common stock, with $600,000 of the aggregate Melon Contingent Consideration being payable in the form of cash, and $1,750,000 payable in the form of common stock, valued at the greater of (a) the Closing Share Price, and (b) the VWAP for the five trading days immediately preceding the end of each respective Earnout Period.

In accordance with the acquisition method of accounting, the financial results of Super League presented herein include the financial results of Melon subsequent to the Melon Closing Date. Disclosure of revenue and net loss for Melon on a stand-alone basis for the applicable periods presented is not practical due to the integration of Melon activities, including sales, products, advertising inventory, resource allocation and related operating expense, with those of the consolidated Company upon acquisition, consistent with Super League operating in one reporting segment.

The Company determined that the Melon Acquisition constitutes a business acquisition as defined by ASC 805. 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, totaling approximately $47,000, were expensed as incurred pursuant to the acquisition 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 of the assets acquired and liabilities assumed and represents management's best estimate based on available data. Fair values are determined based on the requirements of ASC 820.

The following table summarizes the determination of the fair value of the purchase price consideration paid in connection with the Melon Acquisition:

Cash consideration at closing		$ 150,000
Equity consideration at closing – shares of common stock	77,833	
Super League closing stock price per share on the Melon Closing Date	$ 9.28	
Fair value of equity consideration issued at closing	$ 722,000	722,000
Fair value of contingent consideration at closing		1,350,000
Fair value of total consideration issued at closing		$ 2,222,000

The 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 Melon Acquisition, as follows:

	Amount
Assets Acquired and Liabilities Assumed:	
Accounts receivable and other assets	$ 36,000
Liabilities assumed	(188,000)
Identifiable intangible assets	510,000
Identifiable net assets acquired	358,000
Goodwill	1,864,000
Total purchase price	$ 2,222,000

The following table presents details of the fair values of the acquired intangible assets of Melon:

	Estimated Useful Life (in years)	Amount
Developed technology	5	$ 250,000
Developer relationships	2	50,000
Customer relationships	6	190,000
Trade names / trademarks	0.5	20,000
Total intangible assets acquired		$ 510,000

Contingent consideration is recorded as a liability in the accompanying consolidated balance sheets in accordance with ASC 480, which requires freestanding financial instruments where the company must or could settle the obligation by issuing a variable number of its shares, and the obligation's monetary value is based solely or predominantly on variations in something other than the fair value of the company's shares, to be recorded as a liability at fair value and re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations. The estimated fair value of the Melon Contingent Consideration was $538,000 at December 31, 2023. The fair value of the Melon Contingent Consideration on the respective valuation dates was determined utilizing a Monte Carlo simulation model and measured using Level 3 inputs, as described at Note 2. Assumptions utilized in connection with utilization of the Monte Carlo simulation model for the periods presented included risk free interest rates ranging from 4.04 % to 5.35%, volatility rates ranging from 70% to 85%, and a discount rate of 30%.

The change in fair value, which is included in contingent consideration expense in the accompanying statement of operations for the year ended December 31, 2023 was comprised of the following:

	Fiscal Year Ended December 31, 2023
Initial balance – Melon Acquisition Date	$ 1,350,000
Change in fair value	(682,000)
Current period accrued contingent consideration	61,000
Post closing adjustments(2)	(191,000)
Accrued contingent consideration(1)	$ 538,000

(1) Includes total contingent consideration for the First Earn Out Period totaling $333,000, including 72,118 shares of common stock valued at $1.52, the closing price of our common stock as of the applicable period end date.

(2) The Melon Purchase Agreement provided for adjustments to the calculated Melon Contingent Consideration amounts to account for advanced payments made to Melon from customers prior to the Melon Acquisition Date, for which the corresponding work was not performed as of the Melon Acquisition Date.

Loss on intangible asset disposal

In June 2023, the Company assigned the intangible assets originally acquired in connection with the Company's acquisition of Bannerfy in fiscal year 2021, to the original sellers. The assets were disposed of in connection with management's review of operations and decision to allocate resources elsewhere. As a result, the Company recorded a disposal of net developed technology related intangible assets acquired in connection with the acquisition of Bannerfy totaling $2,284,000, which is included in "Loss on intangible asset disposal" in the accompanying consolidated statement of operations for the year ended December 31, 2023.

Intangible Asset Impairment

Impairment Charges. In the fourth quarter of Fiscal Year 2023 we recorded a non-cash impairment charge related to our partner relationship related intangible assets, comprised of our Microsoft Minecraft server and InPvP developed technology intangible assets originally acquired in connection with the acquisition of Mobcrush, Inc. in June 2021. The Company assesses the recoverability of long-lived assets whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Factors we consider important, which could trigger an impairment review, include significant underperformance relative to expected historical or projected future operating results, and significant changes in the manner of our use of the acquired assets or the strategy in the context of our overall business. Due to underperformance relative to historical and projected future operating results and a decision to deploy resources in other areas of the business, we performed an impairment analysis and determined that the sum of the expected undiscounted future cash flows resulting from the use of the assets was less than the carrying amount of the assets, resulting in an impairment loss totaling $7.1 million, which is recorded in the accompanying consolidated statement of operations for Fiscal Year 2023. The fair value was determined using a discounted cash flow approach, with cash flow projections over the remaining life of the intangible assets of five years and a discount rate of 16% based on the Company's estimated cost of capital. The impairment charge was based on the difference between the calculated fair value of the intangible assets totaling $860,000 and the carrying value of the applicable intangible assets which totaled $7,912,000 as of December 31, 2023.

Impairment of Goodwill

As described at Note 2, we performed goodwill impairment tests as of September 30, 2022 and December 31, 2022 ("Measurement Dates"). We utilized the market capitalization of the Company (Level 1 observable input) as of the respective Measurement Dates to estimate the fair value of the Company's single reporting unit. The estimated market capitalization was determined by multiplying the applicable measurement date stock prices and the common shares outstanding as of the respective Measurement Dates. The market capitalization approach was utilized to estimate the fair value of our single reporting unit due to the significance of the decline in stock price as of the respective Measurement Dates, resulting in a market capitalization that was below the net book value of our single reporting unit as of the respective Measurement Dates. As of September 30, 2022, based on the analysis, the estimated fair value of our reporting unit was $25.2 million, compared to a carrying value of our single reporting unit of $67.3 million resulting in a goodwill impairment charge of $42.0 million, which was reflected in the consolidated statement of operations for the third quarter of Fiscal Year 2022. As of December 31, 2022, based on the analysis, the estimated fair value of our reporting unit was $12.6 million, compared to a carrying value of our single reporting unit of $27.5 million, resulting in a fourth quarter 2022 goodwill impairment charge of $8.3 million, reflecting the write down of the remaining balance of goodwill for our single reporting unit.

Other Income (Expense)

Change in Fair Value of Warrant Liability

The Placement Agent Warrants issued in connection with the Preferred Offerings include provisions that are triggered in the event of the occurrence of a Fundamental Transaction, as defined in the underlying warrant agreement, which contemplates the potential for certain transactions that result in a third-party acquiring more than 50% of the outstanding shares of common stock of the Company for cash or other assets. Given the existence of multiple classes of voting stock for the Company, as described herein, the Fundamental transaction provisions in the warrant agreements could result in a 50% or more change in ownership of outstanding common stock, without a 50% change in voting interests. As such, the Placement Agent Warrants are not eligible for the scope exception under ASC 815, "Derivatives and Hedging," ("ASC 815"), and therefore, the fair value of the Placement Agent Warrants are recorded as a liability at fair value on the consolidated balance sheet and re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations.

The change in warrant liability and the related income statement impact for the applicable periods was comprised of the following:

	Fiscal Year Ended December 31, 2023
Beginning balance	$ -
Initial fair value of Series A and AA Preferred warrant liability – grant date	2,804,000
Initial fair value of Series AAA Preferred (including warrants issued in connection with the Exchange) warrant liability – grant date	1,665,000
Change in fair value(1)	(2,898,000)
Fair value of warrant liability	$ 1,571,000

(1) Reflected in the consolidated statement of operations for the applicable period.

Loss on Exchange of Placement Agent Warrants

In December 2023, as further described in Note 7, with respect to shares of Series AAA Preferred Stock issued in exchange for shares of Series A Preferred and Series AA Preferred, in the Series AAA Offerings (the "Exchange"), the Placement Agent exchanged previously issued Placement Agent Warrants to purchase 88,403 shares of common stock of the Company that were issued in connection with the Company's Series A Offerings and Series AA Offerings, at exercise prices ranging from $7.60 to $13.41 per share, for new Placement Agent Warrants to purchase a total of 347,428 shares of common stock at an exercise price of $1.674 per share and 199,778 shares of common stock at an exercise price of $1.71 per share.

The terms of the new Placement Agent Warrants and the original placement agent warrants (recorded as a liability under ASC 815) was determined to be substantially different based on an analysis of the fair value of each instrument immediately before and after the modification, resulting in a loss on extinguishment recognized in current earnings totaling $681,000.

Convertible Debt

On May 16, 2022, the Company entered into a securities purchase agreement with three institutional investors providing for the sale and issuance of a new series of senior convertible notes in the aggregate original principal amount of $4,320,000 (of which 8% was an original issue discount) which accrues interest at a guaranteed annual rate of 9% per annum, as described below and at Note 6. Convertible note related interest expense for Fiscal Year 2022 totaled $670,000, which was comprised of interest expense totaling $389,000, and the amortization of original issue discount totaling $280,000.

Benefit for Income Taxes

In June 2023, the Company assigned the intangible assets originally acquired in connection with the Company's acquisition of Bannerfy, Ltd. ("Bannerfy")(the "Bannerfy Acquisition") in 2021, to the original sellers, as described at Note 4. The Bannerfy Acquisition was treated for tax purposes as a nontaxable transaction and, as such, the historical tax bases of the acquired assets and assumed liabilities, net operating losses, and other tax attributes of Bannerfy carried over, with no step-up to fair value of the underlying tax bases of the acquired net assets. The acquisition method of accounting included the establishment of a net deferred tax liability resulting from book tax basis differences related to assets acquired and liabilities assumed on the date of acquisition. When an acquisition of a group of assets is purchased in a transaction that is not accounted for as a business combination under FASB ASC Topic 805 – Business Combinations ("ASC 805"), a difference between the book and tax bases of the assets arises. FASB ASC Topic 740 – Income Taxes ("ASC 740"), required the use of simultaneous equations to determine the assigned value of the asset and the related deferred tax asset or liability. As a result of the disposal of the Bannerfy intangible assets, the Company fully amortized the related remaining net deferred tax liability, resulting in a $313,000 tax benefit reflected in the consolidated statement of operations for the year ended December 31, 2023.

Liquidity and Capital Resources

General

Cash and cash equivalents totaled approximately $7.6 million and $2.5 million at December 31, 2023 and 2022, respectively. The change in cash and cash equivalents for the periods presented reflects the impact of operating, investing and financing cash flow related activities, as described below.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company incurred net losses of $30.3 million and $85.5 million for Fiscal Year 2023 and 2022, respectively, and had an accumulated deficit of $249.0 million as of December 31, 2023. Noncash stock compensation, amortization and impairment charges for Fiscal Year 2023 and 2022 totaled $17.3 million and $60.1 million, respectively. For Fiscal Years 2023 and 2022, net cash used in operating activities totaled $15.5 million and $19.8 million, respectively.

To date, our principal sources of capital used to fund our operations and growth have been the net proceeds received from equity and debt financings. 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 strategies have been and could continue to be adversely affected by general conditions in the global economy, including conditions that are outside of our control. The most recent global financial crisis caused by severe geopolitical conditions, including conflicts abroad, and the lingering effects of COVID-19 and threats of other outbreaks, have resulted in extreme volatility, disruptions and downward pressure on stock prices and trading volumes across the capital and credit markets in which we traditionally operate. 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 funding from the capital and credit markets. In management's judgement, these conditions raise substantial doubt about the ability of the Company to continue as a going concern as contemplated by FASB ASC 205-40, "Going Concern," ("ASC 205").

Management's Plans

The Company experienced significant growth during the periods presented through organic and inorganic growth activities, including the expansion of our premium advertising inventory and quarter over quarter and year over year increases in recognized revenue across our primary revenue streams. In Fiscal Year 2023, we acquired Melon, as described above, and focused on the continued expansion of our service offerings and revenue growth opportunities through internal development, collaborations, and through opportunistic strategic acquisitions, as well as management and reduction of costs. Management continues to explore alternatives for raising capital to facilitate our growth and execute our business strategy, including strategic partnerships and or other forms of equity or debt financings.

We may continue to evaluate potential strategic acquisitions. To finance such strategic acquisitions, we may find it necessary to raise additional equity capital, incur 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 Series AAA Convertible Preferred Financing

On the dates set forth in the table below, we entered into subscription agreements with accredited investors in connection with the sale and exchange of an aggregate of 8,355 shares of newly designated Series AAA and AAA-2 Convertible Preferred Stock, each series having a $0.001 par value and a $1,000 purchase price, hereinafter collectively referred to as "Series AAA Preferred," and the individual offerings of Series AAA Preferred stock hereinafter collectively referred to as the Series AAA Offerings, as follows:

Date	Series Design-ation	Conversion Price – At Issuance(2)	Shares	Gross Proceeds	Fees	Net Proceeds	Conversion Shares – At Issuance	Placement Agent Warrants (1)
November 30, 2023	Series AAA	$ 1.674	5,377	$ 5,377,000	$ 645,000	$ 4,732,000	3,212,000	466,000
December 22, 2023	Series AAA-2	$ 1.71	2,978	2,978,000	357,000	2,621,000	1,742,000	253,000
Total			8,355	$ 8,355,000	$ 1,002,000	$ 7,353,000	4,954,000	719,000

(1) Issued upon final closing of the Series AAA Preferred Stock offering, effective as of the respective closing dates.

Use of net proceeds from the Series AAA Offerings for the periods presented included working capital and general corporate purposes, including sales and marketing activities and product development. See Note 6 for additional information.

Cash Flows for the Fiscal Years Ended December 31, 2023 and 2022

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

	Fiscal Year Ended December 31, 2023	Fiscal Year Ended December 31, 2022
Net cash used in operating activities	$ (15,489,000)	$ (19,826,000)
Net cash used in investing activities	(825,000)	(1,690,000)
Net cash provided by financing activities	21,441,000	9,465,000
Increase (decrease) in cash and cash equivalents	5,127,000	(12,051,000)
Cash and cash equivalents, at beginning of period	2,482,000	14,533,000
Cash and cash equivalents, at end of period	$ 7,609,000	$ 2,482,000

Cash Flows from Operating Activities.

Net cash used in operating activities during Fiscal Year 2023, primarily reflected our net loss, net of adjustments to reconcile net loss to net cash used in operating activities, which included noncash stock compensation charges of $2,735,000, depreciation and amortization charges of $5,376,000, intangible asset impairment charges of $7,052,000, disposal of intangible asset charges of $2,284,000, net changes in fair value of warrant liabilities of ($2,898,000) and net changes in working capital of $116,000. Changes in working capital primarily reflected the impact of the settlement of receivables and payables in the ordinary course and the payment of the cash portion of the Super Biz Contingent Consideration, as described above.

Net cash used in operating activities for Fiscal Year 2022 primarily reflected our net loss for Fiscal Year 2022, net of adjustments to reconcile net loss to net cash used in operating activities, which included $50,263,000 of goodwill impairment charges, $4,263,000 of noncash stock compensation charges, depreciation and amortization of $5,403,000, and a write down of a trademark related intangible asset totaling $423,000. Changes in working capital primarily reflected the impact of the settlement of receivables and 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 Ended December 31, 2023	Fiscal Year Ended December 31, 2022
Cash paid in connection with the acquisition of Melon, net	$ (150,000)	$ -
Purchase of property and equipment	(8,000)	(149,000)
Purchase of third-party game properties	-	(500,000)
Capitalization of software development costs	(650,000)	(923,000)
Acquisition of other intangible and other assets	(17,000)	(118,000)
Net cash used in investing activities	$ (825,000)	$ (1,690,000)

Melon Acquisition. On May 4, 2023, we entered into an Asset Purchase Agreement with Melon, pursuant to which the Company acquired substantially all of the assets of Melon, as described above. At the Closing, the Company paid an aggregate total of $900,000 to Melon, of which $150,000 was paid in cash, and the remaining $750,000 was paid in the form of shares of the Company's common stock, valued at the Closing Share Price, as described above.

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.

Purchase of Third-Party Game Property. In June 2022, we purchased *Anime Battlegrounds X*, a highly rated game on Roblox, from a third-party game developer. The total purchase price of $500,000 was capitalized and is being amortized over the estimated useful life of 5 years.

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

	Fiscal Year Ended December 31, 2023	Fiscal Year Ended December 31, 2022
Proceeds from issuance of preferred stock, net of issuance costs	$ 19,295,000	$ 8,926,000
Proceeds from issuance of common stock, net of issuance costs	1,885,000	320,000
Proceeds from convertible notes, net	-	4,000,000
Payments on convertible notes	(539,000)	(3,781,000)
Proceeds from common stock options and purchase warrant exercises	800,000	-
Net cash provided by financing activities	$ 21,441,000	$ 9,465,000

Equity Financings

Issuances of Convertible Preferred Stock

During Fiscal Years 2023 and 2022, we entered into subscription agreements with accredited investors relating to offerings with respect to the sale of an aggregate of 32,758 newly designated series of convertible preferred stock (including Series A Preferred, Series AA Preferred, and Series AAA Preferred), each series having a $0.001 par value and a $1,000 purchase price, hereinafter collectively referred to as "Convertible Preferred," and the individual offerings of Convertible Preferred stock hereinafter collectively referred to as the Preferred Offerings, as follows:

Series AAA Convertible Preferred Offerings

Date	Series Design-ation	Conversion Price – At Issuance	Shares	Gross Proceeds	Fees	Net Proceeds	Conversion Shares – At Issuance	Placement Agent Warrants (1)
November 30, 2023	Series AAA	$ 1.674	5,377	$ 5,377,000	$ 645,000	$ 4,732,000	3,212,000	466,000
December 22, 2023	Series AAA-2	$ 1.71	2,978	2,978,000	357,000	2,621,000	1,742,000	253,000
Total			8,355	$ 8,355,000	$ 1,002,000	$ 7,353,000	4,954,000	719,000

(1) Issued upon final closing of the Series AAA Offerings, effective as of the respective closing dates.

Series AA Convertible Preferred Offerings

Date	Series Design-ation	Original Conversion Price – At Issuance(2)	Shares	Gross Proceeds	Fees	Net Proceeds	Conversion Shares – At Issuance	Placement Agent Warrants (1)
April 19, 2023	Series AA	$ 9.43	7,680	$ 7,680,000	$ 966,000	$ 6,714,000	814,000	114,000
April 20, 2023	Series AA-2	$ 10.43	1,500	1,500,000	130,000	1,370,000	144,000	13,000
April 28, 2023	Series AA-3	$ 9.50	1,025	1,025,000	133,000	892,000	108,000	15,000
May 5, 2023	Series AA-4	$ 9.28	1,026	1,026,000	133,000	893,000	111,000	16,000
May 26, 2023	Series AA-5	$ 10.60	550	550,000	72,000	478,000	52,000	7,000
Total			11,781	$ 11,781,000	$ 1,434,000	$ 10,347,000	1,229,000	165,000

(1) Issued on May 26, 2023, effective as of the applicable closing date, upon final closing of the Series AA Offerings.
(2) The conversion price for Series AA Preferred outstanding as of August 23, 2023, totaling 10,706 shares of Series AA Preferred, was adjusted to $2.60 as a result of the Series AA Down Round Feature described at Note 7. The Conversion price for Series AA Preferred outstanding as of November 30, 2023, totaling 7,322 shares of Series AA Preferred, was adjusted as described at Note 7, as a result of the Series AA Down Round Feature described at Note 7.

Series A Convertible Preferred Offerings

Date	Series Design-ation	Conversion Price	Shares	Gross Proceeds	Fees	Net Proceeds	Conversion Shares	Placement Agent Warrants (1)
November 22, 2022	Series A	$ 12.40	5,359	$ 5,359,000	$ 752,000	$ 4,607,000	432,000	62,000
November 28, 2022	Series A-2	$ 13.29	1,297	1,297,000	169,000	1,128,000	98,000	14,000
November 30, 2022	Series A-3	$ 13.41	1,733	1,733,000	225,000	1,508,000	129,000	18,000
December 22, 2022	Series A-4	$ 7.60	1,934	1,934,000	251,000	1,683,000	254,000	36,000
January 31, 2023	Series A-5	$ 11.09	2,299	2,299,000	299,000	2,000,000	207,000	30,000
Total			12,622	$ 12,622,000	$ 1,696,000	$ 10,926,000	1,120,000	160,000

(1) Issued on May 26, 2023, effective as of the applicable closing date, upon final closing of the Series A Offerings.

Use of net proceeds from the Preferred Offerings include the repayment of certain indebtedness and working capital and general corporate purposes, including sales and marketing activities and product development. As disclosed at Note 6, in the event the Company consummated a subsequent equity financing during the term of the Notes, the Company was required, at the option of the Note Holders, to use 50% of the gross proceeds raised from such sale to redeem all or any portion of the Notes outstanding upon closing of such equity financing. For Fiscal Years 2023 and 2022, $719,000 and $3,782,000, respectively, of the Series A Offerings net proceeds were utilized in connection with the redemption of the Notes.

Issuances of Common Stock

On August 21, 2023, we entered into the Underwriting Agreement with the Underwriter (as defined above), relating to the Company's Common Stock Offering of the Firm Securities to certain investors. Pursuant to the Underwriting Agreement, the Company also granted the Underwriters the Option to purchase the Option Securities. On September 12, 2023, the Underwriter partially exercised its Option and purchased an additional 32,616 shares of common stock at a price of $2.60 per share. The issuance by the Company of the Option Securities resulted in total gross proceeds of approximately $84,800, before deducting underwriting discounts, commissions, and other offering expenses payable by the Company.

On August 23, 2023, the Company issued the Firm Securities and closed the Offering at a public price of $2.60 per share, and $2.58 per share underlying each Pre-Funded Warrant, for net proceeds to the Company of approximately $1.8 million after deducting underwriting discounts and commissions and estimated offering expenses payable by the Company.

Each Pre-Funded Warrant had an exercise price per share of common stock equal to $0.001 per share. The exercise price and the number of shares of common stock issuable upon exercise of each Pre-Funded Warrant was subject to appropriate adjustments in the event of certain stock dividends and distributions, stock splits, stock combinations, reclassifications or similar events affecting the common stock. Under the Pre-Funded Warrants, a holder would not be entitled to exercise any portion of any Pre-Funded Warrant that, upon giving effect to such exercise, would cause: (i) the aggregate number of shares of common stock beneficially owned by such holder (together with its affiliates) to exceed 4.99% of the number of shares of common stock outstanding immediately after giving effect to the exercise; or (ii) the combined voting power of the Company's securities beneficially owned by such holder (together with its affiliates) to exceed 4.99% of the combined voting power of all of the Company's securities outstanding immediately after giving effect to the exercise, as such percentage ownership is determined in accordance with the terms of the Pre-Funded Warrant, which percentage may be changed at the holder's election to a higher or lower percentage not in excess of 9.99% upon 61 days' notice to the Company. In addition, in certain circumstances, upon a fundamental transaction, a holder of Pre-Funded Warrants would be entitled to receive, upon exercise of the Pre-Funded Warrants, the kind and amount of securities, cash or other property that such holder would have received had they exercised the Pre-Funded Warrants immediately prior to the fundamental transaction. The Pre-Funded Warrants were fully exercised as of August 29, 2023.

The Firm Securities were offered, issued, and sold pursuant to a prospectus supplement and accompanying prospectus filed with the SEC pursuant to the Registration Statement under the Securities, as supplemented by the Prospectus Supplement, filed with the SEC pursuant to Rule 424(b) of the Securities Act on August 23, 2023.

Account Receivable Financing Facility

The Borrowers entered into the SLR Agreement with the Lender, effective on the Facility Effective Date. Pursuant to the SLR Agreement, Lender may, from time to time and in its sole discretion, make certain Advances, against the face amounts of certain Accounts, at the Advance Rate, less any reserved funds and any other amounts due to Lender from Borrowers, up to the Maximum Amount." Upon receipt of any Advance, Borrowers will have assigned all of its rights in such receivables and all proceeds thereof. The proceeds received from the Facility will be used to fund general working capital needs.

The SLR Agreement is effective for the Term, automatically extends for successive Renewal Terms, and the Borrowers' are obligated to pay the Lender an early termination fee in the event the SLR Agreement is terminated under certain circumstances prior to the end of any Term or Renewal Term, as more specifically set forth in the SLR Agreement.

In connection with the AR Facility, the Company agreed to, among other things, (i) pay a finance fee equal to 2% of the Maximum Amount, payable in 24 equal monthly installments on the last day of each month of the Term until paid in full, (ii) pay a servicing fee equal to 0.30% multiplied by the Outstanding Amount for the applicable month, on the last day of each calendar month during the Term (or so long as any obligations arising under the SLR Agreement are outstanding); (iii) be charged the Financing Fee, due upon receipt of full payment of a Financed Account by Lender, equal to 1/12 of (a) the Facility Rate, multiplied by (b) the amount of the Outstanding Amount; and (iv) utilize the facility such that the monthly average aggregate Advances outstanding is at or above the Minimum Utilization. In the event that Borrower's monthly utilization is less than the applicable Minimum Utilization for any month, the Financing Fee for such month shall be calculated as if the applicable Minimum Utilization has been satisfied.

As security for the full and prompt payment and performance of any obligations arising under the SLR Agreement, the Borrowers granted to Lender a continuing first priority security interest in all the assets of the Borrowers. The SLR Agreement also provides for customary provisions, including representations, warranties and covenants, indemnification, waiver of jury trial, arbitration, and the exercise of remedies upon a breach or default.

Transfers of financial assets that do not qualify for sale accounting are reported as collateralized borrowings. Financing and servicing fees calculated with reference to amounts advanced under the AR Facility are included in interest expense. The commitment fee, based on the maximum facility amount and payable irrespective of drawdowns, is expensed on a straight line basis over the term of the AR Facility. Total amounts advanced under the AR Facility from the Facility Effective Date to December 31, 2023 totaled $800,000. Interest expense and commitment fee expense for the year ended December 31, 2023 totaled $3,000 and $3,000, respectively. Refer to Note 6 for additional information.

Convertible Debt

On May 16, 2022, as summarized above and further described at Note 6, the Company entered into a securities purchase agreement with three institutional investors, providing for the sale and issuance of a new series of senior convertible notes in the aggregate original principal amount of $4,320,000, of which 8% is an original issue discount. During the third and fourth quarters of Fiscal Year 2022 we made convertible note redemption payments totaling $3,782,000. As of December 31, 2023, the outstanding balance of the Notes and related accrued interest totaled $719,000, which was subsequently paid in full in the first quarter of 2023.

Equity Distribution Agreement

On September 3, 2021, we entered into an Equity Distribution Agreement (the “Sales Agreement”) with two investment banks (the “Agents”), pursuant to which we could offer and sell, from time to time, through the Agents (the “ATM Offering”), up to $75 million of shares of our common stock (the “Shares”), as described at Note 7. Under the Sales Agreement, the Agents were able to sell the Shares by any method permitted by law deemed to be an “at-the-market” offering as defined in Rule 415 promulgated under the Securities Act. Any Shares offered and sold in the ATM Offering were issued pursuant to our Registration Statement on Form S-3 filed with the SEC on September 7, 2021. During Fiscal Year 2022 the Company issued 16,182 shares of common stock, at an average price of $19.80, raising net proceeds of $312,000, under the Sales Agreement. The term of the ATM Offering terminated on November 16, 2022, one year from the date that the Form S-3 was declared effective by the SEC. The net proceeds from sales of Shares pursuant to the ATM Offering were used primarily for the repayment of certain indebtedness, working capital and general corporate purposes.

Contractual Obligations and Off-Balance Sheet Commitments and Arrangements

As of December 31, 2023, other than as described herein, we had no significant commitments for capital expenditures, nor do we have any committed lines of credit, other committed funding or long-term debt, and no guarantees. As of December 31, 2023 we maintain approximately 3,200 square feet of office space, 1,650 square feet of which is on a month-to-month basis, and 1,550 square feet of which is subject to a two-year lease, commencing on August 1, 2021.

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 consolidated 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 consolidated financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company’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 consolidated 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 accompany consolidated financial statements contained elsewhere in this Report.

Critical Accounting Estimates

Our consolidated 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

The Company generates revenue from (i) innovative advertising including immersive game world and experience publishing and in-game media products, (ii) content and technology through the production and distribution of our own, advertiser and third-party content, and (iii) direct to consumer offers, including in-game items, e-commerce, game passes and digital collectibles.

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 and when the customer obtains control of the good or service. 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.

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 revenue recognized each period and the timing of the recognition of revenue. 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, whether we are a principal or agent in the arrangement and the appropriate period or periods in which, or during which, the completion of the earnings process and transfer of control 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.

Accounting for Business Combinations

We account for our business combinations under the acquisition method of accounting. Identifiable assets acquired, liabilities assumed and any noncontrolling interest in the acquiree are recognized and measured as of the acquisition date at fair value. Additionally, contingent consideration is recorded at fair value on the acquisition date and classified as a liability. Goodwill is recognized to the extent by which the aggregate of the acquisition-date fair value of the consideration transferred and any noncontrolling interest in the acquiree exceeds the recognized basis of the identifiable assets acquired, net of assumed liabilities. Determining the fair value of assets acquired, liabilities assumed and noncontrolling interest requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash flows, discount rates and asset lives among other items. In addition, when we have acquisitions where substantially all of the fair value of assets acquired is concentrated in a single asset or group of similar assets, we account for the acquisitions as asset acquisitions.

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. Factors we consider important, which could trigger an impairment review, include the following: significant underperformance relative to expected historical or projected future operating results; significant changes in the manner of our use of the acquired assets or the strategy for our overall business; significant negative industry or economic trends; significant adverse changes in legal factors or in the business climate, including adverse regulatory actions or assessments; and significant decline in our stock price for a sustained period. In the event the sum of the expected undiscounted future cash flows resulting from the use of the asset is less than the carrying amount of the asset, an impairment loss equal to the excess of the asset's carrying value over its fair value is recorded.

Other assets of a reporting unit that are held and used may be required to be tested for impairment when certain events trigger interim goodwill impairment tests. In such situations, other assets, or asset groups, are tested for impairment under their respective standards and the other assets' or asset groups' carrying amounts are adjusted for impairment before testing goodwill for impairment as described below.

Significant judgements and estimates may be required in connection with determining the number of reporting units; determining intangible asset groupings; if, and in what period a triggering event has occurred requiring and impairment review; determining the nature timing and extent of undiscounted cash flows, including revenue forecasts and related growth rates and applicable costs; residual values if any; and discount rates and other inputs used in connection with the calculation of the fair values of applicable asset groups. Variations in any of these judgements and estimates could have a material impact on our financial results.

In the fourth quarter of Fiscal Year 2023 we recorded a non-cash impairment charge related to our partner relationship related intangible assets, comprised of our Microsoft Minecraft server and InPvP developed technology intangible assets originally acquired in connection with the acquisition of Mobcrush, Inc. in June 2021. The Company assesses the recoverability of long-lived assets whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Factors we consider important, which could trigger an impairment review, include significant underperformance relative to expected historical or projected future operating results, and significant changes in the manner of our use of the acquired assets or the strategy in the context of our overall business. Due to underperformance relative to historical and projected future operating results and a decision to deploy resources in other areas of the business, we performed an impairment analysis and determined that the sum of the expected undiscounted future cash flows resulting from the use of the assets was less than the carrying amount of the assets, resulting in an impairment loss totaling $7.1 million, which is recorded in the accompanying consolidated statement of operations for Fiscal Year 2023. The fair value was determined using a discounted cash flow approach, with cash flow projections over the remaining life of the intangible assets of five years and a discount rate of 16% based on the Company's estimated cost of capital.

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. We consider our market capitalization and the carrying value of our assets and liabilities, including goodwill, when performing our goodwill impairment tests. We operate in one reporting segment.

When conducting the Company's annual or interim goodwill impairment assessment, we have the option to initially perform a qualitative evaluation of whether it is more likely than not that goodwill is impaired. The Company is also permitted to bypass the qualitative assessment and proceed directly to the quantitative test. In evaluating whether it is more likely than not that the fair value of our reporting unit is less than its carrying amount, we consider the guidance set forth in FASB ASC Topic 350 - Intangibles Goodwill and Other ("ASC 350") which requires an entity to assess relevant events and circumstances, including macroeconomic conditions, industry and market considerations, cost factors, financial performance and other relevant events or circumstances.

When conducting the Company's annual or interim goodwill impairment assessment, we have the option to initially perform a qualitative evaluation of whether it is more likely than not that goodwill is impaired. The Company is also permitted to bypass the qualitative assessment and proceed directly to the quantitative test. In evaluating whether it is more likely than not that the fair value of our reporting unit is less than its carrying amount, we consider the guidance set forth in FASB ASC Topic 350 - Intangibles Goodwill and Other ("ASC 350") which requires an entity to assess relevant events and circumstances, including macroeconomic conditions, industry and market considerations, cost factors, financial performance and other relevant events or circumstances.

For the year ended December 31, 2023:

- *December 31, 2023 Goodwill Impairment Testing*:

  At December 31, 2023, the Company bypassed the optional qualitative assessment and performed a quantitative goodwill impairment test. We utilized the market capitalization of the Company as of December 31, 2023, a Level 1 input, to estimate the fair value of the Company's single reporting unit. Based on the analysis, the estimated fair value of our reporting unit was $29.1 million, compared to a carrying value of our single reporting unit of $10.0 million as of December 31, 2023. Based on the analysis, the fair value of our single reporting unit exceeded its carrying value as of December 31, 2023, and therefore, the Company concluded that goodwill was not "more likely than not" impaired as of December 31, 2023.

For the year ended December 31, 2022:

As of January 1, 2022, goodwill totaled $50,263,000. During the year ended December 31, 2022, goodwill impairment charges totaled $50,263,000, and were comprised of the following:

- *September 30, 2022 Goodwill Impairment Testing*

  At September 30, 2022, prior to the completion of our goodwill impairment testing, the goodwill balance totaled $50,263,000.

  At September 30, 2022, from a qualitative standpoint, we considered the Company's history of reported losses and negative cash flows from operating activities, and also considered the sustained downturn in industry and macroeconomic conditions, including inflationary pressures and potential reductions in advertising spending and the sustained downturn of the broader mid-cap and micro-cap equity markets in the third quarter of Fiscal Year 2022. We also considered that the Company experienced significant inorganic and organic growth in the year ended December 31, 2021, including the impact of the acquisitions of Mobcrush, Bannerfy and Super Biz on our premium advertising inventory, product offerings to advertisers, applicable current period revenue recognized and future revenue generating opportunities.

However, the Company's stock price had been volatile, and the volatility continued during the three months ended September 30, 2022, declining 34% to $13.60 as of September 30, 2022, reflecting a market capitalization that was approximately 38% of the Company’s September 30, 2022 net book value. To assess whether the decline in our market capitalization was an indicator requiring an interim goodwill impairment test, we considered the significance of the decline and the length of time our common stock had been trading at a depressed value along with the macro factors described above. The significance of the decline is consistent with the broader microcap market. As of September 30, 2022 the decline in our stock price and other factors were deemed to be sustained, and therefore a triggering event requiring a goodwill impairment test as of September 30, 2022 was deemed to have occurred.

We utilized the market capitalization of the Company as of September 30, 2022, a Level 1 input as described above, to estimate the fair value of the Company’s single reporting unit. The estimated market capitalization was determined by multiplying our September 30, 2022 stock price and the common shares outstanding as of September 30, 2022. The market capitalization approach was utilized to estimate the fair value of our single reporting unit as of September 30, 2022, due to the significance of the decline in stock price as of September 30, 2022, resulting in a market capitalization that was 38% of the net book value of our single reporting unit. Based on the analysis, the estimated fair value of our reporting unit was $25.2 million, compared to a carrying value of our single reporting unit of $67.3 million as of September 30, 2022. As such, the fair value of our single reporting unit was deemed to be below its carrying value as of September 30, 2022, resulting in a goodwill impairment charge of $42.0 million in the third quarter of 2022, which was reflected in the consolidated statement of operations for the year ended December 31, 2022.

- *December 31, 2022 Goodwill Impairment Testing*

  At December 31, 2022, prior to the completion of our goodwill impairment testing, the goodwill balance totaled $8.3 million.

  At December 31, 2022, from a qualitative standpoint, we considered the factors described above under “September 30, 2022 Goodwill Impairment Testing,” including the applicable current period reported loss and negative cash flows from operating activities, and the sustained downturn in industry and macroeconomic conditions, including inflationary pressures and potential reductions in advertising spending and the sustained downturn of the broader mid-cap and micro-cap equity markets in the fourth quarter of Fiscal Year 2022. Similarly, given the Company’s recent significant growth, management did not believe that the December 31, 2022 market capitalization of the Company was indicative of any fundamental change in the Company’s underlying business or future prospects as of the December 31, 2022 measurement date.

  The Company's stock price had been volatile, and the volatility continued during the three months ended December 31, 2022, declining 50% from the September 30, 2022 closing price to $6.72 as of December 31, 2022, reflecting a market capitalization that was approximately 46% of the Company’s December 31, 2022 net book value. As of December 31, 2022 the decline in our stock price and other factors were deemed to be sustained, and therefore a triggering event requiring a goodwill impairment test as of December 31, 2022 was deemed to have occurred.

  We utilized the market capitalization of the Company as of December 31, 2022, a Level 1 input, to estimate the fair value of the Company’s single reporting unit. Based on the analysis, the estimated fair value of our reporting unit was $12.6 million, compared to a carrying value of our single reporting unit of $27.5 million as of December 31, 2022. As such, the fair value of our single reporting unit was deemed to be below its carrying value as of December 31, 2022, resulting in an additional goodwill impairment charge of $8.3 million for the year ended December 31, 2022, reflecting the write down of the remaining balance of goodwill for our single reporting unit.

Relaxed Ongoing Reporting Requirements

Upon the completion of our initial public offering, 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 believes that, of the significant accounting policies described herein, the accounting policies associated with revenue recognition, impairment of intangibles, stock-based compensation expense, capitalized internal-use-software costs, accounting for business combinations and related contingent consideration, accounting for convertible debt, including estimates and assumptions used to calculate the fair value of debt instruments, accounting for convertible preferred stock, including modifications and exchanges of equity and equity-linked instruments, accounting for warrant liabilities and accounting for income taxes and valuation allowances against net deferred tax assets, require its most difficult, subjective, or complex judgments and estimates.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated 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, 2023 ("Evaluation Date"). 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.

As a result of a material weakness in our internal control over financial reporting in connection with the preparation of our consolidated interim financial statements for the three and nine months ended September 30, 2023, related to the accounting for the triggering of a down round feature related to preferred stock, our management has reassessed the effectiveness of our disclosure controls and procedures and has determined that our disclosure controls and procedures were not effective as of the Evaluation Date.

Restatement of Consolidated Interim Financial Statements for the three and nine months ended September 30, 2023.

On March 26, 2024, the Audit Committee of the Board of Directors of the Company (the "Audit Committee"), based upon the recommendation of management, concluded that the Company's previously filed Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 (the "Third Quarter 10-Q"), as filed with the Securities and Exchange Commission (the "SEC") on November 14, 2023, should no longer be relied upon. The determination resulted from an error made in the Company's unaudited consolidated financial statements for the three and nine months ended September 30, 2023, as previously filed in the Third Quarter 10-Q, arising from the exclusion of the calculated noncash value of the effect of the down round feature triggered in August of 2023, on the Company's Series AA Convertible Preferred Stock, which should have been recorded as a noncash charge directly to accumulated deficit and a noncash reduction to income available to common stockholders in the computation of earnings per share.

In connection with the Company's year-end 2023 closing procedures, management reassessed the guidance set forth in ASC 260, "Earnings Per Share" and determined that the value of the effect of a down round feature that is triggered on preferred stock should be recognized as a noncash charge to accumulated deficit and a noncash reduction to income available to common stockholders in the computation of earnings per share in the period that the down round feature is triggered.

As a result: (i) management has noted an error affecting additional paid in capital and accumulated deficit, with no impact on total equity, and a noncash error with respect to the computation of loss per share as reported in the Third Quarter 10-Q; and (ii) in connection with the Company’s 2023 year-end closing procedures, on March 26, 2024, due to the materiality of the error to loss per share originally reported in the Third Quarter 10-Q, the Company’s management and the Audit Committee determined that the Company's Third Quarter 10-Q should be restated to reflect the modifications described above.

None of the above changes had any impact on total assets, total liabilities, total equity, revenues, cost of revenues, operating expense or net loss as reported for the three and nine months ended September 30, 2023 in the Company’s Third Quarter 10-Q. No financial statements or disclosures prior to the financial statements for the quarterly periods ended September 30, 2023 were affected by the issue described above.

Notwithstanding the material weakness described above, management believes the consolidated financial statements presented in this Annual Report on Form 10-K fairly present, in all material respects, our financial position, results of operations and cash flows for all periods presented herein, in conformity with generally accepted accounting principles.

Remediation Plan. Since the date we identified this material weakness, we have taken steps to ensure that financial statement preparation checklists utilized by the Company to identify non-standard and complex transactions disclosure requirements are completed and reviewed by resources with requisite knowledge in a timely manner for interim financial reporting purposes, to improve disclosure controls and procedures and internal control over financial reporting in these complex non-standard technical areas. While we had procedures and processes to apply accounting and disclosure standards to non-standard and complex transactions, we did not have adequate resources to provide for the timely identification of the required treatment of the value of a down round feature in the period in which it is triggered. This material weakness prevented us from properly including the noncash impact of the down round feature as a noncash reduction to accumulated deficit and a noncash reduction of income available to common stockholders in the computation of earnings per share for the third quarter of 2023, and we have included the restated financial information for the third quarter in Note 12 to our Annual Report on Form 10-K as of and for the year ended December 31, 2023.

Management will continue to review and make necessary changes to the overall design of our internal control environment, as well as to implement policies and procedures to improve the overall effectiveness of internal control over financial reporting.

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 consolidated 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 consolidated 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 consolidated 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, 2023. 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 were not effective as of December 31, 2023, as described above.

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

Except as described above, there have been no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting during the fiscal quarter ended December 31, 2023.

ITEM 9B. OTHER INFORMATION

During the three months ended December 31, 2023, none of our officers (as defined in Rule 16a-1(f) of the Exchange Act) entered into contracts, instructions or written plans (each, a "Rule 10b5-1 Trading Plan" and collectively, the "Rule 10b5-1 Trading Plans") for the purchase or sale of our securities that are intended to satisfy the conditions specified in Rule 10b5-1(c) under the Exchange Act for an affirmative defense against liability for trading in securities on the basis of material nonpublic information.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

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 2024 annual meeting of stockholders to be filed with the SEC no later than April 29, 2024.

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 2024 annual meeting of stockholders to be filed with the SEC no later than April 29, 2024.

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 2024 annual meeting of stockholders to be filed with the SEC no later than April 29, 2024.

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 2024 annual meeting of stockholders to be filed with the SEC no later than April 29, 2024.

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 2024 annual meeting of stockholders to be filed with the SEC no later than April 29, 2024.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Exhibit No.	Name	Incorporation by Reference
2.1	Agreement and Plan of Merger, dated March 9, 2021, by and among Super League Enterprise, Inc., SLG Merger Sub II, Inc., and Mobcrush, Inc.	Exhibit 2.1 to the Current Report on Form 8-K, filed on March 11, 2021.
2.2	Amendment No. 1 to Agreement and Plan of Merger by and between Super League Enterprise, Inc., and Mobcrush Streaming, Inc., dated April 20, 2021.	Exhibit 10.1 to the Current Report on Form 8-K, filed on April 21, 2021.
2.3	Asset Purchase Agreement, dated October 4, 2021, among Super League Enterprise, Inc., Bloxbiz Co., Samuel Drozdov, and Benjamin Khakshoor.	Exhibit 2.1 to the Current Report on Form 8-K, filed on October 7, 2021.
2.4	Asset Purchase Agreement, by and between Super League Gaming, Inc., and Melon, Inc., dated May 4, 2023	Exhibit 2.3 to the Current Report on Form 8-K, filed on May 9, 2023.
3.1	Second Amended and Restated Certificate of Incorporation of Super League Enterprise, 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 Enterprise, 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 Enterprise, Inc., dated February 8, 2019.	Exhibit 3.3 to the Amendment No. 2 to the Registration Statement , filed on February 12, 2019.
3.4	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Super League Enterprise, Inc., dated July 24, 2020.	Exhibit 3.1 to the Current Report on Form 8-K, filed on July 24, 2020.
3.5	Certificate of Designation of Preferences, Rights and Limitations of the Series A Preferred Stock	Exhibit 3.5 to the Annual Report on Form 10-K for the year ended December 31, 2022
3.6	Certificate of Designation of Preferences, Rights and Limitations of the Series A-2 Preferred Stock	Exhibit 3.6 to the Annual Report on Form 10-K for the year ended December 31, 2022
3.7	Certificate of Designation of Preferences, Rights and Limitations of the Series A-3 Preferred Stock	Exhibit 3.7 to the Annual Report on Form 10-K for the year ended December 31, 2022
3.8	Certificate of Designation of Preferences, Rights and Limitations of the Series A-4 Preferred Stock	Exhibit 3.8 to the Annual Report on Form 10-K for the year ended December 31, 2022
3.9	Certificate of Designation of Preferences, Rights and Limitations of the Series A-5 Preferred Stock	Exhibit 3.9 to the Annual Report on Form 10-K for the year ended December 31, 2022
3.10	Certificate of Designation of Preferences, Rights and Limitations of the Series AA Preferred Stock	Exhibit 3.1 to the Current Report on Form 8-K, filed on April 25, 2023
3.11*	Certificate of Designation of Preferences, Rights and Limitations of the Series AA-2 Preferred Stock	Filed herewith
3.12	Certificate of Designation of Preferences, Rights and Limitations of the Series AA-3 Preferred Stock	Exhibit 3.1 to the Current Report on Form 8-K, filed on May 4, 2023
3.13	Certificate of Designation of Preferences, Rights and Limitations of the Series AA-4 Preferred Stock	Exhibit 3.1 to the Current Report on Form 8-K/A, filed on May 9, 2023, as amended on May 10, 2023.
3.14	Certificate of Designation of Preferences, Rights and Limitations of the Series AA-5 Preferred Stock	Exhibit 3.1 to the Current Report on Form 8-K, filed on June 2, 2023
3.15	Certificate of Amendment to Super League Gaming, Inc.'s Second Amended and Restated Certificate of Incorporation, as amended	Exhibit 3.2 to the Current Report on Form 8-K, filed on June 2, 2023
3.16	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation, as Amended, of Super League Gaming, Inc.	Exhibit 3.1 to the Current Report on Form 8-K, filed on September 8, 2023.
3.17	Certificate of Designation of Preferences, Rights and Limitations of the Series AAA Preferred Stock	Exhibit 3.1 to the Current Report on Form 8-K, filed on December 6, 2023

3.18	Certificate of Designation of Preferences, Rights and Limitations of the Series AAA-2 Preferred Stock	Exhibit 3.1 to the Current Report on Form 8-K, filed on December 22, 2023
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 Enterprise, 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.
4.7	Form of May 2022 Convertible Promissory Note	Exhibit 10.2 to the Current Report on Form 8-K, filed May 16, 2022.
4.8	Form of Placement Agent Warrant	Exhibit 10.35 to the Annual Report on Form 10-K for the year ended December 31, 2022, filed March 31, 2023
4.9	Form of Placement Agent Warrants	Exhibit 10.3 to the Current Report on Form 8-K, filed on April 25, 2023
4.10	Form of Pre-Funded Warrant	Exhibit 10.2 to the Current Report on Form 8-K filed on August 24, 2023
4.11	Form of Placement Agent Warrants	Exhibit 10.5 to the Current Report on Form 8-K filed on December 6, 2023
10.1†	Super League Enterprise, 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 Enterprise, 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 Enterprise, 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 Enterprise, 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 Enterprise, 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 Enterprise, 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 Enterprise, 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 Enterprise, Inc. and certain accredited investors.	Exhibit 10.11 to the Registration Statement, filed on January 4, 2019.
10.12†	Employment Agreement, between Super League Enterprise, 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 Enterprise, 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 Enterprise, 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 Enterprise, 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 Enterprise, 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 Enterprise, 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 Enterprise, 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 Enterprise, 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 Enterprise, 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 Enterprise, 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 Enterprise, 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 Enterprise, 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 Enterprise, 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.
10.26	Form of Registration Rights Agreement, dated March 2021.	Exhibit 10.1 to the Current Report on Form 8-K, filed on March 11, 2021.
10.27	Form of Voting Agreement, dated March 2021.	Exhibit 10.2 to the Current Report on Form 8-K, filed on March 11, 2021.
10.28	Form of Securities Purchase Agreement, dated March 19, 2021.	Exhibit 10.1 to the Current Report on Form 8-K, filed on March 23, 2021.
10.29	Equity Distribution Agreement, dated as of September 3, 2021, by and between Super League Enterprise, Inc. and Maxim Group LLC.	Exhibit 1.3 to the Company's Registration Statement on Form S-3 (File No. 333-259347, filed September 7, 2021.
10.30	Share Purchase Agreement, by and between Super League Enterprise, Inc. and Bannerfy Ltd., dated August 11, 2021.	Exhibit 10.4 to the Quarterly Report on Form 10-Q for the period ended June 30, 2021, filed August 16, 2021.
10.31†	Executive Employment Agreement between Super League Gaming, Inc., and Ann Hand, dated January 5, 2022	Exhibit 10.1 to the Current Report on Form 8-K filed January 7, 2022.
10.32†	Executive Employment Agreement between Super League Gaming, Inc., and Clayton Haynes, dated January 5, 2022	Exhibit 10.2 to the Current Report on Form 8-K filed January 7, 2022.
10.33†	Executive Employment Agreement between Super League Gaming, Inc., and David Steigelfest, dated January 5, 2022	Exhibit 10.3 to the Current Report on Form 8-K filed January 7, 2022.
10.34†	Executive Employment Agreement between Super League Gaming, Inc., and Matt Edelman, dated January 5, 2022	Exhibit 10.4 to the Current Report on Form 8-K filed January 7, 2022.
10.35†	Executive Employment Agreement between Super League Gaming, Inc., and Michael Wann, dated January 5, 2022	Exhibit 10.5 to the Current Report on Form 8-K filed January 7, 2022.
10.36	Common Stock Purchase Agreement, dated March 25, 2022, by and between Super League Enterprise, Inc. and Tumim Stone Capital LLC	Exhibit 10.31 to the Annual Report on Form 10-K for the year ended December 31, 2021, filed March 31, 2022.
10.37	Securities Purchase Agreement between Super League Gaming, Inc., and the investor signatories thereto, dated May 16, 2022	Exhibit 10.1 to the Current Report on Form 8-K, filed May 16, 2022.
10.38	Registration Rights Agreement between Super League Gaming, Inc., and the investor signatories thereto, dated May 16, 2022	Exhibit 10.3 to the Current Report on Form 8-K, filed May 16, 2022.
10.39†	Transition Letter Agreement dated January 13, 2023, between Super League Gaming, Inc. and Mike Wann.	Exhibit 10.1 to the Current Report on Form 8-K, filed January 20, 2023.
10.40	Form of Placement Agency Agreement	Exhibit 10.32 to the Annual Report on Form 10-K for the year ended December 31, 2022, filed March 31, 2023
10.41	Form of Series A Subscription Agreement	Exhibit 10.33 to the Annual Report on Form 10-K for the year ended December 31, 2022, filed March 31, 2023
10.42	Form of Registration Rights Agreement	Exhibit 10.34 to the Annual Report on Form 10-K for the year ended December 31, 2022, filed March 31, 2023

10.43	Form of Series AA Subscription Agreement	Exhibit 10.1 to the Current Report on Form 8-K, filed on April 25, 2023
10.44	Form of Registration Rights Agreement	Exhibit 10.2 to the Current Report on Form 8-K, filed on April 25, 2023
10.45	Placement Agency Agreement by and between Aegis Capital Corp. and Super League Gaming, Inc., dated March 24, 2023.	Exhibit 10.1 to the Current Report on Form 8-K, filed on June 2, 2023
10.46	Underwriting Agreement, dated August 21, 2023, between Super League Gaming, Inc. and Aegis Capital Corp.	Exhibit 10.1 to the Current Report on Form 8-K filed on August 24, 2023
10.47	Warrant Agency Agreement, dated August 23, 2023, between Super League Gaming, Inc and Direct Transfer, LLC	Exhibit 10.3 to the Current Report on Form 8-K filed on August 24, 2023
10.48	Form of Series AAA Subscription Agreement	Exhibit 10.1 to the Current Report on Form 8-K filed on December 6, 2023
10.49	Form of Registration Rights Agreement	Exhibit 10.2 to the Current Report on Form 8-K filed on December 6, 2023
10.50	Form of Series A Exchange Agreement	Exhibit 10.3 to the Current Report on Form 8-K filed on December 6, 2023
10.51	Form of Series AA Exchange Agreement	Exhibit 10.4 to the Current Report on Form 8-K filed on December 6, 2023
10.52	Financing and Security Agreement, effective December 17, 2023, by and among Super League Enterprise, Inc., Mobcrush Streaming, Inc., InPVP, LLC and SLR Digital Finance, LLC	Exhibit 10.1 to the Current Report on Form 8-K filed on December 22, 2023
10.53	Placement Agency Agreement, dated November 6, 2023, between Super League Enterprise, Inc., and Aegis Capital Corporation	Exhibit 10.2 to the Current Report on Form 8-K filed on December 22, 2023
10.54	Mutual General Release and Settlement Agreement by and between 3i, LP, Nomis Bay Ltd. and BPY Limited and Super League Enterprise, Inc., dated March 12, 2024	Exhibit 10.1 to the Current Report on Form 8-K filed on March 15, 2024
10.55*	Asset Purchase Agreement by and between Super League Enterprise, Inc. and GamerSafer, Inc.	Filed herewith.
14.1	Super League Enterprise, Inc. Code of Business Conduct and Ethics.	Exhibit 14.1 to the Registration Statement , filed on January 4, 2019.
21.1*	Subsidiaries of Registrant	Filed herewith.
23.1*	Consent of Independent Registered Public Accounting Firm – WithumSmith+Brown, PC	
23.2*	Consent of Independent Registered Public Accounting Firm – Baker Tilly US, LLP	Filed herewith.
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.	
32.1*	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act.	
97.1*	Super League Enterprise, Inc. Clawback Policy	Filed herewith.

101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL Document and included in Exhibit 101)

* Filed herewith.

** Furnished 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 ENTERPRISE, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Consolidated Financial Statements

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

Going Concern

The accompanying financial statements have been prepared assuming that the entity will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the entity has recurring and expected future losses and negative cash flows from operations that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Emphasis of the Matter – Restatement of Unaudited Interim Financial Statements

As discussed in Note 12 to the financial statements, the unaudited interim financial statements as of and for the three and nine months ended September 30, 2023 have been restated to correct certain misstatements.

Basis for Opinion

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

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

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

/s/ WithumSmith+Brown, PC

We have served as the Company's auditor since 2023.

Whippany, New Jersey
April 12, 2024

PCAOB ID Number 100

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Super League Enterprise, Inc. (formerly, “Super League Gaming, Inc.”)(the “Company”) as of December 31, 2022, the related consolidated statements of operations, stockholders’ equity and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern Uncertainty

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As noted in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations and negative cash flows from operations. This raises substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also included in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

/s/ Baker Tilly US, LLP

We have served as the Company’s auditor from 2016 to 2023.

Los Angeles, California
March 31, 2023

PCAOB ID Number 23

SUPER LEAGUE ENTERPRISE, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Rounded to the nearest thousands, except share and per share data)

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	$ 7,609,000	$ 2,482,000
Accounts receivable	8,287,000	6,134,000
Prepaid expense and other current assets	862,000	1,381,000
Total current assets	16,758,000	9,997,000
Property and Equipment, net	70,000	147,000
Intangible and Other Assets, net	6,636,000	20,066,000
Goodwill	1,864,000	-
Total assets	$ 25,328,000	$ 30,210,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	$ 10,420,000	$ 6,697,000
Accrued contingent consideration	1,812,000	3,206,000
Contract liabilities	339,000	111,000
Secured loan – SLR Facility	800,000	-
Convertible note payable and accrued interest	-	679,000
Total current liabilities	13,371,000	10,693,000
Accrued contingent consideration – long term	396,000	-
Warrant liability	1,571,000	-
Deferred taxes	-	313,000
Total liabilities	15,338,000	11,006,000
Commitments and Contingencies (Note 10)		
Stockholders' Equity		
Preferred stock, par value $0.001 per share; 10,000,000 shares authorized; 23,656 and 10,323 shares issued and outstanding as of December 31, 2023 and 2022, respectively.	-	-
Common stock, par value $0.001 per share; 400,000,000 shares authorized; 4,774,116 and 1,880,299 shares issued and outstanding as of December 31, 2023 and 2022, respectively.	81,000	47,000
Additional paid-in capital	258,923,000	229,900,000
Accumulated deficit	(249,014,000)	(210,743,000)
Total stockholders' equity	9,990,000	19,204,000
Total liabilities and stockholders' equity	$ 25,328,000	$ 30,210,000

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

SUPER LEAGUE ENTERPRISE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Rounded to the nearest thousands, except share and per share data)

	2023	2022
REVENUES	$ 25,079,000	$ 19,677,000
COST OF REVENUES	15,297,000	11,162,000
GROSS PROFIT	9,782,000	8,515,000
OPERATING EXPENSE		
Selling, marketing and advertising	12,450,000	12,036,000
Engineering, technology and development	9,500,000	15,876,000
General and administrative	10,258,000	12,094,000
Contingent consideration	1,075,000	3,206,000
Loss on intangible asset disposal	2,284,000	-
Impairment of intangible assets	7,052,000	-
Impairment of goodwill	-	50,263,000
Total operating expense	42,619,000	93,475,000
NET OPERATING LOSS	(32,837,000)	(84,960,000)
OTHER INCOME (EXPENSE)		
Interest expense	(50,000)	(679,000)
Loss on exchange of preferred instruments	(681,000)	-
Change in fair value of warrant liability	2,898,000	-
Other	27,000	(17,000)
Total other income	2,194,000	(696,000)
LOSS BEFORE BENEFIT FROM INCOME TAXES	(30,643,000)	(85,656,000)
Benefit from income taxes	313,000	205,000
NET LOSS	$ (30,330,000)	$ (85,451,000)
Net loss per share attributable to common stockholders – basic and diluted		
Basic and diluted loss per common share (1)	$ (13.67)	$ (45.95)
Weighted-average number of common shares outstanding, basic and diluted	2,799,044	1,859,474

(1) Refer to Note 2 for calculation of net loss attributable to common stockholders

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

SUPER LEAGUE ENTERPRISE, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Rounded to the nearest thousands, except share and per share data)

	2023	2022
Preferred stock (Shares):		
Balance, beginning of period	10,323	-
Issuance of Series A preferred stock	-	5,359
Issuance of Series A-2 preferred stock	-	1,297
Issuance of Series A-3 preferred stock	-	1,733
Issuance of Series A-4 preferred stock	-	1,934
Issuance of Series A-5 preferred stock at $1,000 per share	2,299	-
Issuance of Series AA preferred stock at $1,000 per share	7,680	-
Issuance of Series AA-2 preferred stock at $1,000 per share	1,500	-
Issuance of Series AA-3 preferred stock at $1,000 per share	1,025	-
Issuance of Series AA-4 preferred stock at $1,000 per share	1,026	-
Issuance of Series AA-5 preferred stock at $1,000 per share	550	-
Issuance of Series AAA preferred stock at $1,000 per share	5,377	-
Issuance of Series AAA-2 preferred stock at $1,000 per share	2,978	-
Series AAA-1 Issued in Exchange for Series A & AA Preferred	4,011	-
Series AAA-2 Issued in Exchange for Series A & AA Preferred	2,356	-
Exchanged Series A and AA Preferred stock	(6,367)	-
Conversions of Series A Preferred stock to common stock	(5,761)	-
Conversions of Series AA Preferred stock to common stock	(3,116)	-
Conversions of Series AAA Preferred stock to common stock	(225)	-
Balance, end of period	23,656	10,323
Preferred stock (Amount, at Par Value):		
Balance, beginning of period	$ -	$ -
Issuance of Series A preferred stock, $0.001 par value, at $1,000 per share	-	-
Issuance of Series A-2 preferred stock, $0.001 par value, at $1,000 per share	-	-
Issuance of Series A-3 preferred stock, $0.001 par value, at $1,000 per share	-	-
Issuance of Series A-4 preferred stock, $0.001 par value, at $1,000 per share	-	-
Issuance of Series A-5 preferred stock, $0.001 par value, at $1,000 per share	-	-
Issuance of Series AA preferred stock, $0.001 par value, at $1,000 per share	-	-
Issuance of Series AA-2 preferred stock, $0.001 par value, at $1,000 per share	-	-
Issuance of Series AA-3 preferred stock, $0.001 par value, at $1,000 per share	-	-
Issuance of Series AA-4 preferred stock, $0.001 par value, at $1,000 per share	-	-
Issuance of Series AA-5 preferred stock, $0.001 par value, at $1,000 per share	-	-
Issuance of Series AAA preferred stock, $0.001 par value, at $1,000 per share	-	-
Issuance of Series AAA-2 preferred stock, $0.001 par value, at $1,000 per share	-	-
Series AAA-1 Issued in Exchange for Series A & AA Preferred	-	-
Series AAA-2 Issued in Exchange for Series A & AA Preferred	-	-
Exchanged Series A and AA Preferred stock	-	-
Conversions of Series A Preferred stock	-	-
Conversions of Series AA Preferred stock	-	-
Conversions of Series AAA Preferred stock	-	-
Balance, end of period	$ -	$ -
Common stock (Shares):		
Balance, beginning of period	1,880,299	1,840,460
Issuance of common stock at $2.60 per share, net of issuance costs	811,270	-
Exercise of prefunded common stock warrants at $2.60 per share, net of issuance costs	67,500	-
Common stock issued for Melon Acquisition	77,834	-
Common stock issued for Bannerfy Acquisition	8,985	2,683
Common stock issued for Super Biz Acquisition	49,400	-
Stock-based compensation	69,666	18,103
Conversion of Series A preferred stock	520,931	-
Conversion of Series AA preferred stock	922,097	-
Conversion of Series AAA preferred stock	133,153	-
Preferred stock dividends paid – common stock	232,981	-
Other	-	19,053
Balance, end of period	4,774,116	1,880,299
Common stock (Amount, at Par Value):		
Balance, beginning of period	$ 47,000	$ 46,000
Issuance of common stock at $2.60 per share, net of issuance costs	16,000	-
Exercise of prefunded common stock warrants at $2.60 per share, net of issuance costs	1,000	-
Conversion of Series A, AA and AAA preferred stock	15,000	-
Stock-based compensation	-	-
Common stock issued for Super Biz Acquisition	1,000	-
Common stock issued for Melon Acquisition	1,000	-
Common stock issued for Bannerfy Acquisition	-	-
Other	-	1,000

Balance, end of period	$	81,000	$	47,000
Additional paid-in-capital:				
Balance, beginning of period	$	229,900,000	$	215,943,000
Issuance of Series A preferred stock at $1,000 per share, net of issuance costs		-		4,607,000
Issuance of Series A-2 preferred stock at $1,000 per share, net of issuance costs		-		1,128,000
Issuance of Series A-3 preferred stock at $1,000 per share, net of issuance costs		-		1,508,000
Issuance of Series A-4 preferred stock at $1,000 per share, net of issuance costs		-		1,683,000
Issuance of Series A-5 preferred stock at $1,000 per share, net of issuance costs		1,919,000		-
Issuance of Series AA preferred stock at $1,000 per share, net of issuance costs		5,319,000		-
Issuance of Series AA-2 preferred stock at $1,000 per share, net of issuance costs		1,278,000		-
Issuance of Series AA-3 preferred stock at $1,000 per share, net of issuance costs		690,000		-
Issuance of Series AA-4 preferred stock at $1,000 per share, net of issuance costs		681,000		-
Issuance of Series AA-5 preferred stock at $1,000 per share, net of issuance costs		379,000		-
Series AA Preferred additional investment rights		1,794,000		-
Issuance of Series AAA preferred stock at $1,000 per share, net of issuance costs		4,488,000		-
Issuance of Series AAA-2 preferred stock at $1,000 per share, net of issuance costs		2,591,000		-
Issuance of common stock at $2.60 per share, net of issuance costs		1,745,000		-
Exercise of prefunded common stock warrants at $2.60 per share, net of issuance costs		159,000		-
Conversion of Series A, AA and AAA preferred stock		(15,000)		-
Preferred stock dividends paid – common stock		374,000		-
Deemed dividend on Series AA Preferred Stock		7,567,000		-
Common stock purchase warrants issued to placement agent		(3,788,000)		-
Common stock issued for Melon Acquisition		721,000		-
Common stock issued for Bannerfy Acquisition		70,000		220,000
Common stock issued for Super Biz Acquisition		547,000		-
Stock-based compensation		2,504,000		4,491,000
Other		-		320,000
Balance, end of period	$	258,923,000	$	229,900,000
Accumulated Deficit:				
Balance, beginning of period	$	(210,743,000)	$	(125,292,000)
Deemed dividend on Series AA Preferred Stock		(7,567,000)		-
Preferred stock dividends paid – common stock		(374,000)		-
Net loss		(30,330,000)		(85,451,000)
Balance, end of period	$	(249,014,000)	$	(210,743,000)
Total stockholders' equity	$	9,990,000	$	19,204,000

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

SUPER LEAGUE ENTERPRISE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Rounded to the nearest thousands)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (30,330,000)	$ (85,451,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,376,000	5,403,000
Stock-based compensation	2,735,000	4,263,000
Change in fair value of warrant liability	(2,898,000)	-
Change in fair value of contingent consideration	(545,000)	-
Loss on exchange of placement agent warrants	681,000	-
Impairment of intangible assets and goodwill	7,052,000	50,263,000
Write-off of intangible assets	-	423,000
Loss on intangible asset disposal	2,284,000	-
Amortization of convertible notes discount	40,000	280,000
Changes in assets and liabilities:		
Accounts receivable	(2,113,000)	193,000
Prepaid expense and other current assets	146,000	182,000
Accounts payable and accrued expense	3,412,000	1,402,000
Accrued contingent consideration	(1,064,000)	3,206,000
Contract liabilities	228,000	35,000
Deferred taxes	(313,000)	(205,000)
Accrued interest on notes payable	(180,000)	180,000
Net cash used in operating activities	(15,489,000)	(19,826,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid in connection with Melon Acquisition, net	(150,000)	-
Purchase of property and equipment	(8,000)	(149,000)
Purchase of third-party game properties	-	(500,000)
Capitalization of software development costs	(650,000)	(923,000)
Acquisition of other intangible and other assets	(17,000)	(118,000)
Net cash used in investing activities	(825,000)	(1,690,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of preferred stock, net of issuance costs	19,295,000	8,926,000
Proceeds from issuance of common stock, net of issuance costs	1,885,000	320,000
Proceeds from note payable	-	4,000,000
Payments on convertible notes	(539,000)	(3,781,000)
Proceeds from accounts receivable facility	800,000	-
Net cash provided by financing activities	21,441,000	9,465,000
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	5,127,000	(12,051,000)
CASH AND CASH EQUIVALENTS – beginning of year	2,482,000	14,533,000
CASH AND CASH EQUIVALENTS – end of year	$ 7,609,000	$ 2,482,000
SUPPLEMENTAL NONCASH INVESTING ACTIVITIES		
Issuance of common stock in connection with Melon Acquisition	$ 722,000	$ -
Issuance of common stock in connection with the payment of Super Biz Contingent Consideration	548,000	-
Issuance of common stock in connection with Bannerfy disposition	70,000	220,000

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

SUPER LEAGUE ENTERPRISE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Super League Enterprise, Inc. (Nasdaq: SLE), ("Super League," the "Company," "we," "us" or "our") is a leading creator and publisher of content experiences and media solutions across the world's largest immersive platforms. From open gaming powerhouses such as Roblox, Minecraft and Fortnite Creative, to bespoke worlds built using the most advanced 3D creation tools, Super League's innovative solutions provide incomparable access to massive audiences who gather in immersive digital spaces to socialize, play, explore, collaborate, shop, learn and create. As a true end-to-end activation partner for dozens of global brands, Super League offers a complete range of development, distribution, monetization and optimization capabilities designed to engage users through dynamic, energized programs. As an originator of new experiences fueled by a network of top developers, a comprehensive set of proprietary creator tools and a future-forward team of creative professionals, Super League accelerates intellectual property ("IP") and audience success within the fastest growing sector of the media industry.

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, and to Super League Enterprise, Inc. on September 11, 2023. We are an "emerging growth company" as defined by the Jumpstart Our Business Startups Act of 2012, as amended.

On May 30, 2023, the Company filed a Certificate of Amendment (the "2023 First Amendment") to its Second Amended and Restated Certificate of Incorporation, as amended (the "Charter"), increasing the number of authorized shares of common stock, par value $0.001 per share ("common stock") from 100,000,000 to 400,000,000. The Company's Board of Directors (the "Board") previously approved the Amendment on March 17, 2023, and the Company obtained the approval of the First Amendment by written consent of its stockholders holding greater than 50% of the voting securities of the Company on April 5, 2023.

On September 7, 2023, the Company filed a Certificate of Amendment (the "2023 Second Amendment") to the Charter, which Second Amendment became effective as of September 11, 2023, to change the name of the Company from Super League Gaming, Inc. to Super League Enterprise, Inc. (the "Name Change") and to effect a reverse stock split of the Company's issued and outstanding shares of common stock at a ratio of 1-for-20 (the "Reverse Split"). The Name Change and the Reverse Split were approved by the Company's Board on July 5, 2023, and approved by the stockholders of the Company on September 7, 2023. Refer to Note 7 below for additional information regarding the Reverse Split.

All references to common stock, warrants to purchase common stock, options to purchase common stock, restricted stock, share data, per share data and related information contained in the consolidated financial statements have been retroactively adjusted to reflect the effect of the Reverse Split for all periods presented.

All references to "Note," followed by a number reference from one to twelve herein, refer to the applicable corresponding numbered footnotes to these consolidated financial statements.

In connection with the Name Change, the Company also changed its Nasdaq ticker symbol to "SLE" from "SLGG."

Refer to Note 12. "Restatement of Quarterly Financial Information (unaudited), for information about the restatement of the Company's financial statements as of and for the three and nine months ended September 30, 2023, arising from the exclusion of the calculated noncash value of the effect of the down round feature on the Company's Series AA Preferred stock, triggered in August 2023, which should have been recorded as a noncash charge directly to accumulated deficit and a noncash reduction to income available to common stockholders in the computation of earnings per share.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

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 revenue and expense 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 intangibles, stock-based compensation expense, capitalized internal-use-software costs, accounting for business combinations and related contingent consideration, accounting for convertible debt, including estimates and assumptions used to calculate the fair value of debt instruments, accounting for convertible preferred stock, including modifications and exchanges of equity and equity-linked instruments, accounting for warrant liabilities and accounting for income taxes and valuation allowances against net deferred tax assets, require its most difficult, subjective, or complex judgments.

Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company incurred net losses of $30.3 million and $85.5 million for the years ended December 31, 2023 and 2022, respectively, and had an accumulated deficit of $249.0 million as of December 31, 2023. Noncash stock compensation, amortization and impairment charges for the years ended December 31, 2023 and 2022 totaled $17.3 million and $60.1 million, respectively. For the years ended December 31, 2023 and 2022 net cash used in operating activities totaled $15.5 million and $19.8 million, respectively.

The Company had cash and cash equivalents of $7.6 million and $2.5 million as of December 31, 2023 and 2022, respectively. To date, our principal sources of capital used to fund our operations and growth have been the net proceeds received from equity and debt financings. 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, preferred stock and / or debt financings, to fund our planned operations. Accordingly, our results of operations and the implementation of our long-term business strategies have been and could continue to be adversely affected by general conditions in the global economy, including conditions that are outside of our control. The most recent global financial crisis caused by severe geopolitical conditions, including conflicts abroad, and the lingering effects of COVID-19 and the threat of other outbreaks, have resulted in extreme volatility, disruptions and downward pressure on stock prices and trading volumes across the capital and credit markets in which we traditionally operate. 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 funding from the capital and credit markets. In management's judgement, these conditions raise substantial doubt about the ability of the Company to continue as a going concern as contemplated by ASC 205-40, "Going Concern," ("ASC 205").

Management's Plans

The Company experienced significant growth in fiscal year 2023, 2022 and 2021 through organic and inorganic growth activities, including the expansion of our premium advertising inventory and quarter over quarter and year over year increases in recognized revenue across our primary revenue streams. In fiscal year 2023, we acquired Melon, as described below, and focused on the continued expansion of our service offerings and revenue growth opportunities through internal development, collaborations, and through opportunistic strategic acquisitions, as well as management and reduction of operating costs. Management continues to consider alternatives for raising capital to facilitate our growth and execute our business strategy, including strategic partnerships and or other forms of equity or debt financings. Refer to Note 7 for recent equity financing activities.

The Company considers historical operating results, costs, capital resources and financial position, in combination with current projections and estimates, as part of its plan to fund operations over a reasonable period. Management's considerations assume, among other things, that the Company will continue to be successful implementing its business strategy, that there will be no material adverse developments in the business, liquidity or capital requirements, and the Company will be able to raise additional equity and / or debt financing on acceptable terms. If one or more of these factors do not occur as expected, it could cause a reduction or delay of the Company's business activities, sales of material assets, default on its obligations, or forced insolvency. The accompanying consolidated financial statements do not contain any adjustments which might be necessary if the Company were unable to continue as a going concern. No assurance can be given that any future financing will be available or, if available, that it will be on terms that are satisfactory to the Company.

We may continue to evaluate potential strategic acquisitions. To finance such strategic acquisitions, we may find it necessary to raise additional equity capital, incur 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.

Reclassifications

Certain reclassifications to operating expense line items have been made to prior year amounts for consistency and comparability with the current year's consolidated financial statement presentation. These reclassifications had no effect on the reported total revenue, operating expense, total assets, total liabilities, total stockholder's equity, or net loss for the prior period 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 and when the customer obtains control of the good or service. 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.

The Company generates revenue from (i) innovative advertising including immersive game world and experience publishing and in-game media products, (ii) content and technology through the production and distribution of our own, advertiser and third-party content, and (iii) direct to consumer offers, including in-game items, e-commerce, game passes and digital collectibles.

The Company reports revenue on a gross or net basis based on management's assessment of whether the Company acts as a principal or agent in the transaction and is evaluated on a transaction-by-transaction basis. To the extent the Company acts as the principal, revenue is reported on a gross basis net of any sales tax from customers, when applicable. The determination of whether the Company acts as a principal or an agent in a transaction is based on an evaluation of whether the Company controls the goods or services prior to transfer to the customer. Where applicable, the Company has determined that it acts as the principal in all of its media and advertising, publishing and content studio and direct to consumer revenue streams, except in situations where we utilize a reseller partner with respect to media and advertising sales arrangements.

In the event a customer pays us consideration, or we have a right to an amount of consideration that is unconditional, prior to our transfer of a good or service to the customer, we reflect the contract as a contract liability when the payment is made or the payment is due, whichever is earlier. In the event we perform by transferring goods or services to a customer before the customer pays consideration or before payment is due, we reflect the contract as a contract asset, excluding any amounts reflected as a receivable.

Media and Advertising

Media and advertising revenue primarily consists of direct and reseller sales of our on-platform media and analytics products, and influencer marketing campaign sales to third-party brands and agencies (hereinafter, "Brands").

On Platform Media

On platform media revenue is generated from third party Brands advertising in-game on Roblox, on our Minehut Minecraft platform, or other digital platforms. Media assets include static billboards, video billboards, portals, 3D characters, Pop Ups and other media products. We work with Brands to determine the specific campaign media to deploy, target ad units and target demographics. We customize the media advertising campaign and media products with applicable branding, images and design and place the media on the various digital platforms. Media is delivered via our Super Biz Roblox platform, the Roblox Immersive Ads platform, our owned and operated Minehut platform and others. Media placement can be based on a cost per thousand, other cost per measure, or a flat fee. Media and advertising arrangements typically include contract terms for time periods ranging from one week to two or three months in length.

For on-platform media campaigns, we typically insert media products on-platform (in-game) to deliver to the Brand a predetermined number of impressions identified in the underlying contract. The benefit accrues to the Brand at the time that we deliver the impression on the platform, and the media product is viewed or interacted with by the on-platform user. The performance obligation for on-platform media campaigns is each impression that is guaranteed or required to be delivered per the underlying contract.

Each impression is considered a good or service that is distinct under the revenue standard, and the performance obligation under our on-platform media contracts is the delivery of a series of impressions. Each impression required to be delivered in the series that we promise to transfer to the Brand meets the criteria to be a performance obligation satisfied over time, due to the fact that (1) our performance does not create an asset with an alternative use to the Company, and (2) we have an enforceable right to payment for performance completed to date per the terms of the contract. Further, the same method is used to measure our progress toward complete satisfaction of the performance obligation to transfer each distinct impression, as in the transfer of the series of impressions to the customer, which is based on actual delivery of impressions. As such, we account for the specified series of impressions as a single performance obligation.

The delivery of the impression on platform represents the change in control of the good or service, and therefore, the Company satisfies its performance obligations and recognizes revenue based on the delivery of impressions under the contract.

Influencer Marketing

Influencer marketing revenue is generated in connection with the development, management and execution of influencer marketing campaigns on behalf of Brands, primarily on You Tube, Instagram and Tik Tok. Influencer marketing campaigns are collaborations between Super League, popular social-media influencers, and Brands, to promote a Brands' products or services. Influencers are paid a flat rate per post to feature a Brand's product or service on their respective social media outlets.

For influencer marketing campaigns that include multiple influencers, the customer can benefit from the influencer posts either on its own or together with other resources that are readily available to the customer. Our influencer marketing campaigns for Brands (1) incorporate a significant service of integrating the goods or services with other goods or services promised in the contract (typically additional influencer posts) into a bundle of goods or services that represent the combined output that the customer has contracted for, and (2) the goods or services are interdependent in that each of the goods or services is affected by one or more of the other goods or services in the contract which combined, create an influencer marketing campaign to satisfy the Brand's specific campaign objectives. The interdependency of the performance obligations is supported by an understanding of what a customer expects to receive as a final product with respect to an influencer marketing campaign, which is an integrated influencer marketing advertising campaign that the influencer posts create when they are combined into an overall integrated campaign.

Our customers receive and consume the benefits of each influencer's post as the content is posted on the influencers respective social media outlet. In addition, the influencer marketing campaigns and videos created by influencers are highly customized advertising engagements, where Brand specific assets and collateral are created for the customer based on specific and customized specifications, and therefore, does not create an asset with an alternative use. Further, based on contract terms, we typically have an enforceable right to payment for performance to date during the term of the arrangement.

We recognize revenues for influencer marketing campaigns based on input methods which recognize revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. As such, revenues are recognized over the term of the campaign, as the influencer videos are posted, based on costs incurred to date relative to total costs for the influencer marketing campaign.

Publishing and Content Studio

Publishing and content studio revenue consists of revenue generated from immersive game development and custom game experiences within our owned and affiliate game worlds, and revenue generated in connection with our production, curation and distribution of entertainment content for our own network of digital channels and media and entertainment partner channels.

Publishing

Custom builds are highly customized branded game experiences created and built by Super League for customers on existing digital platforms such as Roblox, Fortnite, Decentraland and others. Custom builds often include the creation of highly customized and branded gaming experiences and other campaign specific media or products to create an overall customized immersive world campaign.

Custom integrations are highly customized advertising campaigns that are integrated into and run on existing affiliate Roblox gaming experiences. Custom integrations will often include the creation of highly customized and branded game integration elements to be integrated into the existing Roblox gaming experience to the customers specifications and other campaign specific media or products. We also create custom integrations on our owned and operated digital property "Minehut" for Brands.

Our custom builds and custom integration (hereinafter, "Custom Programs") campaign revenue arrangements typically include multiple promises and performance obligations, including requirements to design, create and launch a platform game, customize and enhance an existing game, deploy media products, and related performance measurement. Custom Programs offer a strategically integrated advertising campaign with multiple integrated components, and we provide a significant service of integrating the goods or services with other goods or services promised in the contract into a bundle of goods or services that represent the combined output or outputs that the customer has contracted for. As such, Custom Program revenue arrangements are combined into a single performance unit, as our performance does not create an asset with an alternative use to the entity and we typically have an enforceable right to payment for performance to date during the term of the arrangement.

We recognize revenues for Custom Programs based on input methods, that recognize revenue based upon estimates of progress toward complete satisfaction of the contract performance obligations, utilizing primarily costs or direct labor hours incurred to date to estimate progress towards completion.

Content Production

Content production revenue is generated in connection with our production, curation and distribution of 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.

Content production arrangements typically involve promises to provide a distinct set of videos, creative, content creation and or other live or remote production services. These services can be one-off in nature (relatively short services periods of one day to one week) or can be specified as monthly services over a multi-month period.

One-off and monthly content production services are distinct in that the customer can benefit from the service either on its own or together with other resources that are readily available to the customer. Further, promises to provide one-off or monthly content production services are typically separately identifiable as the nature of the promises, within the context of the contract, is to transfer each of those goods or services individually. Each month's content production services are separate and not integrated with a prior month's or subsequent months services and do not represent a combined output; each months content production services do not modify any other prior period content production services, and the monthly services are not interdependent or highly interrelated.

As a result, each one-off or monthly promise to provide content production services is a distinct good or service that we promise to transfer and are therefore performance obligations. In general, content production contracts do not meet the criteria for recognition of revenues over time as the customer typically does not simultaneously receive and consume the benefits provided by our performance as we perform, our performance does not typically create or enhance an asset that the customer controls, and while our performance does not create an asset with an alternative use, we typically have a right to payment upon completion of each distinct performance obligation.

A performance obligation is satisfied at a point in time if none of the criteria for satisfying a performance obligation over time are met. For content production arrangements, we have a right to payment and the customer has control of the good or service at the time of completion and delivery of the one-off or monthly content production services in accordance with the terms of the underlying contract. As such, revenue is recognized at the time of completion of the one-off or monthly content production services.

Direct to Consumer

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

InPvP Platform Generated Sales Transactions

Through a relationship with Microsoft, the owner of Minecraft, we operate a Minecraft server world for players playing the game on consoles and tablets. We are one of seven partner servers with Microsoft that, while "free to play," monetize the players through in-game micro transactions. We generate in-game platform sales revenue from the sale of digital goods, including cosmetic items, durable goods, player ranks and game modes, leveraging the flexibility of the Microsoft Minecraft Bedrock platform, and powered by the InPvP cloud architecture technology platform. Revenue is generated when transactions are facilitated between Microsoft and the end user, either via in-game currency or cash.

InPvP revenues are generated from single transactions for various distinct digital goods sold to users in-game. Microsoft processes sales transactions and remits the applicable revenue share to us pursuant to the terms of the Microsoft agreement.

Revenue for digital goods sold on the platform is recognized when Microsoft (our partner) collects the revenue and facilitates the transaction, including delivery of digital goods, on the platform. Revenue for such arrangements includes all revenue generated, make goods, and refunds of all transactions managed via the platform by Microsoft. Payments are made to the Company monthly based on the sales revenue generated on the platform.

Minehut

Our Minehut digital property provides various Minecraft server hosting services on primarily a monthly subscription basis, and other digital goods to the Minecraft gaming community. Minehut users purchase additional server space and other digital goods to enhance their Minehut/Minecraft playing experience. Users log on to Minehut and are able to play for free. Users are able to purchase expanded server space to enhance their game play experience for a fee.

Minehut revenues are generated from single transactions for the sale of distinct digital goods on the platform. Subscription revenue is recognized generally over the short period of time over which the services are rendered. Digital goods revenue is recognized when delivery occurs and all other revenue recognition criteria are satisfied, which is typically at the point of sale. Payments are typically due from customers, and delivery of purchased digital goods occurs at the point of sale.

Revenue was comprised of the following for the years ended December 31:

	2023	2022
Media and advertising	$ 10,919,000	$ 12,122,000
Publishing and content studio	12,732,000	5,744,000
Direct to consumer	1,428,000	1,811,000
	$ 25,079,000	$ 19,677,000

For the fiscal years ended December 31, 2023 and 2022, 24% and 32% of revenues were recognized at a single point in time, and 76% and 68% of revenues were recognized over time, respectively.

Contract assets totaled $546,000 at December 31, 2023, $1,013,000 at December 31, 2022 and $231,000 at December 31, 2021. Contract liabilities totaled $339,000 at December 31, 2023, $111,000 at December 31, 2022, and $47,000 at December 31, 2021. Revenue recognized during the year ended December 31, 2023 relating to contract liabilities as of December 31, 2022 totaled $111,000. Revenue recognized during the year ended December 31, 2022 relating to contract liabilities as of December 31, 2021 totaled $47,000.

In accordance with ASC 606-10-50-13, the Company is required to include disclosure on its remaining performance obligations as of the end of the current reporting period. Due to the nature of the Company's contracts with customers, these reporting requirements are not applicable as per ASC 606-10-50-14 as the performance obligation is part of a contract that has an original duration of one year or less.

Cost of Revenues

Cost of revenue includes direct costs incurred in connection with the satisfaction of performance obligations under our revenue arrangements including internal and third-party engineering, creative, content, broadcast and other personnel, talent and influencers, internal and third-party game developers, content capture and production services, direct marketing, cloud services, software, prizing, and revenue sharing fees.

Advertising

Advertising costs include the cost of social digital media, marketing, and promotions. The Company expenses advertising costs as incurred. Advertising costs are included in selling, marketing and advertising expense in the consolidated statements of operations. Advertising expense for the fiscal years ended December 31, 2023 and 2022 was $134,000 and $507,000, respectively.

Engineering, Technology and Development Costs

Components of our platform are available on a "free to use," "always on basis," and are utilized and offered as an audience acquisition tool, as a means of growing our audience, engagement, viewership, players and community. Engineering, technology and development related operating expense includes the costs described below, incurred in connection with our audience acquisition and viewership expansion activities. Engineering, technology and development related operating expense includes (i) allocated internal engineering personnel expense, including salaries, noncash stock compensation, taxes and benefits, (ii) third-party contract software development and engineering expense, (iii) internal use software cost amortization expense, and (iv) technology platform related cloud services, broadband and other platform expense, incurred in connection with our audience acquisition and viewership expansion activities, including tools and product offering development, testing, minor upgrades and features, free to use services, corporate information technology and general platform maintenance and support.

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.

Accounts Receivable

Accounts receivable are recorded at the invoice amount, less allowances for credit losses, if any, and do not bear interest. The Company provides an allowance 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, 2023 and 2022, no allowance for expected credit losses was deemed 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.

Certain assets and liabilities are required to be recorded at fair value on a recurring basis, including derivative financial instruments, contingent consideration and warrant liabilities recorded in accordance with ASC 480, "Distinguishing liabilities from equity," ("ASC 480"), and convertible notes payable recorded at fair value. As described in the notes below, contingent consideration, convertible notes payable and warrant liabilities outstanding during the periods presented are recorded at fair value. Transfers to/from Levels 1, 2, and 3 are recognized at the beginning of the reporting period. There were no transfers to/from Levels 1, 2, and 3 during the periods presented.

Certain long-lived assets may be periodically required to be measured at fair value on a nonrecurring basis, including long-lived assets that are impaired. The fair value for other assets and liabilities such as cash, restricted cash, accounts receivable, other receivables, prepaid expense and other current assets, accounts payable and accrued expense, and liabilities to customers have been determined to approximate carrying amounts due to the short maturities of these instruments.

Derivative Financial Instruments

The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is reassessed at the end of each reporting period. Equity instruments that are initially classified as equity that become subject to reclassification are reclassified to a liability at the fair value of the instrument on the reclassification date. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date. In circumstances where the embedded conversion option in a convertible instrument is required to be bifurcated and there are also other embedded derivative instruments in the convertible instrument that are required to be bifurcated, the bifurcated derivative instruments are accounted for as a single, compound derivative instrument.

Derivative liabilities are adjusted to reflect fair value at each period end, with any increase or decrease in the fair value being recorded in the statement of operations.

Equity-linked instruments that are deemed to be freestanding instruments issued in conjunction with preferred stock are accounted for separately. For equity linked instruments classified as equity, the proceeds are allocated based on the relative fair values of the preferred stock and the equity-linked instrument following the guidance in ASC 470, "Debt," ("ASC 470").

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.

Acquisitions

Acquisition Method. Acquisitions that meet the definition of a business under ASC 805*,* "Business Combinations," ("ASC 805") are accounted for using the acquisition method of accounting. Under the acquisition method of accounting, assets acquired, liabilities assumed, contractual contingencies, and contingent consideration, when applicable, are recorded at fair value at the acquisition date. Any excess of the purchase price over the fair value of the net assets acquired is recorded as goodwill. The application of the acquisition method of accounting requires management to make significant estimates and assumptions in the determination of the fair value of assets acquired and liabilities assumed in connection with the allocation of the purchase price consideration to the assets acquired and liabilities assumed. Transaction costs associated with business combinations are expensed as incurred and are included in general and administrative expense in the consolidated statements of operations.

Cost Accumulation Model. Acquisitions that do not meet the definition of a business under ASC 805 are accounted for as an asset acquisition, utilizing a cost accumulation model. Assets acquired and liabilities assumed are recognized at cost, which is the consideration the acquirer transfers to the seller, including direct transaction costs, on the acquisition date. The cost of the acquisition is then allocated to the assets acquired based on their relative fair values. Goodwill is not recognized in an asset acquisition. Direct transaction costs include those third-party costs that can be directly attributable to the asset acquisition and would not have been incurred absent the acquisition transaction.

Contingent consideration, representing an obligation of the acquirer to transfer additional assets or equity interests to the seller if future events occur or conditions are met, is recognized when probable and reasonably estimable. Contingent consideration recognized is included in the initial cost of the assets acquired, with subsequent changes in the recorded amount of contingent consideration recognized as an adjustment to the cost basis of the acquired assets. Subsequent changes are allocated to the acquired assets based on their relative fair value. Depreciation and/or amortization of adjusted assets are recognized as a cumulative catch-up adjustment, as if the additional amount of consideration that is no longer contingent had been accrued from the outset of the arrangement.

Contingent consideration that is paid to sellers that remain employed by the acquirer and linked to future services is generally considered compensation cost and recorded in the statement of operations in the post-combination 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, (iv) developed technology acquired, (v) partner, customer, creator and influencer related intangible assets acquired and (vi) other intangible assets, which are recorded at cost (or in accordance with the acquisition method or cost accumulation methods described above) 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.

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. Factors we consider important, which could trigger an impairment review, include the following: significant underperformance relative to expected historical or projected future operating results; significant changes in the manner of our use of the acquired assets or the strategy for our overall business; significant negative industry or economic trends; significant adverse changes in legal factors or in the business climate, including adverse regulatory actions or assessments; and significant decline in our stock price for a sustained period. In the event the sum of the expected undiscounted future cash flows resulting from the use of the asset is less than the carrying amount of the asset, an impairment loss equal to the excess of the asset's carrying value over its fair value is recorded.

Other assets of a reporting unit that are held and used may be required to be tested for impairment when certain events trigger interim goodwill impairment tests. In such situations, other assets, or asset groups, are tested for impairment under their respective standards and the other assets' or asset groups' carrying amounts are adjusted for impairment before testing goodwill for impairment as described below. 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.

Goodwill

The Company currently has one reporting unit. The following table presents the changes in the carrying amount of goodwill as of December 31:

	2023	2022
Beginning Balance	$ -	$ 50,263,000
Acquisitions (See Note 5)	1,864,000	-
Impairment charges (cumulative goodwill impairment losses to date)	-	(50,263,000)
Ending Balance	$ 1,864,000	$ -

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. We consider our market capitalization and the carrying value of our assets and liabilities, including goodwill, when performing our goodwill impairment tests. We operate in one reporting segment.

If a potential impairment exists, a calculation is performed to determine the fair value of existing goodwill. This calculation can be based on quoted market prices and / or valuation models, which consider the estimated future undiscounted cash flows resulting from the reporting unit, and a discount rate commensurate with the risks involved. Third-party appraised values may also be used in determining whether impairment potentially exists. In assessing goodwill impairment, significant judgment is required in connection with estimates of market values, estimates of the amount and timing of future cash flows, and estimates of other factors that are used to determine the fair value of our reporting unit. If these estimates or related projections change in future periods, future goodwill impairment tests may result in charges to earnings.

When conducting the Company's annual or interim goodwill impairment assessment, we have the option to initially perform a qualitative evaluation of whether it is more likely than not that goodwill is impaired. The Company is also permitted to bypass the qualitative assessment and proceed directly to the quantitative test. In evaluating whether it is more likely than not that the fair value of our reporting unit is less than its carrying amount, we consider the guidance set forth in ASC 350, which requires an entity to assess relevant events and circumstances, including macroeconomic conditions, industry and market considerations, cost factors, financial performance and other relevant events or circumstances.

For the year ended December 31, 2023:

- *December 31, 2023 Goodwill Impairment Testing:*

  At December 31, 2023, the Company bypassed the optional qualitative assessment and performed a quantitative goodwill impairment test. We utilized the market capitalization of the Company as of December 31, 2023, a Level 1 input, to estimate the fair value of the Company's single reporting unit. Based on the analysis, the estimated fair value of our reporting unit was $29.1 million, compared to a carrying value of our single reporting unit of $10.0 million as of December 31, 2023. Based on the analysis, the fair value of our single reporting unit exceeded its carrying value as of December 31, 2023, and therefore, the Company concluded that goodwill was not "more likely than not" impaired as of December 31, 2023.

For the year ended December 31, 2022:

As of January 1, 2022, goodwill totaled $50,263,000. During the year ended December 31, 2022, goodwill impairment charges totaled $50,263,000, and were comprised of the following:

- *September 30, 2022 Goodwill Impairment Testing*

  At September 30, 2022, prior to the completion of our goodwill impairment testing, the goodwill balance totaled $50,263,000.

  At September 30, 2022, from a qualitative standpoint, we considered the Company's history of reported losses and negative cash flows from operating activities, and also considered the sustained downturn in industry and macroeconomic conditions, including inflationary pressures and potential reductions in advertising spending and the sustained downturn of the broader mid-cap and micro-cap equity markets in the third quarter of 2022. We also considered that the Company experienced significant inorganic and organic growth in fiscal 2021, including the impact of the acquisitions of Mobcrush, Bannerfy and Super Biz on our premium advertising inventory, product offerings to advertisers, applicable current period revenue recognized and future revenue generating opportunities.

  However, the Company's stock price had been volatile, and the volatility continued during the three months ended September 30, 2022, declining 34% to $13.60 as of September 30, 2022, reflecting a market capitalization that was approximately 38% of the Company's September 30, 2022 net book value. To assess whether the decline in our market capitalization was an indicator requiring an interim goodwill impairment test, we considered the significance of the decline and the length of time our common stock had been trading at a depressed value along with the macro factors described above. The significance of the decline was consistent with the broader microcap market. As of September 30, 2022 the decline in our stock price and other factors were deemed to be sustained, and therefore a triggering event requiring a goodwill impairment test as of September 30, 2022 was deemed to have occurred.

  We utilized the market capitalization of the Company as of September 30, 2022, a Level 1 input as described above, to estimate the fair value of the Company's single reporting unit. The estimated market capitalization was determined by multiplying our September 30, 2022 stock price and the common shares outstanding as of September 30, 2022. The market capitalization approach was utilized to estimate the fair value of our single reporting unit as of September 30, 2022, due to the significance of the decline in stock price as of September 30, 2022, resulting in a market capitalization that was 38% of the net book value of our single reporting unit. Based on the analysis, the estimated fair value of our reporting unit was $25.2 million, compared to a carrying value of our single reporting unit of $67.3 million as of September 30, 2022. As such, the fair value of our single reporting unit was deemed to be below its carrying value as of September 30, 2022, resulting in a goodwill impairment charge of $42,000,000 in the third quarter of 2022, which is reflected in the consolidated statement of operations for the year ended December 31, 2022.

- *December 31, 2022 Goodwill Impairment Testing*

  At December 31, 2022, prior to the completion of our goodwill impairment testing, the goodwill balance totaled $8,263,000.

  At December 31, 2022, from a qualitative standpoint, we considered the factors described above under "September 30, 2022 Goodwill Impairment Testing," including the applicable current period reported loss and negative cash flows from operating activities, and the sustained downturn in industry and macroeconomic conditions, including inflationary pressures and potential reductions in advertising spending and the sustained downturn of the broader mid-cap and micro-cap equity markets in the fourth quarter of 2022. Similarly, given the Company's significant growth, management did not believe that the December 2022 market capitalization of the Company was indicative of any material fundamental change in the Company's underlying business or future prospects as of the December 31, 2022 measurement date.

  The Company's stock price had been volatile, and the volatility continued during the three months ended December 31, 2022, declining approximately 50% from the September 30, 2022 closing price to $6.72 as of December 31, 2022, reflecting a market capitalization that was approximately 46% of the Company's December 31, 2022 net book value. As of December 31, 2022 the decline in our stock price and other factors were deemed to be sustained, and therefore a triggering event requiring a goodwill impairment test as of December 31, 2022 was deemed to have occurred.

  We utilized the market capitalization of the Company as of December 31, 2022, a Level 1 input, to estimate the fair value of the Company's single reporting unit. Based on the analysis, the estimated fair value of our reporting unit was $12.6 million, compared to a carrying value of our single reporting unit of $27.5 million as of December 31, 2022. As such, the fair value of our single reporting unit was deemed to be below its carrying value as of December 31, 2022, resulting in an additional goodwill impairment charge of $8,263,000 for the year ended December 31, 2022, reflecting the write down of the remaining balance of goodwill for our single reporting unit.

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. Estimates of expected volatility of the underlying common stock for the expected term of the stock option used in the Black-Scholes-Merton option pricing model are determined by reference to historical volatilities of the Company's common stock and historical volatilities of similar companies.

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.

A condition affecting the exercisability or other pertinent factors used in determining the fair value of an award that is based on an entity achieving a specified share price constitutes a market condition pursuant to ASC 718, "Stock based Compensation," ("ASC 718"). A market condition is reflected in the grant-date fair value of an award, and therefore, a Monte Carlo simulation model is utilized to determine the estimated fair value of the equity-based award. Compensation cost is recognized for awards with a market condition, provided the requisite service period is satisfied, regardless of whether the market condition is ever satisfied.

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. Total compensation cost to be recognized in connection with a modification and concurrent grant of a replacement award 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 award over the fair value of the original awards on the cancellation date. Any incremental compensation cost related to vested awards is recognized immediately on the modification date. Any incremental compensation cost related to unvested awards is recognized prospectively over the remaining service period, in addition to the remaining unrecognized grant date fair value.

Financing Costs

Specific incremental costs directly attributable to a proposed or actual offering of securities are deferred and charged against the gross proceeds of the equity financing. In the event that the proposed or actual equity 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 equity financing costs, if any, are included in other current assets in the accompanying consolidated balance sheet. For the years ended December 31, 2023 and 2022, financing costs charged against gross proceeds in connection with equity financings totaled $2,735,000 and $1,397,000, respectively. Deferred financing cost, included in prepaid expense and other current assets, at December 31, 2023 and 2022, totaled $282,000 and $374,000, respectively.

Specific incremental costs directly attributable to a proposed or actual debt offering are reported in the balance sheet as a direct deduction from the face amount of the debt instrument. In the event that the proposed or actual debt financing is not completed, or is deemed not likely to be completed, such costs are expensed in the period that such determination is made. In the event that the Company elects to use the fair value option to account for debt instruments, all costs directly attributable to the debt offering are expensed as incurred in the statement of operations. For the years ended December 31, 2023 and 2022, debt financing costs expensed as incurred in connection with debt financings totaled $0 and $123,000, respectively.

Convertible Debt

The Company evaluates convertible notes outstanding to determine if those contracts or embedded components of those contracts qualify as derivatives under ASC 815, "Derivatives and Hedging," ("ASC 815"). ASC 815 requires conversion, redemption options, call options and other features (hereinafter, "Embedded Instruments") contained in the Company's convertible debt instruments that meet certain criteria to be bifurcated and separately accounted for as an embedded derivative. In circumstances where the embedded conversion option in a convertible instrument is required to be bifurcated and there are also other embedded derivative instruments in the convertible instrument that are required to be bifurcated, the bifurcated derivative instruments are accounted for as a single, compound derivative instrument.

In the event that the fair value option election is not made, as described below, the Company evaluates the balance sheet classification for convertible debt instruments issued to determine whether the instrument should be classified as debt or equity, and whether the Embedded Instruments should be accounted for separately from the host instrument. Embedded Instruments of a convertible debt instrument would be separated from the convertible instrument and classified as a derivative liability if the feature, were it a standalone instrument, meets the definition of an "embedded derivative." Generally, characteristics that require derivative treatment include, among others, when the conversion feature is not indexed to the Company's equity, or when it must be settled either in cash or by issuing stock that is readily convertible to cash. When a conversion feature meets the definition of an embedded derivative, it is required to be separated from the host instrument and classified as a derivative liability carried on the balance sheet at fair value, with any changes in its fair value recognized currently in the consolidated statements of operations.

Fair Value Option ("*FVO*"*) Election.* The Company accounted for certain convertible notes issued, as described at Note 6, under the fair value option election pursuant to ASC 825, "Financial Instruments," ("ASC 825") as discussed below. The convertible notes accounted for under the FVO election are each debt host financial instruments containing embedded features which would otherwise be required to be bifurcated from the debt-host and recognized as separate derivative liabilities subject to initial and subsequent periodic estimated fair value measurements under ASC 815. Notwithstanding, ASC 825 provides for the "fair value option" election, to the extent not otherwise prohibited by ASC 825, to be afforded to financial instruments, wherein bifurcation of an embedded derivative is not necessary, and the financial instrument is initially measured at its issue-date estimated fair value and then subsequently remeasured at estimated fair value on a recurring basis at each reporting period date. The estimated fair value adjustment, as required by ASC 825, is recognized as a component of other comprehensive income ("OCI") with respect to the portion of the fair value adjustment attributed to a change in the instrument-specific credit risk, with the remaining amount of the fair value adjustment recognized as other income (expense) in the accompanying consolidated statement of operations. With respect to the note described at Note 6, as provided for by ASC 825, the estimated fair value adjustment is presented in a respective single line item within other income (expense) in the accompanying consolidated statements of operations, since the change in fair value of the convertible notes payable was not attributable to instrument specific credit risk. The estimated fair value adjustment is included in interest expense in the accompanying consolidated statement of operations.

Transfers of Financial Assets

The Company accounts for transfers of financial assets as sales when it has surrendered control over the related assets. Whether control has been relinquished requires, among other things, an evaluation of relevant legal considerations and an assessment of the nature and extent of the Company's continuing involvement with the assets transferred. Gains and losses stemming from transfers reported as sales, if any, are included in the statements of income. Assets obtained and liabilities incurred in connection with transfers reported as sales are initially recognized in the balance sheet at fair value.

Transfers of financial assets that do not qualify for sale accounting are reported as collateralized borrowings. Accordingly, the related assets remain on the Company's balance sheet and continue to be reported and accounted for as if the transfer had not occurred. Cash proceeds from these transfers are reported as liabilities, with attributable interest expense recognized over the life of the related transactions. Commitment fees charged irrespective of drawdown activity are recognized as expense on a straight line basis over the commitment period and included in other income (expense) in the consolidated statements of operations. Refer to Note 6 for additional information.

Reportable Segments

The Company utilizes the management approach to identify the Company's operating segments and measure the financial information disclosed, based on information reported internally to the Chief Operating Decision Maker ("CODM") to make resource allocation and performance assessment decisions. An operating segment of a public entity has all the following characteristics: (1) it engages in business activities from which it may earn revenues and incur expense; (2) its operating results are regularly reviewed by the public entity's CODM to make decisions about resources to be allocated to the segment and assess its performance: and (3) its discrete financial information is available. Based on the applicable criteria under the standard, the components of the Company's operations are its: (1) advertising and sponsorship component, including content sales component; and (2) the Company's direct-to-consumer component.

A reportable segment is an identified operating segment that also exceeds the quantitative thresholds described in the applicable standard. Based on the applicable criteria under the standard, including quantitative thresholds, management has determined that the Company has one reportable segment that operated primarily in domestic markets during the periods presented herein.

Concentration of Credit Risks

Financial instruments that potentially subject the Company to concentrations of credit risk are cash equivalents, investments and accounts receivable. The Company places its cash equivalents and investments primarily in highly rated money market funds. Cash equivalents are also invested in deposits with certain financial institutions and may, at times, exceed federally insured limits. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Company's financial condition, results of operations, and cash flows.

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:

	Year Ended December 31,	
	2023	**2022**
Number of customers > 10% of revenues / percent of revenues	One / 14%	- / -

Revenue concentrations were comprised of the following revenue categories:

	Year Ended December 31,	
	2023	**2022**
Advertising and sponsorships	3%	-
Publishing and content studio	11%	-
	14%	-

	December 31, 2023	**December 31, 2022**
Number of customers > 10% of accounts receivable / percent of accounts receivable	Three / 55%	Two / 25%
Number of vendors > 10% of accounts payable / percent of accounts payable	Two / 37%	One / 10%

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 common stock potentially issuable in connection with the conversion of outstanding preferred stock, convertible notes payable, employee stock options, warrants issued to employees and non-employees in exchange for services and warrants issued in connection with financings.

Common stock underlying all outstanding stock options, restricted stock units and warrants, totaling 2,250,000 and 359,000 at December 31, 2023 and 2022, respectively, have been excluded from the computation of diluted loss per share because the effect of inclusion would have been anti-dilutive. Common stock potentially issuable in connection with the conversion of outstanding preferred stock totaling 12,127,000 and 913,000 at December 31, 2023 and 2022, respectively, have been excluded from the computation of diluted loss per share because the effect of inclusion would have been anti-dilutive. Common stock potentially issuable in connection with the conversion of outstanding convertible notes payable totaling zero and 7,000 at December 31, 2023 and 2022, respectively, have been excluded from the computation of diluted loss per share because the effect of inclusion would have been anti-dilutive.

A reconciliation of net loss to net loss attributable to common stockholders is as follows as of December 31:

	2023	**2022**
Net loss	$ (30,330,000)	$ (85,451,000)
Deemed dividend on Series AA Preferred Stock – down round feature	(7,567,000)	-
Preferred Dividends paid in shares of common stock	(374,000)	-
Net loss attributable to common stockholders	$ (38,271,000)	$ (85,451,000)

Modifications and Exchanges of Preferred Stock and Preferred Stock Instruments

Preferred Stock

Changes to the terms of the Company's preferred stock or exchanges of shares of the Company's preferred stock for another, are assessed to determine whether the changes or exchange should be accounted for as either a modification or an extinguishment. This assessment can be done either qualitatively or quantitatively based upon the significance of the change. When preferred stock is modified in a manner that cannot be reliably assessed qualitatively, the Company performs a quantitative test to determine whether the modification or exchange should be accounted for as a modification or an extinguishment.

The Company applies the cash flow model used to assess debt modifications in ASC 470-50, Debt – Modifications and Extinguishments, to determine whether a modification or exchange of preferred stock should be accounted for as a modification or extinguishment. Under that model, the present value of the contractual cash flows is compared before and after a modification or exchange. If the present value of the contractual cash flows is ten percent or more, the modification or exchange is accounted for as an extinguishment; if the present value of the contractual cash flows differs by less than ten percent, the modification or exchange is accounted for as a modification.

If the assessment results in an extinguishment, then the difference between the fair value of the new or modified preferred stock and the carrying value of the original preferred stock is recognized as a reduction of, or increase to, retained earnings, as a deemed dividend. The difference is also recognized as an adjustment to earnings available to common shareholders for purposes of calculating earnings per share. If the assessment results in a modification, the Company measures any transfer of value between preferred shareholders and common shareholders as the difference between the fair value of the preferred stock before and after the modification or exchange, measured on the modification or exchange date. Transfers of value are recorded as a reduction of, or increase to, retained earnings as a deemed dividend. In addition, transfers of value are recognized as an adjustment to earnings available to common shareholders for purposes of calculating earnings per share.

In December 2023, the Company entered into certain Series A Exchange Agreements (the "*Series A Agreements*") and Series AA Exchange Agreements (the "Series AA Agreements", and collectively with the Series A Agreement, the "Exchange Agreements"), with certain holders (the "Holders") of the Company's Series A Preferred Stock, and Series AA Preferred Stock. The difference between the fair value of the new or modified preferred stock and the carrying value of the original preferred stock totaled $0, resulting in no impact on retained earnings for the periods presented. Refer to Note 7 for additional information.

Preferred Stock Instruments

For preferred stock instruments classified as liabilities under ASC 480 (see placement agent warrants described at Note 7), the Company follows the accounting models for the modification or extinguishment of debt, which require that modifications or exchanges of preferred stock instruments classified as liabilities are considered extinguishments, with gains or losses recognized in current earnings if the terms of the new instrument and original instrument are substantially different.

Dividends

Dividends on preferred stock paid in another class of stock are recorded at the fair value of the shares issued as a charge to retained earnings. Dividends declared on preferred stock that are payable in the Company's common shares are deducted from earnings available to common shareholders when computing earnings per share.

Certain of the Company's outstanding preferred stock contain a conversion price down round feature subject to a contractual floor pursuant to the underlying rights in the applicable certificate of designation. Upon the occurrence of a triggering event that results in a reduction of the conversion price for an equity-classified convertible preferred stock, the Company measures the value of the effect of the feature as the difference between the fair value of the financial instrument without the down round feature, with a conversion price corresponding to the currently stated conversion price of the issued instrument, and the fair value of the financial instrument without the down round feature with a conversion price corresponding to the reduced conversion price upon the down round feature being triggered. The value of the effect of a down round feature that is triggered is recognized as a charge to retained earnings and a reduction to income available to common stockholders in the computation of earnings per share. For the year ended December 31, 2023, total charges to retained earnings as a result of the triggering of down round features related to Series AA Preferred stock totaled $7,567,000. Refer to Note 7 for additional information.

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 consolidated 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, 2023 and 2022.

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.

Contingencies

Certain conditions may exist as of the date the consolidated financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company'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 consolidated 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 Guidance

Recent Accounting Pronouncements – Adopted.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which requires entities to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC Topic 606, *Revenue from Contracts with Customers*, in order to align the recognition of a contract liability with the definition of a performance obligation. This standard became effective for the Company and was adopted beginning in the first quarter of fiscal year 2023. The adoption of this standard did not have a material impact on the Company's consolidated financial statements and related disclosures.

On August 5, 2020, the FASB issued ASU No. 2020-06, *Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40)*. The guidance in this update eliminates the beneficial conversion and cash conversion accounting models for convertible instruments. It also amends the accounting for certain contracts in an entity's own equity that are currently accounted for as derivatives because of specific settlement provisions. In addition, the new guidance modifies how particular convertible instruments and certain contracts that may be settled in cash or shares impact the diluted EPS computation. The guidance was required to be applied retrospectively with the cumulative effect recognized as of the date of adoption. The guidance became effective for the Company and was adopted at the beginning of the first quarter of the fiscal year ending December 31, 2023. The adoption of this standard did not have a material impact on the Company's consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments—Credit Losses, ASC 326, Measuring Credit Losses on Financial Instruments." The standard provides 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 was 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 are required to 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 became effective for the Company and was adopted at the beginning of the first quarter of the fiscal year ended December 31, 2023. The adoption of this standard did not have a material impact on the Company's consolidated financial statements and related disclosures.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2023	2022
Computer hardware	$ 3,322,000	$ 3,314,000
Furniture and fixtures	356,000	356,000
	3,678,000	3,670,000
Less: accumulated depreciation and amortization	(3,608,000)	(3,523,000)
	$ 70,000	$ 147,000

Depreciation and amortization expense for property and equipment was $85,000 and $106,000 for the years ended December 31, 2023 and 2022, respectively.

4. INTANGIBLE AND OTHER ASSETS

Intangible and other assets consisted of the following as of December 31:

	2023	2022	Weighted Average Amortization Period (Years)
Partner and customer relationships	$ 7,645,000	$ 13,376,000	6.5
Capitalized software development costs	5,912,000	5,262,000	3.0
Capitalized third-party game property costs	500,000	500,000	5.0
Developed technology	3,931,000	7,880,000	5.0
Influencers/content creators	2,559,000	2,559,000	4.5
Trade name	209,000	189,000	5.0
Domain	68,000	68,000	10.0
Copyrights and other	825,000	760,000	5.5
	21,649,000	30,594,000	5.0
Less: accumulated amortization	(15,013,000)	(10,528,000)	
Intangible and other assets, net	$ 6,636,000	$ 20,066,000	

Intangible assets as of December 31, 2023 reflected in the table above include the intangible assets acquired in connection with the Melon Acquisition totaling $510,000, as described at Note 5 below.

Total amortization expense included in operating expense for the fiscal years ended December 31, 2023 and 2022 totaled $5,238,000 and $5,207,000, respectively. Amortization expense included in cost of revenues for the fiscal years ended December 31, 2023 and 2022 totaled $53,000 and $90,000, respectively.

In the fourth quarter of 2023 we recorded a non-cash impairment charge related to our partner relationship related intangible assets, comprised of our Microsoft Minecraft server and InPvP developed technology intangible assets originally acquired in connection with the acquisition of Mobcrush, Inc. in June 2021. The Company assesses the recoverability of long-lived assets whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Factors we consider important, which could trigger an impairment review, include significant underperformance relative to expected historical or projected future operating results, and significant changes in the manner of our use of the acquired assets or the strategy in the context of our overall business. Due to underperformance relative to historical and projected future operating results and a decision to deploy resources in other areas of the business, we performed an impairment analysis and determined that the sum of the expected undiscounted future cash flows resulting from the use of the intangible assets was less than the carrying amount of the assets, resulting in an impairment loss totaling $7,052,000, which is recorded in the consolidated statement of operations for the year ended December 31, 2023. The fair value was determined using a discounted cash flow approach (using Level 3 inputs), with cash flow projections over the remaining life of the intangible assets of 5 years and a discount rate of 16% based on the Company's estimated cost of capital. The impairment charge was based on the difference between the calculated fair value of the intangible assets totaling $860,000 and the carrying value of the applicable intangible assets which totaled $7,912,000 as of December 31, 2023.

In June 2023, the Company assigned the intangible assets originally acquired in connection with the Company's acquisition of Bannerfy in fiscal year 2021, to the original sellers. The assets were disposed of in connection with management's review of operations and decision to allocate resources elsewhere. As a result, the Company recorded a disposal of net developed technology related intangible assets acquired in connection with the acquisition of Bannerfy totaling $2,284,000, which is included in "Loss on intangible asset disposal" in the accompanying consolidated statement of operations for the year ended December 31, 2023. Developed technology related intangibles asset acquisition costs were reduced $3,069,000, and related accumulated depreciation was reduced $785,000, in connection with the disposal of the intangible asset.

In June 2022, we purchased "*Anime Battlegrounds X*", a highly rated game on Roblox, from a third-party game developer. The total purchase price of $500,000 was capitalized and is being amortized over the estimated useful life of 5 years.

During the third quarter of 2022, the Company rebranded certain products acquired in connection with the acquisition of Mobcrush. As a result, the Company recorded a write down of trademark related intangible assets acquired in connection with the acquisition of Mobcrush totaling $423,000, which is included as a component of amortization expense in general and administrative expense in the accompanying consolidated statement of operations for the year ended December 31, 2023.

The Company expects to record aggregate amortization expense for each of the five succeeding fiscal years as follows:

For the years ending December 31,		
2024	$	2,725,000
2025		2,102,000
2026		1,113,000
2027		446,000
2028		237,000
Thereafter		13,000
	$	6,636,000

5. ACQUISITIONS

Acquisition of Melon, Inc.

On May 4, 2023 ("Melon Acquisition Date"), Super League entered into an Asset Purchase Agreement (the "Melon Purchase Agreement") with Melon, Inc., a Delaware corporation ("Melon"), pursuant to which the Company acquired substantially all of the assets of Melon (the "Melon Assets") (the "Melon Acquisition"). The consummation of the Acquisition (the "Melon Closing") occurred simultaneously with the execution of the Purchase Agreement. Melon is a development studio building innovative virtual worlds in partnership with powerful consumer brands across music, film, TV, sports, fashion and youth culture. The acquisition of Melon further strengthens the Company's position as a one-stop solutions provider and strategic operating partner for brands and businesses seeking to expand and activate communities throughout the gaming metaverse.

At the Melon Closing, the Company paid an aggregate total of $900,000 to Melon (the "Melon Closing Consideration"), of which $150,000 was paid in cash, and the remaining $750,000 was paid in the form of shares of the Company's common stock (with a closing date fair value of $722,000), valued at $9.64 (the "Closing Share Price"), the VWAP, as quoted on the Nasdaq Capital Market, for the five (5) trading days immediately preceding May 4, 2023. Refer to the table below for calculation of the fair value of consideration paid.

Pursuant to the terms and subject to the conditions of the Purchase Agreement, up to an aggregate of $2,350,000 (the "Melon Contingent Consideration") will be payable to Melon in connection with the achievement of certain revenue milestones for the period from the Melon Closing until December 31, 2023 (the "First Earnout Period") in the amount of $1,000,000, and for the year ending December 31, 2024 (the "Second Earnout Period) in the amount of $1,350,000 (the "Second Earnout Period" and the First Earnout Period are collectively referred to as the "Earnout Periods"). The Melon Contingent Consideration is payable in the form of cash and common stock, with $600,000 of the aggregate Melon Contingent Consideration being payable in the form of cash, and $1,750,000 payable in the form of common stock, valued at the greater of (a) the Closing Share Price, and (b) the VWAP for the five trading days immediately preceding the end of each respective Earnout Period.

Additionally, pursuant to the Melon Purchase Agreement, the Company entered into employment agreements with two former key Melon employees ("Key Melon Employees"), pursuant to which the Key Melon Employees were granted inducement awards consisting of restricted stock unit awards ("RSUs") to acquire an aggregate of 103,780 shares of the Company's common stock. The awards were granted pursuant to terms and conditions fixed by the Compensation Committee of the Board and as an inducement material to each new employee entering employment with Super League in accordance with Nasdaq Listing Rule 5635I(4). Of the 103,780 RSUs: (A) 41,512 of the RSUs will vest in 25 equal monthly installments beginning on May 4, 2023, and on the first of each calendar month, subject to the applicable employee's continued service with Super League on each such vesting date; and (B) 62,268 of the RSUs will vest as follows: (i) 25% will vest upon the achievement of certain net revenue targets for the fiscal year ending December 31, 2024, to be determined by the Board in its discretion; (ii) 25% upon the achievement of certain net revenue targets for the fiscal year ending December 31, 2025, to be determined by the Board in its sole discretion; (iii) 25% upon Super League's common stock maintaining a minimum closing price of at least $30.00 over a rolling 30 consecutive trading day period, as quoted on the Nasdaq Capital Market; and (iv) 25% upon Super League's common stock maintaining a minimum closing price of at least $50.00 over a rolling 30 consecutive trading day period, as quoted on the Nasdaq Capital Market. The vesting of the RSUs will accelerate upon a change of control of the Company. In addition, upon (Y) the Company's termination of the employment of the respective employee without cause, or (Z) the respective employees resignation for good reason, the RSUs will continue to vest as if (Y) or (Z) had not occurred. The RSUs are subject to the terms and conditions of the RSU agreement covering each grant.

The Acquisition was approved by the board of directors of each of the Company and Melon and was approved by the sole stockholder of Melon.

In accordance with the acquisition method of accounting, the financial results of Super League presented herein include the financial results of Melon subsequent to the Melon Closing Date. Disclosure of revenue and net loss for Melon on a stand-alone basis for the applicable periods presented is not practical due to the integration of Melon activities, including sales, products, advertising inventory, resource allocation and related operating expense, with those of the consolidated Company upon acquisition, consistent with Super League operating in one reporting segment.

The Company determined that the Melon Acquisition constitutes a business acquisition as defined by ASC 805. 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, totaling approximately $47,000, were expensed as incurred pursuant to the acquisition 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 of the assets acquired and liabilities assumed and represents management's best estimate based on available data. Fair values are determined based on the requirements of ASC 820.

The following table summarizes the determination of the fair value of the purchase price consideration paid in connection with the Melon Acquisition, as of the Melon Closing Date:

Cash consideration			$	150,000
Equity consideration– shares of common stock		77,833		
Super League closing stock price per share on the Melon Closing Date	$	9.28		
Fair value of equity consideration issued	$	722,000		722,000
Fair value of contingent consideration				1,350,000
Fair value of total consideration paid			$	2,222,000

The 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 Melon Acquisition, as of the Melon Closing Date, as follows:

		Amount
Assets Acquired and Liabilities Assumed:		
Accounts receivable and other assets	$	36,000
Liabilities assumed		(188,000)
Identifiable intangible assets		510,000
Identifiable net assets acquired		358,000
Goodwill		1,864,000
Total purchase price	$	2,222,000

The following table presents details of the fair values of the acquired intangible assets of Melon:

	Estimated Useful Life (in years)		Amount
Developed technology	5	$	250,000
Developer relationships	2		50,000
Customer relationships	6		190,000
Trade names / trademarks	0.5		20,000
Total intangible assets acquired		$	510,000

Contingent consideration is recorded as a liability in the accompanying consolidated balance sheets in accordance with ASC 480, which requires freestanding financial instruments where the Company must or could settle the obligation by issuing a variable number of its shares, and the obligation's monetary value is based solely or predominantly on variations in something other than the fair value of the Company's shares, to be recorded as a liability at fair value and re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations. The estimated fair value of the Melon Contingent Consideration was $538,000 at December 31, 2023. The fair value of the Melon Contingent Consideration on the respective valuation dates was determined utilizing a Monte Carlo simulation model and measured using Level 3 inputs, as described at Note 2. Assumptions utilized in connection with utilization of the Monte Carlo simulation model for the periods presented included risk free interest rates ranging from 4.04 % to 5.35%, volatility rates ranging from 70% to 85%, and discount rate of 30%.

The change in fair value, which is included in contingent consideration expense in the statement of operations for the year ended December 31, 2023, was comprised of the following:

		2023
Beginning balance	$	1,350,000
Change in fair value		(682,000)
Current period accrued contingent consideration		61,000
Post closing adjustments(2)		(191,000)
Accrued contingent consideration(1)	$	538,000

(1) Includes total contingent consideration for the First Earn Out Period totaling $333,000, including 72,118 shares of common stock valued at $1.52, the closing price of our common stock as of the applicable period end date.

(2) The Melon Purchase Agreement provided for adjustments to the calculated Melon Contingent Consideration amounts to account for advanced payments made to Melon from customers prior to the Melon Acquisition Date, for which the corresponding work was not performed as of the Melon Acquisition Date.

Aggregated amortization expense for the period from the Melon Acquisition Date to December 31, 2023, related to intangible assets acquired in connection with the Melon Acquisition, totaled $90,000. Goodwill represents the excess of the purchase price of the acquired business over the acquisition date fair value of the net assets acquired. Goodwill recorded in connection with the Melon Acquisition is primarily attributable to expected synergies from combining the operations and assets of Super League and Melon, and also includes residual value attributable to the assembled and trained workforce acquired in the acquisition.

Management is primarily responsible for determining the fair value of the tangible and identifiable intangible assets acquired and liabilities assumed as of the Melon Closing Date. Management considered a number of factors, including reference to a preliminary independent analysis of estimated fair values solely for the purpose of allocating the purchase price to the assets acquired and liabilities assumed. The analysis included a preliminary discounted cash flow analysis which estimated the future net cash flows expected to result from the respective assets acquired as of the Melon Closing Date. A discount rate consistent with the risks associated with achieving the estimated net cash flows was used to estimate the present value of future estimated net cash flows. The Company is in the process of finalizing the estimates and assumptions developed in connection with the independent analysis of estimated fair values of intangible assets acquired solely for the purpose of allocating the purchase price to the assets acquired and liabilities assumed. Any adjustments to the fair values of intangible assets acquired, or estimates of economic useful lives of the intangible assets acquired, could impact the carrying value of those assets and related goodwill, as well as the estimates of periodic amortization of intangible assets acquired to be reflected in the statement of operations.

The fair values of the acquired intangible assets, as described above, was determined using the following methods:

Description	Valuation Method Applied	Valuation Method Description	Assumptions
Customer relationships	Multi-Period Excess Earnings Method "MPEE") under the Income Approach	MPEEM is an application of the DCF Method, whereby revenue derived from the intangible asset is estimated using the overall business revenue, adjusted for attrition, obsolescence, cost of goods sold, operating expense, and taxes. Required returns attributable to other assets employed in the business are subtracted. The "excess" earnings are attributable to the intangible asset and are discounted to present value at a rate of return to estimate the fair value of the intangible asset.	Discount rate: 30.0%; Forecast period: 6.7 years; Attrition Rate: 30.0%.
Trade names / trademarks	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 the technology.	Forecast period: 8.0 months; Royalty Rate: 1.0%; Discount Rate: 30.0%.
Non-Compete agreements	Differential Cash Flows	The Differential Cash Flows Approach is a version of the income approach that values an intangible asset as the present value of the cash flows that a company would lose if they did not have the asset in place. The differential cash flow is calculated as the difference between the cash flow assuming competition and the cash flow without competition.	Competition Probability: 30.0%; Revenue impact: 20.0%; Discount Rate: 30.0%; Term 2.16 years.
Developed technology	Replacement Cost Method	In the Replacement Cost Method, value is estimated by determining the current cost of replacing an asset with one of equivalent economic utility. The premise of the approach is that a prudent investor would pay no more for an asset than the amount for which the utility of the asset could be replaced.	Rate of Return: 30.0%; Discount rate: 30.0%; Replacement period: 3.0 months.

For tax purposes, consistent with the accounting for book purposes, the Melon Closing Consideration was allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date, with the excess purchase price allocated to goodwill. As a result, no deferred tax assets or liabilities were recorded with the acquisition and all of the goodwill is expected to be deductible for tax purposes.

The following unaudited pro forma combined results of operations for the periods presented are provided for illustrative purposes only. The unaudited pro forma combined statements of operations assume the acquisition occurred as of January 1, 2022. The unaudited pro forma combined financial results do not purport to be indicative of the results of operations for future periods or the results that actually would have been realized had the entities been a single entity during these periods.

	2023	2022
Revenue	$ 25,794,000	$ 22,451,000
Net Loss	(31,178,000)	(88,463,000)

Pro forma adjustments primarily relate to the amortization of identifiable intangible assets acquired over the estimated economic useful life as described above, the exclusion of nonrecurring transaction costs, the exclusion of depreciation related to tangible and intangible assets of Melon existing immediately prior to the Melon Acquisition Date, and adjustments related to administrative redundancies.

Acquisition of Super Biz – Contingent Consideration

On October 4, 2021 ("Super Biz Closing Date"), the Company entered into an Asset Purchase Agreement (the "Super Biz Purchase Agreement") with Super Biz Co. and the founders of Super Biz (the "Founders"), pursuant to which the Company acquired (i) substantially all of the assets of Super Biz (the "Super Biz Assets"), and (ii) the personal goodwill of the Founders regarding Super Biz's business, (the "Super Biz Acquisition"). The consummation of the Super Biz Acquisition (the "Super Biz Closing") occurred simultaneously with the execution of the Super Biz Purchase Agreement on the Super Biz Closing Date.

Pursuant to the terms and subject to the conditions of the Super Biz Purchase Agreement, up to an aggregate amount $11.5 million would be payable to Super Biz and the Founders in connection with the achievement of certain revenue milestones for the period from the Super Biz Closing Date until December 31, 2022 (“Initial Earn Out Period”) and for the fiscal year ending December 31, 2023 (the “Super Biz Contingent Consideration”) (“Super Biz Earn Out Periods”). The Super Biz Contingent Consideration is payable in the form of both cash and shares of the Company’s common stock, in equal amounts, as more specifically set forth in the Super Biz Purchase Agreement.

The Company hired the Founders of Super Biz in connection with the Super Biz Acquisition. Pursuant to the provisions of the Super Biz Purchase Agreement, in the event that a Founder ceases to be an employee during any of the Super Biz Earn Out Periods, as a consequence of his resignation without good cause, or termination for cause, the Super Biz Contingent Consideration will be reduced by one-half (50%) for the respective Super Biz Earn Out Periods, if and when earned. 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, the Super Biz Contingent Consideration, is accounted for as post-combination services and expensed in the period that payment of any amounts of contingent consideration is determined to be probable and reasonably estimable. During the year ended December 31, 2022, the Company determined that it was probable that the contingency associated with the Super Biz Earn Out Periods would be met in accordance with the terms of the Super Biz Purchase Agreement, and the applicable amounts were reasonably estimable. Contingent consideration is recorded as a liability in the accompanying consolidated balance sheets in accordance with ASC 480, which requires freestanding financial instruments where the company must or could settle the obligation by issuing a variable number of its shares, and the obligation’s monetary value is based solely or predominantly on variations in something other than the fair value of the company’s shares, to be recorded as a liability at fair value and re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations.

The change in accrued Super Biz Contingent Consideration and the related income statement impact was comprised of the following for the years ended December 31:

	2023	2022
Beginning balance	$ 3,206,000	$ -
Change in fair value	137,000	(174,000)
Current period accrued contingent consideration	1,750,000	3,380,000
Contingent consideration payments(2)	(3,423,000)	-
Accrued contingent consideration(1)	$ 1,670,000	$ 3,206,000

(1) As of December 31, 2023, included 27,968 shares of common stock valued at $1.52, the closing price of our common stock as of December 31, 2023. As of December 31, 2022, included 49,399 shares of common stock valued at $6.72, the closing price of our common stock as of December 31, 2022.

(2) In April 2023, the Company paid accrued contingent consideration related to the Initial Earn Out Period, comprised of $2.9 million of cash payments and payment of 49,399 shares of our common stock valued at $548,000.

Other

In September 2022, the Company released a holdback amount related to a fiscal year 2021 acquisition as follows: (i) $55,000 payable in the form of cash, and (ii) approximately $220,000 in the form of shares of the Company’s common stock, at a price per share of $82.00.

6. DEBT

Account Receivable Financing Facility

Super League Enterprise, Inc. and certain of its subsidiaries (collectively with the Company, the “Borrowers”), entered into a Financing and Security Agreement (the “SLR Agreement”) with SLR Digital Finance, LLC (“Lender”), effective December 17, 2023 (the “Facility Effective Date”). Pursuant to the SLR Agreement, Lender may, from time to time and in its sole discretion, make certain cash advances to the Company (each an “Advance”, and collectively, “Advances”), against the face amounts of certain uncollected accounts receivable of the Borrowers on an account-by-account basis (each, a “Financed Account”, and collectively, the “Accounts”), at a rate of 85% multiplied by the face value of such Account (the “Advance Rate”), less any reserved funds and any other amounts due to Lender from Borrowers, up to a maximum aggregate Advance amount of $4,000,000 (the “Maximum Amount”)(collectively, the “AR Facility”). Upon receipt of any Advance, Borrowers will have assigned all of its rights in such receivables and all proceeds thereof. The proceeds received from the Facility will be used to fund general working capital needs.

The SLR Agreement is effective for 24 months from the Effective Date (the “Term”), automatically extends for successive Terms (each, a “Renewal Term”), and the Borrowers’ are obligated to pay the Lender an early termination fee in the event the SLR Agreement is terminated under certain circumstances prior to the end of any Term or Renewal Term, as more specifically set forth in the SLR Agreement.

In connection with the AR Facility, the Company agreed to, among other things, (i) pay a finance fee equal to 2% of the Maximum Amount, payable in 24 equal monthly installments on the last day of each month of the Term until paid in full, (ii) pay a servicing fee equal to 0.30% multiplied by the actual average daily amount of Advances outstanding at the time of determination (the “Outstanding Amount”) for the applicable month, on the last day of each calendar month during the Term (or so long as any obligations arising under the SLR Agreement are outstanding); (iii) be charged a monthly financing fee (the “Financing Fee”), due upon receipt of full payment of a Financed Account by Lender, equal to 1/12 of (a) the prime rate plus 2% (the “Facility Rate”), multiplied by (b) the amount of the Outstanding Amount; and (iv) utilize the facility such that the monthly average aggregate Advances outstanding is at $400,000 (the “Minimum Utilization”). In the event that Borrower’s monthly utilization is less than the applicable Minimum Utilization for any month, the Financing Fee for such month shall be calculated as if the applicable Minimum Utilization has been satisfied.

The SLR Agreement imposes various restrictions on the activities of the Borrowers, including a prohibition on fundamental changes to the Company or its subsidiaries (including certain consolidations, mergers and sales and transfers of assets, and limitations on the ability of the Borrowers to grant liens upon their property or assets). The SLR Agreement includes standard Events of Default (as defined in the SLR Agreement), and provide that, upon the occurrence of certain events of default, Lender may, among other things, immediately collect any obligation owing to Lender under the SLR Agreement, cease advancing money to the Borrowers, take possession of any collateral, and/or charge interest at a rate equal to the lesser of (i) 6% above the Facility Rate, and (ii) the highest default rate permitted by applicable law.

As security for the full and prompt payment and performance of any obligations arising under the SLR Agreement, the Borrowers granted to Lender a continuing first priority security interest in all the assets of the Borrowers. The SLR Agreement also provides for customary provisions, including representations, warranties and covenants, indemnification, waiver of jury trial, arbitration, and the exercise of remedies upon a breach or default.

Transfers of financial assets that do not qualify for sale accounting are reported as collateralized borrowings. Financing and servicing fees calculated with reference to amounts advanced under the AR Facility are included in interest expense. The commitment fee, based on the maximum facility amount and payable irrespective of drawdowns, is expensed on a straight line basis over the term of the AR Facility and included in other income (expense) in the consolidated statement of operations. Total amounts advanced under the AR Facility from the Facility Effective Date to December 31, 2023 totaled $800,000. Interest expense and commitment fee expense for the year ended December 31, 2023 totaled $3,000 and $3,000, respectively.

Convertible Notes Payable at Fair Value

On May 16, 2022, the Company entered into a Securities Purchase Agreement (the “SPA”) with three institutional investors (collectively, the “Note Holders”) providing for the sale and issuance of a series of senior convertible notes in the aggregate original principal amount of $4,320,000, of which 8% is an original issue discount (“OID”) (each, a “Note,” and, collectively, the “Notes,” and such financing, the “Note Offering”). The Notes accrued interest at a guaranteed annual rate of 9% per annum, were set to mature 12 months from the date of issuance, and were convertible at the option of the Note Holders into that number of shares of the Company’s common stock, equal to the sum of the outstanding principal balance, accrued and unpaid interest, and accrued and unpaid late charges (the “Conversion Amount”), divided by $80.00 (the “Conversion Price”), subject to adjustment upon the occurrence of certain events as more specifically set forth in the Note, as amended. In the event of the occurrence of an event of default, the Note Holders may, at the Note Holder’s option, convert all, or any part of, the Conversion Amount into shares of common stock at 90% of the lowest volume weighted average price of the ten trading days preceding the date for which the price is being calculated.

In addition, the Company was required to redeem all or a portion of the Notes under certain circumstances, and, in the event (A) the Company sold Company common stock pursuant to the March 25, 2022 Purchase Agreement, described below, or (B) consummated a subsequent equity financing, then the Note Holders had the right, but not the obligation, to require the Company to use 50% of the gross proceeds raised from such sale to redeem all or any portion of the Conversion Amount then remaining under the Notes, in cash, at a price equal to the Conversion Amount being redeemed.

The Notes were issued with an original issue discount of $320,000 , or 8%, which was recorded as an adjustment to the carrying amount of the Notes. The original issue discount was amortized using the interest method over the contractual term of the Notes and reflected as interest expense in the statement of operations. At December 31, 2022, the balance of the original issue discount was $40,000 , which is included in “Convertible note payable and accrued interest” in the accompanying consolidated balance sheet. Amortization of original issue discount for the years ended December 31, 2023 and 2022 totaled $40,000 and $280,000, respectively.

The Company elected to utilize the FVO to account for the Notes, which are included in current liabilities at December 31, 2022.

Interest paid during the years ended December 31, 2023 and 2022 totaled $180,000 and $209,000, respectively. At December 31, 2022, the remaining principal balance of the Notes totaled $539,000, and accrued interest totaled $180,000, both of which were paid in full during the three months ended March 31, 2023. As of March 31, 2023, all amounts of principal and interest under the Notes were fully paid, resulting in a Convertible note payable and accrued interest balance of $0.

7. STOCKHOLDERS' EQUITY AND EQUITY-LINKED INSTRUMENTS

Reverse Stock Split

On September 7, 2023, the Company filed the 2023 Second Amendment to the Company's Charter, to effect a reverse stock split of the Company's issued and outstanding shares of common stock at a ratio of 1-for-20 (the "Reverse Split"). The Reverse Split was approved by the Company's Board of Directors on July 5, 2023, and approved by the stockholders of the Company on September 7, 2023. The 2023 Second Amendment became effective on September 11, 2023. The Company's shares began trading on a Reverse Split-adjusted basis on the Nasdaq Capital Market on September 11, 2023.

As a result of the Reverse Split, every 20 shares of the Company's issued and outstanding common stock was automatically combined and converted into one issued and outstanding share of common stock. No fractional shares of common stock were issued as a result of the Reverse Split. Instead, in lieu of any fractional shares to which a stockholder of record would otherwise be entitled as a result of the Reverse Split, the Company paid cash (without interest) equal to the value of such fractional share. The Reverse Split did not modify the rights or preferences of the common stock.

All references to common stock, warrants to purchase common stock, options to purchase common stock, restricted stock, share data, per share data and related information contained in the financial statements have been retroactively adjusted to reflect the effect of the Reverse Split for all periods presented.

Preferred Stock

The Company's initial certificate of incorporation authorized 5,000,000 shares of preferred stock, par value $0.001 per share. In October 2016, the Company's 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 consolidated 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.

On May 30, 2023, the Company filed the 2023 First Amendment to its Charter, increasing the number of authorized shares of common stock from 100,000,000 to 400,000,000. The Company's Board of Directors approved the 2023 First Amendment on March 17, 2023, and the Company obtained the approval of the 2023 First Amendment by written consent of its stockholders holding greater than 50% of the voting securities of the Company on April 5, 2023.

Equity Financings

Convertible Preferred Stock Issuances

Series AAA Convertible Preferred Financing

On the dates set forth in the table below, we entered into subscription agreements with accredited investors in connection with the sale of an aggregate of 8,355 shares of newly designated Series AAA and AAA-2 Convertible Preferred Stock, each series having a $0.001 par value and a $1,000 purchase price, hereinafter collectively referred to as "Series AAA Preferred," and the individual offerings of Series AAA Preferred stock, hereinafter collectively referred to as the Series AAA Offerings, as follows:

Date	Series Design-ation	Conversion Price – At Issuance	Shares	Gross Proceeds	Fees	Net Proceeds	Conversion Shares – At Issuance	Placement Agent Warrants (1)
November 30, 2023	Series AAA	$ 1.674	5,377	$ 5,377,000	$ 645,000	$ 4,732,000	3,212,000	466,000
December 22, 2023	Series AAA-2	$ 1.71	2,978	2,978,000	357,000	2,621,000	1,742,000	253,000
Total			8,355	$ 8,355,000	$ 1,002,000	$ 7,353,000	4,954,000	719,000

(1) Issued upon final closing of the Series AAA Preferred Stock offering, effective as of the respective closing dates.

In connection with the Series AAA Offerings, the Company filed a Certificate of Designation of Preferences, Rights and Limitations of the Series AAA Preferred Stock (the "Series AAA Certificates of Designation") with the State of Delaware. Use of net proceeds from the Series AAA Offerings for the periods presented included working capital and general corporate purposes, including sales and marketing activities and product development.

Each share of Series AAA Preferred is convertible at the option of the holder, subject to certain beneficial ownership limitations and primary market limitations as set forth in the Series AAA Certificates of Designation, into such number of shares of the Company's common stock equal to the number of Series AAA Preferred to be converted, multiplied by the stated value of $1,000 (the "AAA *Stated Value*"), divided by the conversion price in effect at the time of the conversion, subject to adjustment in the event of stock splits, stock dividends, certain fundamental transactions and future issuances of equity securities as described below. In addition, subject to beneficial ownership and primary market limitations, on the one year anniversary of the respective filing date, the Company may, in its discretion, convert (y) 50% of the outstanding shares of Series AAA Preferred into the Company's common stock if the volume-weighted average price of such common stock over the previous 10 days as reported on the NASDAQ Capital Market (the "*VWAP*"), equals at least 250% of the conversion price, or (z) 100% of the outstanding shares of Series AAA Preferred into the Company's common stock if the VWAP equals at least 300% of the conversion price.

The Series AAA Preferred shall vote together with the common stock on an as-converted basis, and not as a separate class, subject to the primary market limitations, except that holders of Series AAA Preferred shall vote as a separate class with respect to (a) amending, altering, or repealing any provision of the Series AAA Certificates of Designation in a manner that adversely affects the powers, preferences or rights of the Series AAA Preferred, (b) increasing the number of authorized shares of Series AAA Preferred, (c) authorizing or issuing an additional class or series of capital stock that ranks senior to or pari passu with the Series AAA Preferred with respect to the distribution of assets on liquidation, (d) authorizing, creating, incurring, assuming, guaranteeing or suffering to exist any indebtedness for borrowed money of any kind outside of certain loans not to exceed $5,000,000 and accounts payable in the ordinary course of business, or (e) entering into any agreement with respect to the foregoing. In addition, no holder of Series AAA Preferred shall be entitled to vote on any matter presented to the Company's stockholders relating to approving the conversion of such holder's Series AAA Preferred into an amount in excess of the primary market limitations. Upon any dissolution, liquidation or winding up, whether voluntary or involuntary, holders of Series AAA Preferred (together with any Parity Securities (as defined in the Series AAA Certificate of Designations) will be entitled to first receive distributions out of the Company's assets in an amount per share equal to the Stated Value plus all accrued and unpaid dividends, whether capital or surplus before any distributions shall be made on any shares of common stock (after the payment to any senior security, if any).

Holders of the Series AAA Preferred will be entitled to receive dividends, subject to the beneficial ownership and primary market limitations, payable in the form of that number of shares of common stock equal to 20% of the shares of common stock underlying the Series AAA Preferred then held by such holder on each of the 12- and 24-month anniversaries of the Filing Date. In addition, subject to the beneficial ownership and primary market limitations, holders of Series AAA Preferred will be entitled to receive dividends equal, on an as-if-converted to shares of Common Stock basis, and in the same form as dividends actually paid on shares of the common stock when, as, and if such dividends are paid on shares of the common stock. Notwithstanding the foregoing, to the extent that a holder's right to participate in any dividend in shares of common stock to which such holder is entitled would result in such holder exceeding the beneficial ownership and/or primary market limitations, then such holder shall not be entitled to participate in any such dividend to such extent and the portion of such shares that would cause such holder to exceed the beneficial ownership and/or primary market limitations shall be held in abeyance for the benefit of such holder until such time, if ever, as such holder's beneficial ownership thereof would not result in such holder exceeding the beneficial ownership and primary market limitations.

Subject to the approval by a majority of the voting securities of the Company (the "Stockholder Approval"), pursuant to the Subscription Agreements, Series AAA Preferred holders shall have the right to purchase shares of a newly designated series of Preferred Stock of the Company containing comparable terms (except for adjustments to the Conversion Price based on future equity issuances) as the Series AAA Preferred (the "Series AAA Additional Investment Right") from the date the SEC declares the related registration statement to be filed with the SEC pursuant to the applicable Registration Rights Agreement (as defined below) effective, to the date that is 18 months thereafter, for an additional dollar amount equal to the applicable initial investment amount at $1,000 per share (the "Original Issue Price"), with a conversion price equal to the original conversion price of the Series AAA Preferred. No further additional investment rights shall be granted to investors that exercise the Series AAA Additional Investment Rights.

Further, subject to the effectiveness of the Stockholder Approval, for twenty-four (24) months after the Filing Date, and subject to certain carveouts as described in the Series AAA Certificates of Designations, if the Company conducts an offering at a price per share less than the then effective conversion price (the "Future Offering Price") consisting of common stock, convertible or derivative instruments, then in such event the conversion price of the Series AAA Preferred shall be adjusted to the Future Offering Price, but not less than the Conversion Price Floor (as defined in the Series AAA Certificate of Designations).

Exchange Agreements

In connection with the closing of the Series AAA Preferred rounds described above, the Company entered into certain Series A Exchange Agreements (the "Series A Agreements") and Series AA Exchange Agreements (the "Series AA Agreements", and collectively with the Series A Agreements, the "Exchange Agreements"), with certain holders (the "Holders") of the Company's Series A Preferred Stock, and Series AA Preferred Stock, pursuant to which the Holders exchanged an aggregate of 6,367 shares of Series A Preferred and/or Series AA Preferred, for an aggregate of 6,367 shares of Series AAA Preferred (the "Exchange"). The Exchange closed concurrently with the closing of the Series AAA Preferred Offerings.

The Company and the investors in the Series AAA Preferred Offering and the Exchange also executed a registration rights agreement (the "Registration Rights Agreement"), pursuant to which the Company agreed to use its best efforts to file a registration statement covering the resale of the shares of common stock issuable upon conversion of the Series AAA Preferred within 45 days, but in no event later than 60 days, following the final closing of the Series AAA Preferred Offering and to use its best efforts to cause such registration statement to become effective within 90 days of the filing date.

The Company sold and/or exchanged the shares of Series AAA Preferred pursuant to a Placement Agency Agreement (the "Series AAA Placement Agency Agreement") with Aegis Capital Corporation, a registered broker dealer, which acted as the Company's exclusive placement agent (the "Series AAA Placement Agent") for the Offering and the Exchange. Pursuant to the terms of the Placement Agency Agreement, in connection with the Series AAA Preferred Offerings and the Exchange, the Company paid the Placement Agent an aggregate cash fee and non-accountable expense allowance as described in the table above, and will issue to the Placement Agent or its designees warrants (the "Placement Agent Warrants") to purchase common stock at the conversion prices disclosed in the table above. The Company also granted the Placement Agent the right of first refusal, for a period of six (6) months after the final closing of the Offering, to serve as the Company's lead or co-placement agent for any private placement of the Company's securities (equity or debt) that is proposed to be consummated with the assistance of a registered broker dealer. In addition, with respect to shares of Series AAA Preferred Stock issued in the Exchange, the Placement Agent exchanged previously issued placement agent warrants to purchase 88,403 shares of common stock of the Company that were issued in connection with the Series A and Series AA Preferred Stock financings of the Company, at exercise prices ranging from $7.60 to $13.41 per share, for new placement agent warrants to purchase a total of 347,428 shares of common stock at an exercise price of $1.674 per share and 199,778 shares of common stock at an exercise price of $1.71 per share.

At December 31, 2023, Series AAA Preferred stock outstanding was comprised of the following, including Series AAA Preferred stock issued in connection with the Exchange Agreements and conversions of Series AAA Preferred stock into shares of the Company's common stock for the applicable periods presented:

Series Designation	Conversion Price	Preferred Shares Series Preferred AAA			Conversion Shares Series Preferred AAA			
		Issued	Converted	Outstanding	Original Conversion Shares	Conversions During the Period	Additional Conversion Shares - Adjusted Conversion Price(1)	Adjusted Conversion Shares At End of Period
Sales:								
Series AAA	$ 1.674	5,377	-	5,377	3,212,000	-	-	3,212,000
Series AAA-2	$ 1.71	2,978	-	2,978	1,742,000	-	-	1,742,000
Subtotal		8,355	-	8,355	4,954,000	-	-	4,954,000
Exchanges:								
Series AAA	$ 1.674	4,011	(125)	3,886	2,396,000	(75,000)	-	2,321,000
Series AAA-2	$ 1.71	2,356	(100)	2,256	1,378,000	(58,000)	-	1,320,000
Subtotal		6,367	(225)	6,142	3,774,000	(133,000)	-	3,641,000
Total		14,722	(225)	14,497	8,728,000	(133,000)	-	8,595,000

Series AA Convertible Preferred Financing

On the dates set forth in the table below, we entered into subscription agreements with accredited investors in connection with the sale of an aggregate of 11,781 shares of newly designated Series AA, AA-2, AA-3, AA-4 and AA-5 Convertible Preferred Stock, each series having a $0.001 par value and a $1,000 purchase price, hereinafter collectively referred to as "Series AA Preferred," and the individual offerings of Series AA Preferred stock hereinafter collectively referred to as the Series AA Offerings, as follows:

Date	Series Design-ation	Original Conversion Price – At Issuance(2)	Shares	Gross Proceeds	Fees	Net Proceeds	Conversion Shares – At Issuance	Placement Agent Warrants (1)
April 19, 2023	Series AA	$ 9.43	7,680	$ 7,680,000	$ 966,000	$ 6,714,000	814,000	114,000
April 20, 2023	Series AA-2	$ 10.43	1,500	1,500,000	130,000	1,370,000	144,000	13,000
April 28, 2023	Series AA-3	$ 9.50	1,025	1,025,000	133,000	892,000	108,000	15,000
May 5, 2023	Series AA-4	$ 9.28	1,026	1,026,000	133,000	893,000	111,000	16,000
May 26, 2023	Series AA-5	$ 10.60	550	550,000	72,000	478,000	52,000	7,000
Total			11,781	$ 11,781,000	$ 1,434,000	$ 10,347,000	1,229,000	165,000

(1) Issued on May 26, 2023, effective as of the applicable closing date, upon final closing of the Series AA Preferred Stock offering.
(2) The Conversion price for Series AA Preferred stock outstanding as of August 23, 2023, totaling 10,706 shares of Series AA Preferred stock, was adjusted to $2.60 as a result of the Series AA Down Round Feature described below. The Conversion price for Series AA Preferred stock outstanding as of November 30, 2023, totaling 7,322 shares of Series AA Preferred stock, was adjusted as described in the table below as a result of the Series AA Down Round Feature described below.

At December 31, 2023, Series AA Preferred stock outstanding was comprised of the following, including conversions of Series AA Preferred stock into shares of the Company's common stock for the applicable periods presented:

Series Designation	**Conversion Price As Adjusted(1)**	**Preferred Shares Series Preferred AA**			**Conversion Shares Series Preferred AA**			
		Issued	**Exchanged/ Converted**	**Outstanding as of December 31, 2023**	**Original Conversion Shares**	**Exchanges/ Conversions During the Period**	**Additional Conversion Shares - Adjusted Conversion Price(1)**	**Adjusted Conversion Shares as of December 31, 2023**
Series AA	$ 1.89	7,680	(2,926)	4,754	814,000	(1,336,000)	3,043,000	2,521,000
Series AA-2	$ 2.09	1,500	(1,500)	-	144,000	(274,000)	130,000	-
Series AA-3	$ 1.90	1,025	(634)	391	108,000	(334,000)	432,000	206,000
Series AA-4	$ 1.86	1,026	(511)	515	109,000	(275,000)	443,000	277,000
Series AA-5	$ 2.12	550	-	550	58,000	-	201,000	259,000
Total		11,781	(5,571)	6,210	1,233,000	(2,219,000)	4,249,000	3,263,000

(1) The Conversion prices for the Series AA Preferred stock outstanding as of November 30, 2023, totaling 7,322 shares of Series AA Preferred stock, were adjusted to the conversion prices shown in the table above, as a result of the Series AA Down Round Feature described below. The original conversion prices for the Series AA Preferred, as of the respective issuance dates, were as follows: Series AA - $9.43; Series AA-2 - $10.43; Series AA-3 - $9.50; Series AA-4 - $9.28; Series AA-5 - $10.60.

In connection with the Series AA Offerings, the Company filed Certificates of Designation of Preferences, Rights and Limitations of the Series AA Preferred Stock (the "Series AA Certificates of Designation") with the State of Delaware. Use of net proceeds from the Series AA Offerings for the periods presented included working capital and general corporate purposes, including sales and marketing activities and product development.

Each share of Series AA Preferred is convertible at the option of the holder, subject to certain beneficial ownership limitations and primary market limitations as set forth in each Series AA Certificates of Designation, into such number of shares of the Company's common stock equal to the number of Series AA Preferred to be converted, multiplied by the stated value of $1,000 (the "AA Stated Value"), divided by the applicable conversion price (refer to table above), subject to adjustment in the event of stock splits, stock dividends, and similar transactions. The conversion price is equal to the "Minimum Price," as defined in NASDAQ Rule 5635(d)(1)). In addition, subject to beneficial ownership and primary market limitations, on the one year anniversary of the respective filing date, the Company may, in its discretion, convert (y) 50% of the outstanding shares of Series AA Preferred if the VWAP of the Company's common stock over the previous ten days as reported on the NASDAQ Capital Market (the "Series AA VWAP"), equals at least 250% of the Conversion Price, or (z) 100% of the outstanding shares of Series AA Preferred if the Series AA VWAP equals at least 300% of the respective conversion price.

The Series AA Preferred shall vote together with the common stock on an as-converted basis, and not as a separate class, subject to the primary market limitations, except that holders of Series AA Preferred shall vote as a separate class with respect to (a) amending, altering, or repealing any provision of the Series AA Certificates of Designation in a manner that adversely affects the powers, preferences or rights of the Series AA Preferred, (b) increasing the number of authorized shares of Series AA Preferred, (c) authorizing or issuing an additional class or series of capital stock that ranks senior to or pari passu with the Series AA Preferred with respect to the distribution of assets on liquidation, (d) authorizing, creating, incurring, assuming, guaranteeing or suffering to exist any indebtedness for borrowed money of any kind outside of accounts payable in the ordinary course of business, (e) entering into any agreement with respect to the foregoing; or (f) approving the issuance of common stock below the Conversion Price Floor (as defined in the AA Certificate of Designations). In addition, no holder of Series AA Preferred shall be entitled to vote on any matter presented to the Company's stockholders relating to approving the conversion of such holder's Series AA Preferred into an amount in excess of the primary market limitations. Upon any dissolution, liquidation or winding up, whether voluntary or involuntary, holders of Series AA Preferred (together with any Parity Securities (as defined in the Series AA Certificate of Designations)) will be entitled to first receive distributions out of the Company's assets in an amount per share equal to the AA Stated Value plus all accrued and unpaid dividends, whether capital or surplus before any distributions shall be made on any shares of common stock (after the payment to any senior security, if any).

Holders of the Series AA Preferred will be entitled to receive dividends, subject to the beneficial ownership and primary market limitations, payable in the form of that number of shares of common stock equal to 20% of the shares of common stock underlying the Series AA Preferred then held by such holder on the 12 and 24 month anniversaries of the respective filing date. In addition, subject to the beneficial ownership and primary market limitations, holders of Series AA Preferred will be entitled to receive dividends equal, on an as-if-converted to shares of common stock basis, and in the same form as dividends actually paid on shares of the common stock when, as, and if such dividends are paid on shares of the common stock. Notwithstanding the foregoing, to the extent that a holder's right to participate in any dividend in shares of common stock to which such holder is entitled would result in such holder exceeding the beneficial ownership and primary market limitations, then such holder shall not be entitled to participate in any such dividend to such extent and the portion of such shares that would cause such holder to exceed the beneficial ownership and primary market limitations shall be held in abeyance for the benefit of such holder until such time, if ever, as such holder's beneficial ownership thereof would not result in such holder exceeding the beneficial ownership and primary market limitations.

Pursuant to the Subscription Agreements, purchasers that (a) previously held shares of the Company's Series A Preferred Stock, par value $0.001 per share, or (b) purchased at least $3.5 million in shares of Series AA Preferred (subject to the acceptance of such lesser amounts in the Company's sole discretion), shall have the right to purchase shares of a newly designated series of Preferred Stock of the Company containing comparable terms as the Series AA Preferred (the "Series AA Additional Investment Right") from the date of each respective closing through the date that is 18 months thereafter as follows: (i) such investor may purchase an additional dollar amount equal to its initial investment amount at $1,000 per share (the "AA Original Issue Price"), with a conversion price equal to the conversion price in effect on the date of original purchase; and (ii) such investor may purchase an additional dollar amount equal to its initial investment amount at the AA Original Issue Price, with a conversion price equal to 125% of the respective conversion price in effect on the date of original purchase.

Pursuant to the Series AA Certificate of Designations: (i) for as long as Series AA Preferred remains outstanding and subject to certain carveouts as described in the Series AA Certificates of Designations, if the Company conducts an offering at a price per share less than the then current conversion price (the "Future Offering Price") consisting of common stock, convertible or derivative instruments, and undertaken in an arms-length third party transaction, then in such event the conversion price of the Series AA Preferred shall be adjusted to the greater of: (a) the Future Offering Price and (b) the Conversion Price Floor (" Series AA Down Round Feature"); and (ii) if as of the 24-month anniversary date of April 19, 2023, the VWAP (as defined in the Series AA Certificates of Designation) for the five trading days immediately prior to such 24-month anniversary date is below the then current conversion price, the holder will receive a corresponding adjustment to the then conversion price, such adjustment not to exceed the Conversion Price Floor.

The Company and the investors in the Offering also executed a registration rights agreement (the "AA Registration Rights Agreement"), pursuant to which the Company filed a registration statement on Form S-3 (File No. 333-273282), covering the resale of the shares of common stock issuable upon conversion of the Series AA Preferred, which was declared effective on August 1, 2023.

The Company sold the shares of Series AA Preferred pursuant to a placement agency agreement (the "Series AA Placement Agency Agreement") with a registered broker dealer, which acted as the Company's exclusive placement agent (the "Series AA Placement Agent") for the Offering. Pursuant to the terms of the Series AA Placement Agency Agreement, in connection with the closings of the Series AA Offerings, the Company paid the Series AA Placement Agent aggregate cash fees, and non-accountable expense allowances as disclosed in the table above, and will issue to the Series AA Placement Agent or its designees warrants (the "Series AA Placement Agent Warrants") to purchase shares of common stock as disclosed in the table above at the conversion prices disclosed above. The Series AA Placement Agent shall also earn fees and be issued additional Series AA Placement Agent Warrants with respect to any securities issued pursuant to the Additional Investment Rights. The Company also granted the Series AA Placement Agent the right of first refusal, for a twelve (12) month period after the final closing of the Offering, to serve as the Company's lead or co-placement agent for any private placement of the Company's securities (equity or debt) that is proposed to be consummated with the assistance of a registered broker dealer.

The triggering of the Down Round Feature for the Series AA Preferred stock resulted in a deemed dividend totaling $7,567,000, which was charged to retained earnings in the consolidated balance sheet. The amount was calculated based upon the difference between the fair value of the financial instrument without the down round feature, with a conversion price corresponding to the stated conversion price of the issued instrument immediately prior to the triggering event, and the fair value of the financial instrument without the down round feature with a conversion price corresponding to the reduced conversion price upon the down round feature being triggered.

Series A Convertible Preferred Financing

On the dates set forth in the table below, we entered into subscription agreements with accredited investors in connection with the sale of an aggregate of 12,622 shares of newly designated Series A, A-2, A-3, A-4 and A-5 Convertible Preferred Stock, each series having a $0.001 par value and a $1,000 purchase price, hereinafter collectively referred to as "Series A Preferred," and the individual offerings of Series A Preferred stock, hereinafter, collectively referred to as the Series A Offerings, as follows:

Date	Series Design- ation	Conversion Price	Shares	Gross Proceeds	Fees	Net Proceeds	Conversion Shares	Placement Agent Warrants (1)
November 22, 2022	Series A	$ 12.40	5,359	$ 5,359,000	$ 752,000	$ 4,607,000	432,000	62,000
November 28, 2022	Series A-2	$ 13.29	1,297	1,297,000	169,000	1,128,000	98,000	14,000
November 30, 2022	Series A-3	$ 13.41	1,733	1,733,000	225,000	1,508,000	129,000	18,000
December 22, 2022	Series A-4	$ 7.60	1,934	1,934,000	251,000	1,683,000	254,000	36,000
January 31, 2023	Series A-5	$ 11.09	2,299	2,299,000	299,000	2,000,000	207,000	30,000
Total			12,622	$ 12,622,000	$ 1,696,000	$ 10,926,000	1,120,000	160,000

(1) Issued on May 26, 2023, effective as of the applicable closing date, upon final closing of the Series A Preferred Stock offering

Use of net proceeds from the Series A Offerings for the periods presented include the repayment of certain indebtedness and working capital and general corporate purposes, including sales and marketing activities and product development. As disclosed at Note 6, in the event the Company consummated a subsequent equity financing during the term of the Notes, the Company was required, at the option of the Note Holders, to use 50% of the gross proceeds raised from such sale to redeem all or any portion of the Notes outstanding upon closing of such equity financing. For the years ended December 31, 2023 and 2022, $719,000 and $3,621,000 of the net proceeds from the Series A Offerings were utilized in connection with the redemption of the Notes and related accrued interest, respectively.

On the respective effective dates, the Company filed certificates of designation of preferences, rights and limitations of the Series A Preferred with the State of Delaware, respectively.

Each share of Series A Preferred is convertible at the option of the holder, subject to certain beneficial ownership limitations and primary market limitations as set forth in each Series A Certificate of Designation, into such number of shares of the Company's common stock, equal to the number of Series A Preferred to be converted, multiplied by the stated value of $1,000 (the "Stated Value"), divided by the applicable conversion price (refer to the table above), subject to adjustment in the event of stock splits, stock dividends, and similar transactions. The conversion price is equal to the "Minimum Price," as defined in NASDAQ Rule 5635(d)(1)) on the date of closing. In addition, subject to beneficial ownership and primary market limitations: (1) the Series A Preferred will automatically convert into shares of common stock at the Conversion Price upon the earlier of (a) the 24-month anniversary of the Effective Date or (b) the consent to conversion by holders of at least 51% of the outstanding shares of Series A Preferred; and (2) on the one year anniversary of the Effective Date, the Company may, in its discretion, convert (y) 50% of the outstanding shares of Series A Preferred if the VWAP of the Company's common stock over the previous 10 days as reported on the NASDAQ Capital Market (the "Series A VWAP"), equals at least 250% of the Conversion Price, or (z) 100% of the outstanding shares of Series A Preferred if and only if the Series A VWAP equals at least 300% of the Conversion Price.

During the applicable periods presented, conversions of Series A Preferred stock into shares of the Company's common stock were comprised of the following:

		Preferred Shares Series Preferred A			Conversion Shares Series Preferred A		
Series Designation	**Conversion Price**	**Issued**	**Exchanged/ Converted**	**Outstanding as of December 31, 2023**	**Original Conversion Shares**	**Exchanges/ Conversions During the Period**	**Conversion Shares as of December 31, 2023**
Series A	$ 12.40	5,359	(4,551)	808	432,000	(367,000)	65,000
Series A-2	$ 13.29	1,297	(834)	463	98,000	(63,000)	35,000
Series A-3	$ 13.41	1,733	(1,418)	315	129,000	(106,000)	23,000
Series A-4	$ 7.60	1,934	(1,383)	551	254,000	(182,000)	72,000
Series A-5	$ 11.09	2,299	(1,487)	812	207,000	(134,000)	73,000
Total		12,622	(9,673)	2,949	1,120,000	(852,000)	268,000

The Series A Preferred shall vote together with the common stock on an as-converted basis, and not as a separate class, subject to the primary market limitations, except that holders of Series A Preferred shall vote as a separate class with respect to (a) amending, altering, or repealing any provision of the Series A Certificate of Designation in a manner that adversely affects the powers, preferences or rights of the Series A Preferred, (b) increasing the number of authorized shares of Series A Preferred, (c) authorizing or issuing an additional class or series of capital stock that ranks senior to or pari passu with the Series A Preferred with respect to the distribution of assets on liquidation, (d) authorizing, creating, incurring, assuming, guaranteeing or suffering to exist any indebtedness for borrowed money of any kind in excess of $5 million, or I entering into any agreement with respect to the foregoing. In addition, no holder of Series A Preferred shall be entitled to vote on any matter presented to the Company's stockholders relating to approving the conversion of such holder's Series A Preferred into an amount in excess of the primary market limitations. Upon any dissolution, liquidation or winding up, whether voluntary or involuntary, holders of Series A Preferred will be entitled to first receive distributions out of the Company's assets in an amount per share equal to the Stated Value plus all accrued and unpaid dividends, whether capital or surplus before any distributions shall be made on any shares of common stock (after the payment to any senior security, if any).

Holders of the Series A Preferred will be entitled to receive dividends, subject to the beneficial ownership and primary market limitations, payable in the form of that number of shares of common stock equal to 20% of the shares of common stock underlying the Series A Preferred then held by such holder on the 12 and 24-month anniversaries of the respective filing date. In addition, subject to the beneficial ownership and primary market limitations, holders of Series A Preferred will be entitled to receive dividends equal, on an as-if-converted to shares of common stock basis, and in the same form as dividends actually paid on shares of the common stock when, as, and if such dividends are paid on shares of the common stock. Notwithstanding the foregoing, to the extent that a holder's right to participate in any dividend in shares of common stock to which such holder is entitled would result in such holder exceeding the beneficial ownership and primary market limitations, then such holder shall not be entitled to participate in any such dividend to such extent and the portion of such shares that would cause such holder to exceed the beneficial ownership and primary market limitations shall be held in abeyance for the benefit of such holder until such time, if ever, as such holder's beneficial ownership thereof would not result in such holder exceeding the beneficial ownership and primary market limitations.

The Company and the investors in the Series A Offerings also executed a registration rights agreement (the "Registration Rights Agreement"), pursuant to which the Company filed registration statement on Form S-3 (File No. 333-271424), covering the resale of the shares of common stock issuable upon conversion of the Series A Preferred, which was declared on June 5, 2023.

The Company sold the shares of Series A Preferred pursuant to a Placement Agency Agreement (the "Placement Agency Agreement") with a registered broker dealer, which acted as the Company's exclusive placement agent (the "Placement Agent") for the Series A Offerings. Pursuant to the terms of the Placement Agency Agreement, the Company agreed to pay to the Placement Agent at each Closing a cash fee equal to 10% of the gross proceeds raised in the Series A Offerings and (ii) a non-accountable expense allowance equal to 3% of the gross proceeds of the Series A Offerings. In addition, we agreed to issue to the Placement Agent or its designees for nominal consideration and following the final closing under the Series A Offerings, five-year warrants to purchase 14.5% of the shares of common stock issuable upon conversion of the Series A Preferred shares sold in the Series A Offerings, at an exercise price equal to the applicable conversion price. The Placement Agent Warrants provide for a cashless exercise feature and are exercisable for a period of five years from the Effective Date. In addition, the Company agreed to grant the Placement Agent the right to appoint, subject to the Company's approval, one representative to serve as a member of the Company's Board of Directors upon the closing of at least $10 million in aggregate in connection with the Series A Offerings.

Common Stock Issuances

On August 21, 2023, we entered into an underwriting agreement (the "Underwriting Agreement") with Aegis Capital Corp. (the "Underwriter"), relating to the Company's public offering (the "Common Stock Offering") of 778,653 shares of its common stock, and pre-funded warrants to purchase 67,500 shares of the Company's common stock, in lieu of the Company's common stock (the "Pre-Funded Warrants", and collectively with the Shares, the "Firm Securities") to certain investors. Pursuant to the Underwriting Agreement, the Company also granted the Underwriters a 45-day option ("Option") to purchase an additional 126,923 shares of the Company's common stock and/or Pre-Funded Warrants (the "Option Securities", and together with the Firm Securities, the "Securities"). On September 12, 2023, the Underwriter partially exercised its Option and purchased an additional 32,616 shares of common stock at a price of $2.60 per share. The issuance by the Company of the Option Securities resulted in total gross proceeds of approximately $84,800, before deducting underwriting discounts, commissions, and other offering expenses payable by the Company.

On August 23, 2023, the Company issued the Firm Securities and closed the Offering at a public price of $2.60 per share, and $2.58 per share underlying each Pre-Funded Warrant, for net proceeds to the Company of approximately $1.8 million after deducting underwriting discounts and commissions and estimated offering expenses payable by the Company. Use of net proceeds from the Series AA Offerings for the periods presented included working capital and general corporate purposes, including sales and marketing activities and product development.

Each Pre-Funded Warrant had an exercise price per share of common stock equal to $0.001 per share. The exercise price and the number of shares of common stock issuable upon exercise of each Pre-Funded Warrant was subject to appropriate adjustments in the event of certain stock dividends and distributions, stock splits, stock combinations, reclassifications or similar events affecting the common stock. Under the Pre-Funded Warrants, a holder would not be entitled to exercise any portion of any Pre-Funded Warrant that, upon giving effect to such exercise, would cause: (i) the aggregate number of shares of common stock beneficially owned by such holder (together with its affiliates) to exceed 4.99% of the number of shares of common stock outstanding immediately after giving effect to the exercise; or (ii) the combined voting power of the Company's securities beneficially owned by such holder (together with its affiliates) to exceed 4.99% of the combined voting power of all of the Company's securities outstanding immediately after giving effect to the exercise, as such percentage ownership is determined in accordance with the terms of the Pre-Funded Warrant, which percentage may be changed at the holder's election to a higher or lower percentage not in excess of 9.99% upon 61 days' notice to the Company. In addition, in certain circumstances, upon a fundamental transaction, a holder of Pre-Funded Warrants would be entitled to receive, upon exercise of the Pre-Funded Warrants, the kind and amount of securities, cash or other property that such holder would have received had they exercised the Pre-Funded Warrants immediately prior to the fundamental transaction. The Pre-Funded Warrants were fully exercised as of August 29, 2023.

The Firm Securities were offered, issued, and sold pursuant to a prospectus supplement and accompanying prospectus filed with the Securities and Exchange Commission (the "SEC") pursuant to an effective shelf registration statement filed with the SEC on Form S-3 (File No. 333-259347) (the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), as supplemented by a prospectus supplement, dated August 23, 2023, relating to the Securities (together with the accompanying base prospectus, dated September 7, 2021, the "Prospectus Supplement"), filed with the SEC pursuant to Rule 424(b) of the Securities Act on August 23, 2023.

The Underwriting Agreement includes customary representations, warranties, and agreements by the Company, customary conditions to closing, indemnification obligations of the Company and the Underwriter, including for liabilities under the Securities Act, other obligations of the parties and termination provisions. The representations, warranties and covenants contained in the Underwriting Agreement were made only for purposes of the Underwriting Agreement and as of the specific applicable dates contained in the Underwriting Agreement, were solely for the benefit of the parties to the Underwriting Agreement and were subject to limitations agreed upon by the contracting parties.

Placement Agent Warrants

The Placement Agent Warrants issued in connection with the Series A Preferred, Series AA Preferred and Series AAA Preferred (including the Exchange), described above, include provisions that are triggered in the event of the occurrence of a Fundamental Transaction, as defined in the underlying warrant agreement, which contemplates the potential for certain transactions that result in a third-party acquiring more than 50% of the outstanding shares of common stock of the Company for cash or other assets. Given the existence of multiple classes of voting stock for the Company, as described above, the Fundamental Transaction provisions in the warrant agreements could result in a 50% or more change in ownership of outstanding common stock, without a 50% change in voting interests. As such, the Placement Agent Warrants are not eligible for the scope exception under ASC 815, and therefore, the fair value of the Placement Agent Warrants are recorded as a liability at fair value on the consolidated balance sheet and re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations.

The fair value and change in the fair value of the warrant liability, measured using Level 3 inputs, and the related income statement impact was comprised of the following as of December 31, 2023:

		2023
Beginning balance	$	-
Initial fair value of Series A and AA Preferred warrant liability – grant date		2,804,000
Initial fair value of Series AAA Preferred (including warrants issued in connection with the Exchange) warrant liability – grant date		1,665,000
Change in fair value		(2,898,000)
Fair value of warrant liability	$	1,571,000

The fair value of the Placement Agent Warrants was estimated using the Black-Scholes-Merton option pricing model and the following weighted-average assumptions for the applicable dates:

	May 26, 2023	December 22, 2023	December 31, 2023
Expected Volatility	95%	98%	98%
Risk–free interest rate	3.88%	3.87%	3.84%
Dividend yield	-%	-%	-%
Expected life of options (in years)	5 - 5.19	5	4.5 - 5

In December 2023, as described above, with respect to shares of Series AAA Preferred Stock issued in the Exchange, the Placement Agent exchanged previously issued placement agent warrants to purchase 88,403 shares of common stock of the Company that were issued in connection with the Series A and Series AA Preferred Stock financings of the Company, at exercise prices ranging from $7.60 to $13.41 per share, for new placement agent warrants to purchase a total of 347,428 shares of common stock at an exercise price of $1.674 per share and 199,778 shares of common stock at an exercise price of $1.71 per share. The terms of the new placement agent warrants and the original placement agent warrants were determined to be substantially different based on an analysis of the fair value of each instrument immediately before and after the modification, resulting in a loss on extinguishment recognized in current earnings totaling $681,000.

Preferred Stock Dividends

During the fourth quarter of 2023, the Company paid dividends on Series A Preferred stock, in the form of shares of common stock, as follows:

Series Designation	**Dividend Shares**	**Fair Value of Shares Issued**
Series A	87,643	$ 142,000
Series A-2	29,690	48,000
Series A-3	16,200	27,000
Series A-4	84,641	135,000
Series A-5	14,807	22,000
Total	232,981	$ 374,000

In December 2023, certain Series A Preferred stockholder year two dividends, as described above, were accelerated and paid in shares of the Company's common stock, pursuant to consent related dividend acceleration agreements executed during the period. A total of 114,452 shares of common stock (included in the table above) were paid on an accelerated basis with a fair value of $174,000 (included in the table above), which is reflected in accumulated deficit.

Common Stock Purchase Agreement

On March 25, 2022, we entered into a common stock purchase agreement (the "Purchase Agreement") with Tumim Stone Capital, LLC ("Tumim"). Pursuant to the Purchase Agreement, the Company had the right, but not the obligation, to sell to Tumim, and Tumim was obligated to purchase, up to $10,000,000 of newly issued shares (the "Total Commitment") of the Company's common stock from time to time during the term of the Purchase Agreement (the "Tumim Offering"), subject to certain limitations and conditions. As consideration for Tumim's commitment to purchase shares of common stock under the Purchase Agreement, the Company issued to Tumim 2,500 shares of common stock, valued at $100,000, following the execution of the Purchase Agreement (the "Commitment Shares"). During the year ended December 31, 2022, we issued 371 shares of common stock at an average price of $22.20, raising net proceeds of approximately $8,000, under the Purchase Agreement.

The Purchase Agreement initially precluded the Company from issuing and selling more than 368,091 shares of its common stock, including the Commitment Shares, which number equals 19.99% of the common stock issued and outstanding as of March 25, 2022, unless the Company obtains stockholder approval to issue additional shares, or unless certain exceptions apply. In addition, a beneficial ownership limitation in the agreement initially limited the Company from directing Tumim to purchase shares of common stock if such purchases would result in Tumim beneficially owning more than 4.99% of the then-outstanding shares of common stock (subject to an increase to 9.99% at Tumim's option upon at least 61 calendar days' notice).

From and after the initial satisfaction of the conditions to the Company's right to commence sales of common stock to Tumim (such event, the "Commencement," and the date of initial satisfaction of all such conditions, the "Commencement Date"), the Company was able to direct Tumim to purchase shares of common stock at a purchase price per share equal to 95% of the average daily dollar volume-weighted average price for the common stock during the three consecutive trading day period immediately following the date on which the Company delivers to Tumim a notice for such purchase. The Company controlled the timing and amount of any such sales of common stock to Tumim. Actual sales of shares of common stock to Tumim depended on a variety of factors to be determined by the Company from time to time, including, among other things, market conditions, the trading price of the common stock, and determinations by the Company as to the appropriate sources of funding for the Company and its operations.

The Commencement Date of the Tumim Offering was March 25, 2022. Unless earlier terminated, the Purchase Agreement automatically terminated upon the earliest of (i) the expiration of the 18-month period following the Commencement Date, (ii) Tumim's purchase or receipt of the Total Commitment worth of common stock, or (iii) the occurrence of certain other events set forth in the Purchase Agreement. The Tumim Offering expired in September 2023.

Equity Distribution Agreement

On September 3, 2021, the Company entered into an Equity Distribution Agreement (the "Sales Agreement") with two investment banks (the "Agents"), pursuant to which the Company could offer and sell, from time to time, through the Agents (the "ATM Offering"), up to $75 million of its shares of common stock (the "Shares"). Any Shares offered and sold in the Offering were issued pursuant to the Company's Registration Statement on Form S-3 filed with the SEC on September 3, 2021 (the "Form S-3") and the prospectus relating to the Offering that forms a part of the Form S-3, following such time as the Form S-3 is declared effective by the SEC. During the year ended December 31, 2022, the Company issued 16,182 shares of common stock, at an average price of $19.80, raising net proceeds of $312,000, under the Sales Agreement.

Subject to the terms and conditions of the Sales Agreement, the Agents used their commercially reasonable efforts to sell the Shares from time to time, based upon the Company's instructions. Under the Sales Agreement, the Agents sold the Shares by any method permitted by law deemed to be an "at-the-market" offering as defined in Rule 415 promulgated under the Securities Act of 1933, as amended (the "Securities Act"), including, without limitation, sales made directly on the Nasdaq Capital Market, on any other existing trading market for the Company's common stock or to or through a market maker.

The Company had no obligation to sell any of the Shares and could at any time suspend offers under the Sales Agreement. The Offering terminated upon the earlier of (a) the sale of all of the Shares, (b) the termination by the mutual written agreement of the managing agent and the Company, or (c) one year from the date that the Form S-3 is declared effective by the SEC, or November 16, 2022.

Under the terms of the Sales Agreement, the Agents were entitled to an aggregate commission at a fixed rate of 3.0% of the gross sales price of Shares sold under the Sales Agreement.

Use of proceeds from "at-the-market" offerings included working capital and general corporate purposes, including sales and marketing activities, product development and capital and acquisition related expenditures.

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, and as further described below. 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 29,167 shares of common stock, which reserve was subsequently increased to 50,000 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 50,000 shares to 75,000 shares. In October 2018, the Company amended and restated the Plan to increase the number of shares of common stock reserved thereunder from 75,000 shares to 91,667 shares. In July 2020, the Company's shareholders approved an amendment to the Plan to increase the number of shares authorized for issuance from 91,667 to 129,167. In May 2021, the Company's shareholders approved an amendment to the Plan to increase the number of shares authorized for issuance from 129,167 to 250,000. In June 2022, the Company's shareholders approved an amendment to the Plan to increase the number of shares authorized for issuance from 250,000 to 312,500. In September 2023, the Company's shareholders approved an amendment to the Plan to increase the number of shares authorized for issuance from 312,500 to 750,000. As of December 31, 2023, 117,000 shares remained available for issuance under the Plan. All 2014 Plan share reserve and other share amounts reflected herein have been retroactively adjusted to reflect the effect of the Reverse Split for all periods presented.

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. In the event that any outstanding option or other right for any reason expires or is canceled or otherwise terminated, the shares allocable to the unexercised portion of such option or other right is returned and available for the purposes of this Plan.

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:

	2023	2022
Expected Volatility	95%	95%
Risk–free interest rate	4.18%	2.89%
Dividend yield	-%	-%
Expected life of options (in years)	5.35	6.08

The expected volatility assumption for purposes of determining the fair value of stock options for the periods presented was estimated based on reference to the historical stock price volatility of the Company and a representative peer group for the applicable estimated term.

A summary of stock option activity for the year ended December 31, 2023 is as follows:

		Weighted-Average		
	Options (#)	Exercise Price Per Share ($)	Remaining Contractual Term (Years)	Aggregate Intrinsic Value ($)
Outstanding at December 31, 2022	124,000	$ 97.95		$ 4,000
Granted	388,000	$ 9.78		-
Exercised	-	$ -		
Canceled / forfeited	(116,000)	$ 83.89		
Outstanding at December 31, 2023	396,000	$ 15.70	8.97	$ -
Vested and exercisable at December 31, 2023	163,000	$ 24.17	8.46	$ -

The weighted-average grant date fair value of stock options granted during the years ended December 31, 2023 and 2022 was $5.39 and $23.40, respectively. The aggregate fair value of stock options that vested during the years ended December 31, 2023 and 2022 was $1,078,986 and $1,726,000, respectively. As of December 31, 2023, the total unrecognized compensation expense related to non-vested stock option awards was $1,453,000, which is expected to be recognized over a weighted-average term of approximately 3 years.

Restricted Stock Units

The following table summarizes non-vested restricted stock unit activity for the year ended December 31, 2023:

	2014 Plan Activity		Outside of the 2014 Plan Activity		Totals	
	Restricted Stock Units (#)	Weighted Average Grant Date Fair Value ($)	Restricted Stock Units (#)	Weighted Average Grant Date Fair Value ($)	Restricted Stock Units (#)	Weighted Average Grant Date Fair Value ($)
At December 31, 2022	101,000	$ 35.64	1,000	$ 18.19	102,000	$ 35.34
Granted	177,000	$ 9.25	143,000	$ 5.97	320,000	$ 7.78
Vested	(21,000)	$ 30.94	(54,000)	$ 3.80	(75,000)	$ 11.39
Canceled	(71,000)	$ 35.95	-	$ -	(71,000)	$ 35.95
At December 31, 2023	186,000	$ 10.87	90,000	$ 7.50	276,000	$ 9.76

As of December 31, 2023, the total unrecognized compensation expense related to non-vested restricted stock units was $743,000 which will be recognized over a weighted-average term of approximately one year.

During the year ended December 31, 2023 and 2022, the Company issued 39,000 and 9,000, respectively, restricted stock units (included in the table above) to nonemployees for services (“Nonemployee RSUs”). The weighted average grant date fair value of the Nonemployee RSUs granted during the year ended December 31, 2023 and 2022 was $1.67 and $18.20, respectively. Compensation expense for Nonemployee RSUs for the year ended December 31, 2023 and 2022 totaled $89,000 and $131,000, respectively. As of December 31, 2023, the total unrecognized compensation expense related to Nonemployee RSUs was $0.

Warrants Issued to Employees and Nonemployees for Services

A summary of employee and nonemployee warrant activity (outside of the Plan) for the year ended December 31, 2023 is as follows:

		Weighted-Average		
	Warrants (#)	Exercise Price Per Share ($)	Remaining Contractual Term (Years)	Aggregate Intrinsic Value ($)
Outstanding at December 31, 2022	58,000	$ 121.80	-	$ -
Granted	-	$ -	-	$ -
Expired	(27,000)	$ 204.39	-	$ -
Outstanding at December 31, 2023	31,000	$ 49.21	3.70	$ -
Vested and exercisable as of December 31, 2023	31,000	$ 49.21	3.70	$ -

The weighted-average grant date fair value of common stock purchase warrants (“Warrants”) granted during the year ended December 31, 2022 was $10.00. The aggregate fair value of Warrants that vested during the years ended December 31, 2023 and 2022 was $249,000 and $0, respectively. As of December 31, 2023, the total unrecognized compensation expense related to Warrants was $0.

In December 2022, the Company issued 25,000 warrants (included in the table above) to a third-party for nonemployee investor relations services. The warrants have an exercise price of $13.40, a grant date fair value of $10.00, vest in twelve equal monthly installments commencing on the grant date and expire five years from the grant date. Compensation expense included in the statement of operations for the year ended December 31, 2023 and 2022 totaled $228,000 and $20,000, respectively.

Noncash Stock Compensation Expense

Noncash stock-based compensation expense was comprised of the following as of December 31:

	2023	2022
Stock options	$ 1,014,000	$ 1,278,000
Warrants	228,000	20,000
Restricted stock units	1,493,000	2,965,000
Total noncash stock compensation expense	$ 2,735,000	$ 4,263,000

Noncash stock-based compensation expense was included in the following financial statement line items as of December 31:

	2023	2022
Sales, marketing and advertising	$ 879,000	$ 1,079,000
Engineering, technology and development	219,000	389,000
General and administrative	1,637,000	2,795,000
Total noncash stock compensation expense	$ 2,735,000	$ 4,263,000

Modifications to Equity-Based Awards

On January 1, 2022, the Company issued 67,500 performance stock units ("Original PSUs") under the Company's 2014 Amended and Restated Stock Option and Incentive Plan, which vest in five equal increments of 13,500 PSUs, based on satisfaction of the following vesting conditions during the three-year period commencing on January 1, 2022: (i) the Company's stock price equaling $95.00 per share based on 60-day volume weighted average price ("VWAP"); (ii) the Company's stock price equaling $120.00 per share based on 60-day VWAP; (iii) the Company's stock price equaling $140.00 per share based on 60-day VWAP; (iv) the Company's stock price equaling $160.00 per share based on 60-day VWAP; and (v) the Company's stock price equaling $180.00 per share based on 60-day VWAP. Noncash stock compensation expense related to the Original PSUs totaled $299,000 and $2,142,000 for the years ended December 31, 2023 and 2022, respectively.

On April 30, 2023, the Board approved the cancellation of the 67,500 Original PSUs previously granted to certain executives (four plan participants in total) under the 2014 Plan (as described above). In exchange for the cancelled Original PSUs, the executives were granted an aggregate of 67,500 PSUs, which vest, over a five-year term, upon the Company's common stock achieving certain VWAP goals as follows: (i) 20% upon achieving a 60-day VWAP of $16.00 per share, (ii) 20% upon achieving a 60-day VWAP of $20.00 per share; (iii) 20% upon achieving a 60-day VWAP of $24.00 per share; (iv) 20% upon achieving a 60-day VWAP of $28.00 per share; and (v) 20% upon achieving a 60-day VWAP of $32.00 per share, in each case, as quoted on the Nasdaq Capital Market ("PSU Modification"). Total incremental compensation cost related to the PSU Modification totaled $540,000 which is recognized prospectively over the implied service period, ranging from .69 years to 1.5 years, calculated in connection with the Monte Carlo simulation model used to determine the fair value of the PSUs immediately before and after the modification. Noncash stock compensation expense related to the modified PSUs, which is recognized on an accelerated basis over the derived term, included in the consolidated statement of operations for the year ended December 31, 2023, totaled $351,000.

On April 30, 2023, the Board approved the cancellation of certain stock options to purchase an aggregate of 58,951 shares of the Company's common stock previously granted to certain executives and employees (six plan participants in total) under the Company's 2014 Amended and Restated Employee Stock Option and Incentive Plan (the "2014 Plan"), with an average exercise price of approximately $56.40. In addition, the Board approved the cancellation of certain warrants to purchase an aggregate of 26,100 shares of the Company's common stock previously granted to certain executives and employees, with an average exercise price of approximately $199.80 ("Executive Grant Modification"). In exchange for the cancelled options and warrants, certain executives and employees were granted options to purchase an aggregate of 305,000 shares of common stock under the 2014 Plan, at an exercise price of $9.80 (the closing price of the Company's common stock as listed on the Nasdaq Capital Market on April 28, 2023, the last trading day before the approval of the awards), with one-third of the options vesting on the April 30, 2023, the grant date, with the remainder vesting monthly over the thirty-six month period thereafter, subject to continued service ("Executive Grant Modifications"). The exercise of the options under these awards was contingent upon the Company receiving approval from its stockholders to increase the number of shares available under the 2014 Plan, which was obtained in connection with the Company's 2023 annual shareholder meeting. Total incremental compensation cost related to the Executive Grant Modifications totaled $347,000, $112,000 of which related to vested awards as of the modification date and was recognized as expense immediately, and $235,000 related to unvested awards which is recognized prospectively over the remaining service period of 3 years.

On May 1, 2023, the Board approved the cancellation of options to purchase an aggregate of 29,224 shares of the Company's common stock previously granted to its employees (68 plan participants in total) under the 2014 Plan, in exchange for newly issued options to purchase an aggregate of 63,900 shares of the Company's common stock under the 2014 Plan, at an exercise price equal to the closing trading price on May 1, 2023, or $9.81, with a range of zero to one-third of the options vesting on the May 1, 2023, the grant date, dependent upon the tenure of the employee, and the remainder vesting monthly over the forty-eight month period thereafter, subject to continued service ("Employee Grant Modifications"). Unrecognized compensation expense related to the original award as of the date of the Employee Grant Modifications totaled $960,000 which is recognized prospectively over the remaining service period of 4 years. Total incremental compensation cost related to the Employee Grant Modifications totaled $449,000, $101,000 of which related to vested awards as of the modification date and was recognized as expense immediately, and $348,000 related to unvested awards which is recognized prospectively over the remaining service period of 4 years.

9. INCOME TAXES

The components of loss before income taxes consisted of the following for the years ended December 31:

	2023	2022
United States	$ (30,455,000)	$ (84,575,000)
Foreign	(188,000)	(1,081,000)
Loss from operations before income taxes	$ (30,643,000)	$ (85,656,000)

The Company's provision for income taxes consisted of the following for the years ended December 31:

	2023	2022
Current:		
Federal taxes	$ -	$ -
State taxes	-	-
Foreign taxes	-	-
Total current	$ -	$ -
Deferred:		
Federal taxes	$ -	$ -
State taxes	-	-
Foreign taxes	(313,000)	(205,000)
Total deferred	(313,000)	(205,000)
Net provision for income taxes	$ (313,000)	$ (205,000)

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:

	2023	2022
Deferred tax assets:		
Net operating loss and credits	$ 35,453,000	$ 32,098,000
Intangibles	1,899,000	-
Stock compensation	1,776,000	3,026,000
Accrued liabilities	1,133,000	504,000
State taxes	12,000	11,000
Capitalized research and development costs	2,659,000	2,002,000
Total deferred tax assets	42,932,000	37,641,000
Deferred tax liabilities:		
Fixed assets	(69,000)	(94,000)
Intangibles	-	(2,137,000)
Contract liabilities	(8,000)	-
Total deferred tax liabilities	(77,000)	(2,231,000)
Valuation allowance	(42,855,000)	(35,723,000)
Total net deferred tax assets (liabilities), net of valuation allowance	$ -	$ (313,000)

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

	2023	2022
Statutory federal– tax rate - (benefit) expense	21%	21%
State tax, net	5	6
Non-deductible permanent items	(2)	(15)
Change in tax rate	-	(1)
Foreign taxes	1	-
Other	(2)	-
Valuation allowance	(22)	(11)
	1%	-%

For the years ended December 31, 2023 and 2022, the Company recorded full valuation allowances against its domestic 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. The Company did not maintain a valuation allowance on the activity in the United Kingdom ("UK") from its acquisition of Bannerfy Ltd due to the deferred tax liability position. During the year ended December 31, 2023, Bannerfy Ltd sold all of its asset back to the original sellers and ceased operations as described below. As such, a full valuation was recorded against the remaining foreign deferred tax assets. Components of net loss before income tax attributable to foreign entities totaled $187,000 and $1.1 million for the years ended December 31, 2023 and 2022, respectively.

The Company assesses whether a valuation allowance should be recorded against its deferred tax assets based on the consideration of all available evidence, using a "more likely than not" realization standard. The four sources of taxable income that must be considered in determining whether deferred tax assets will be realized are: (1) future reversals of existing taxable temporary differences (i.e., offset of gross deferred tax assets against gross deferred tax liabilities); (2) taxable income in prior carryback years, if carryback is permitted under the applicable tax law; (3) tax planning strategies and (4) future taxable income exclusive of reversing temporary differences and carryforwards. In assessing whether a valuation allowance is required, significant weight is to be given to evidence that can be objectively verified. A significant factor in the Company's assessment is that the Company has been in a three-year historical cumulative loss position as of the end of December 31, 2023. After a review of the four sources of taxable income (as described above) and after consideration of the Company's continuing cumulative loss position as of December 31, 2023, the Company has recorded a valuation allowance on its deferred tax assets. As of December 31, 2023, 2022 and 2021, the total valuation allowance was $42.9 million, $35.7 million and $26.5 million, respectively.

At December 31, 2023, the Company had U.S. federal, state income tax, and foreign net operating loss carryforwards of approximately $130.1 million, $117.5 million and $1.1 million, respectively, expiring through 2043. Of the federal net operating losses, $24.5 million will expire from 2034 to 2037, and $105.6 million will carry over indefinitely. Federal net operating loss carryforwards generated in 2018 or after do not expire, however, they can only be used to offset 80% of taxable income in a given year. Of the state net operating losses, $115.8 million will expire from 2034-2043, and $1.6 million will carry over indefinitely. The $1.1 million of foreign net operating losses will carry over indefinitely.

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.

A provision enacted in the Tax Cuts and Jobs Act of 2017 related to the capitalization for tax purposes of research and experimental expenditures became effective January 1, 2022. This provision requires us to capitalize research and experimental expenditures and amortize them on the U.S. tax return over five or fifteen years, depending upon where the research is conducted. This provision did not have a material impact on our fiscal year 2022 effective tax rate on a net basis or our cash paid for taxes due to our net operating loss position.

ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Topic also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Topic requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The amount recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. In addition, the Topic permits an entity to recognize interest and penalties related to tax uncertainties either as income tax expense or operating expenses. The Company will recognize interest and penalties related to tax uncertainties as income tax expense. There were no uncertain tax positions as of December 31, 2023.

The Company is subject to taxation in the United States, various state and local jurisdictions, as well as foreign jurisdictions (primarily the UK) where the Company conducts business. As of December 31, 2023, the company had no outstanding tax audits. Currently there are no audits in process or pending from Federal, state or foreign tax authorities. Federal and state income tax returns are subject to examination for a period of three to four years after filing. UK income tax returns are subject to examination for a period of four years after filing.

In June 2023, the Company assigned the intangible assets originally acquired in connection with the Company's acquisition of Bannerfy in fiscal year 2021, to the original sellers, as described at Note 4. The Bannerfy Acquisition was treated for tax purposes as a nontaxable transaction and, as such, the historical tax bases of the acquired assets and assumed liabilities, net operating losses, and other tax attributes of Bannerfy carried over, with no step-up to fair value of the underlying tax bases of the acquired net assets. The acquisition method of accounting included the establishment of a net deferred tax liability resulting from book tax basis differences related to assets acquired and liabilities assumed on the date of acquisition. When an acquisition of a group of assets is purchased in a transaction that is not accounted for as a business combination under ASC 805, a difference between the book and tax bases of the assets arises. ASC 740, "Income Taxes," ("ASC 740") required the use of simultaneous equations to determine the assigned value of the asset and the related deferred tax asset or liability. As a result of the disposal of the Bannerfy intangible assets, the Company recognized the related remaining net deferred tax liability, resulting in a $313,000 tax benefit reflected in the consolidated statement of operations for the year ended December 31, 2023.

10. COMMITMENTS AND CONTINGENCIES

Operating Leases

As of December 31, 2023 we maintain approximately 3,200 square feet of office space, 1,650 square feet of which is on a month-to-month basis, and 1,550 square feet of which expires on August 1, 2023, at a combined rate of approximately $12,000 per month. The adoption of ASC 842, "Leases" ("ASC 842"), did not have a material impact on the Company's consolidated financial statements and related disclosures.

Rent expense for the years ended December 31, 2023 and 2022 was approximately $163,000 and $168,000, respectively, and is included in general and administrative expense 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.

Settlement of Pending or Threatened Claims

As described above, the Note Holders made a series of investments in the Company during the period commencing January 2021 and culminating in the issuance of the Notes, which were paid in full in the first quarter of 2023. During the fourth quarter of 2023, the Note Holders made certain claims arising from an interpretation of certain rights that the Note Holders had pursuant to the terms of SPA. On March 12, 2024, the Company and the Note Holders (the "Parties") executed a Mutual General Release and Settlement Agreement (the "Settlement Agreement") settling all claims between the Parties with respect to the SPA. In consideration for the Settlement Agreement, the Company agreed to issue the Parties an aggregate amount of 500,000 shares of common stock (the "Settlement Payment"). The Company accrued the fair value of the Settlement Payment as of December 31, 2023 (based on the closing price of the Company's common stock on December 31, 2023) resulting in a settlement expense of $760,000 which is included in general and administrative expense in the consolidated statement of operations.

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 was extended for successive one-year periods upon mutual agreement of the board member and the Company through to fiscal year 2023. Total consulting expense under the agreement totaled $90,000 for each of the years ended December 31, 2023 and 2022.

11. SUBSEQUENT EVENTS

The Company evaluated subsequent events for their potential impact on the consolidated financial statements and disclosures through April 12, 2024, the date the consolidated financial statements were available to be issued, and determined that, except as set forth below, no subsequent events occurred that were reasonably expected to impact the consolidated financial statements presented herein.

Sale of Minehut

On February 29, 2024, the Company sold its Minehut business unit ("Minehut") to GamerSafer, Inc., a Delaware corporation ("GamerSafer"), in a transaction approved by the Board of Directors of the Company. Pursuant to the Asset Purchase Agreement entered into by and between GamerSafer and the Company on February 26, 2024 (the "GS Agreement"), the Company will receive $1,000,000 purchase consideration for Minehut, which amount will be paid by GamerSafer in revenue and royalty sharing over a period of two years, as described in the GS Agreement. Other than with respect to the GS Agreement, there is no relationship between the Company or its affiliates with GamerSafer or its affiliates.

The transaction allows Super League to streamline its position in partnering with major brands to build, market, and operate 3D experiences across multiple immersive platforms, including open gaming powerhouses like Minecraft, and aligns with the Company's cost improvement initiatives. Super League and GamerSafer will maintain a commercial relationship which ensures that Minehut can remain an ongoing destination available to Super League's partners. The carrying value of Minehut related assets totaled $644,000 as of December 31, 2023, and are included in intangible assets, net in the consolidated balance sheet.

Equity-Based Compensation

On March 19, 2024, the Board approved that an equity pool consisting of (i) 1,692,606 shares of common stock, collectively, which amount is equivalent to ten percent of the then existing and outstanding common stock of the Company on an as-converted basis, be issued to executives of the Company in the following form, amounts and vesting conditions: (a) stock options to purchase 846,303 shares of common stock, with vesting at the rate of 1/36th per month in arrears, and exercisable at a price per share of $1.85 (collectively, the "2024 Options"); and (b) restricted stock units consisting of 846,303 shares of common stock with vesting of (i) fifty percent in equal one-third increments on the first, second and third anniversaries of the restricted stock unit grant issuances, and (ii) fifty percent to be allocated equally between (a) achievement of a profitable fiscal quarter, on a net income basis, in accordance with U.S. GAAP, (b) achievement of 85% of EBITDA target for fiscal year 2024, and (c) achievement of 85% of EBITDA target for fiscal year 2025 (with such fiscal year 2025 target to be approved by the Board as part of the fiscal year 2025 financial plan)(collectively, the "2024 RSUs"). The issuance of the 2024 Options and 2024 RSUs, as described above, is contingent upon the Company receiving approval from its stockholders to increase the number of shares available under the 2014 Plan at the Company's 2024 annual meeting of stockholders, and will be subject to cancellation in the event stockholder approval is not obtained.

Other

Refer to Note 10, "*Settlement of Pending or Threatened Claims*"

12. RESTATEMENT OF QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following tables contain unaudited quarterly financial information for the quarterly period ended September 30, 2023 that has been updated to reflect the restatement of the Company's financial statements as of and for the three and nine months ended September 30, 2023, arising from the exclusion of the calculated noncash value of the effect of the down round feature on the Company's Series AA Preferred stock, triggered in August 2023, which should have been recorded as a noncash charge directly to accumulated deficit and a noncash reduction to income available to common stockholders in the computation of earnings per share. In connection with the Company's year-end 2023 closing procedures, management reassessed the guidance set forth in ASC 260, "Earnings Per Share" and determined that the noncash value of the effect of a down round feature that is triggered on preferred stock should be recognized as a noncash charge to accumulated deficit and a noncash reduction to income available to common stockholders in the computation of earnings per share, in the period that the down round feature is triggered. As a result: (i) management has noted an error affecting additional paid in capital and accumulated deficit, with no impact to total equity, and a noncash error with respect to the computation of loss per share as reported in the Company's Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2023 ("2023 Third Quarter 10-Q"); and (ii) in connection with the Company's 2023 year-end closing procedures, on March 26, 2024, due to the material error to loss per share originally reported in the 2023 Third Quarter 10-Q, the Company's management and the Audit Committee determined that the Company's consolidated interim financial statements for the three and nine months ended September 30, 2023 should be restated to reflect the modifications described above.

The changes described above did not have any impact on total assets, total liabilities, total equity, revenues, cost of revenues, operating expense, net loss or cash flows as reported for the three and nine months ended September 30, 2023. No financial statements or disclosures prior to the financial statements for the quarterly periods ended September 30, 2023 were affected by the changes described above.

The Company has not amended its previously filed Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023. The financial information that has been previously filed or otherwise reported for the quarterly periods ended September 30, 2023 is superseded by the information in this Annual Report, and the consolidated financial statements and related financial information for the quarterly periods ended September 30, 2023 contained in such previously filed report should no longer be relied upon. The Company filed a current report on form 8-K pursuant to Item 4.02 on May 27, 2024, disclosing the matter described above.

	As of September 30, 2023		
	As Previously Reported	Restatement Adjustment	As Restated
Unaudited Condensed Balance Sheet			
Total assets	$ 27,242,000	-	$ 27,242,000
Liabilities and shareholders ' equity (deficit)			
Total liabilities	10,627,000	-	10,627,000
Preferred stock, par value $0.001 per share;	-	-	-
Common stock, par value $0.001 per share;	81,000	-	81,000
Additional paid-in-capital	244,333,000	6,446,000(1)	250,779,000
Accumulated deficit	(227,799,000)	(6,446,000)(1)	(234,245,000)
Total shareholders ' equity (deficit)	16,615,000	-	16,615,000
Total liabilities and shareholders ' equity (deficit)	$ 27,242,000	$ -	$ 27,242,000

	Three Months Ended September 30, 2023		
	As Previously Reported	Restatement Adjustment	As Restated
Unaudited Condensed Statement of Operations			
Net loss attributable to common stockholders used in computation of loss per share – basic and diluted	$ (2,984,000)	$ (6,446,000)(1)	$ (9,430,000)
Basic and diluted net loss per common share	$ (1.01)	$ (2.18)	$ (3.19)
Weighted-average number of shares outstanding, basic and diluted	2,957,271	2,957,271	2,957,271

	Nine Months Ended September 30, 2023		
	As Previously Reported	Restatement Adjustment	As Restated
Unaudited Condensed Statement of Operations			
Net loss attributable to common stockholders used in computation of loss per share – basic and diluted	$ (17,056,000)	$ (6,446,000)(1)	$ (23,502,000)
Basic and diluted net loss per common share	$ (7.44)	(2.81)	$ (10.25)
Weighted-average number of shares outstanding, basic and diluted	2,293,191	2,293,191	2,293,191

	Three and Nine Months Ended September 30, 2023		
	As Previously Reported	Restatement Adjustment	As Restated
Statement of Changes in Shareholders' Equity (Deficit)			
Additional paid-in-capital:	$ 244,333,000	$ 6,446,000(1)	$ 250,779,000
Accumulated Deficit:	$ (227,799,000)	$ (6,446,000)(1)	$ (234,245,000)

(1) Represents noncash value of the effect of the down round feature on the Company's Series AA Preferred stock, triggered in August 2023, and the related adjustments to additional paid in capital and accumulated deficit, with no impact to total equity, and a noncash adjustment to the computation of loss per share as reported in the Company's 2023 Third Quarter 10-Q. The adjustments did not have any impact on total assets, total liabilities, total equity, revenues, cost of revenues, operating expense, net loss or cash flows as reported for the three and nine months ended September 30, 2023, as reported in the 2023 Third Quarter 10-Q.

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 ENTERPRISE, INC.

Date: April 12, 2024

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

SUPER LEAGUE ENTERPRISE, INC.

Date: April 12, 2024

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**
/s/ Ann Hand Ann Hand	Chief Executive Officer and Chair of the Board (Principal Executive Officer)	April 12, 2024
/s/ Clayton Haynes Clayton Haynes	Chief Financial Officer (Principal Financial and Accounting Officer)	April 12, 2024
/s/ David Steigelfest David Steigelfest	Director	April 12, 2024
/s/ Jeff Gehl Jeff Gehl	Director	April 12, 2024
/s/ Kristin Patrick Kristin Patrick	Director	April 12, 2024
/s/ Mark Jung Mark Jung	Director	April 12, 2024
/s/ Michael Keller Michael Keller	Director	April 12, 2024

Exhibit 3.11

**CERTIFICATE OF DESIGNATION OF PREFERENCES,
RIGHTS AND LIMITATIONS
OF
SERIES AA-2 PREFERRED STOCK
OF
SUPER LEAGUE GAMING, INC.**

It is hereby certified that:

1. The name of the Company (hereinafter called the "**Company**") is Super League Gaming, Inc., a Delaware corporation.

2. The Certificate of Incorporation (the "**Certificate of Incorporation**") of the Company authorizes the issuance of Ten Million (10,000,000) shares of preferred stock, $0.001 par value per share, of which Nine Million Nine Hundred Seventy-Nine Thousand Six Hundred Ninety-Eight (9,979,698) shares have not been designated or issued, and expressly vests in the Board of Directors of the Company the authority to issue any or all of said shares in one (1) or more series and by resolution or resolutions to establish the designation and number and to fix the relative rights and preferences of each series to be issued.

3. The Board of Directors of the Company, pursuant to the authority expressly vested in it as aforesaid, has adopted the following resolutions creating a Series AA-2 issue of Preferred Stock:

RESOLVED, that One Thousand Five Hundred (1,500) of the Ten Million (10,000,000) authorized shares of Preferred Stock of the Company shall be designated Series AA-2 Convertible Preferred Stock, $0.001 par value per share, and shall possess the rights and preferences set forth below:

Section 1. Definitions. For the purposes hereof, the following terms shall have the following meanings:

"**Affiliate**" means any person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 of the Securities Act. A Person shall be regarded as in control of the Company if the Company owns or directly or indirectly controls more than fifty percent (50%) of the voting stock or other ownership interest of the other person, or if it possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such person.

"**Alternate Consideration**" shall have the meaning set forth in Section 7(d).

"**Attribution Parties**" shall have the meaning set forth in Section 6(e).

"**Beneficial Ownership Limitation**" shall have the meaning set forth in Section 6(e).

"**Business Day**" means any day except Saturday, Sunday, and any day which shall be a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

"**Buy-In**" shall have the meaning set forth in Section 6(d)(iv).

"**Certificate of Designations**" means this Certificate of Designation of Preferences, Rights and Limitations of Series AA-2 Preferred Stock.

"**Commission**" means the United States Securities and Exchange Commission.

"**Common Stock**" means the Company's common stock, par value $0.001 per share, and stock of any other class of securities into which such securities may hereafter be reclassified or changed into.

"**Common Stock Equivalents**" means any securities of the Company or the Subsidiaries of the Company, whether or not vested or otherwise convertible or exercisable into shares of Common Stock at the time of such issuance, which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock, and excluding shares of Common Stock issuable upon conversion of the Series AA Preferred Stock, Series AA-2 Preferred Stock and any and all sub-series designated Series AA-3 Preferred Stock, Series AA-4 Preferred Stock and so on that may be authorized following the date hereof.

"**Company Conversion Notice**" means a notice delivered by the Company to effect a Mandatory Conversion of all the outstanding Series AA Preferred Stock (which for these purposes shall include the shares of Series AA Preferred Stock, Series AA-2 Preferred Stock, along with any and all sub-series designated Series AA-3 Preferred Stock, Series AA-4 Preferred Stock and so on that may be authorized following the date hereof); provided that the effective date of such Mandatory Conversion shall be no less than ten (10) Business Days following the date that such notice is deemed to have been given.

"**Conversion Amount**" means the Stated Value at issue.

"**Conversion Date**" shall have the meaning set forth in Section 6(b).

"**Conversion Price**" means $0.5215 subject to adjustment as set forth in Section 7; *provided*, *however*, the Conversion Price shall not be less than the Conversion Price Floor.

"**Conversion Price Floor**" means the amount, in dollars, determined by multiplying (i) the Conversion Price by (ii) twenty percent (20%).

"**Conversion Shares**" means the shares of Common Stock issuable upon conversion of the shares of Series AA-2 Preferred Stock in accordance with the terms hereof.

"**Deemed Liquidation Event**" means any of the following, unless the Majority Holders elect otherwise by written notice sent to the Company at least five (5) business days prior to the effective date of any such event:

(a) a merger or consolidation in which

(i) the Company is a constituent party or

(ii) a subsidiary of the Company is a constituent party and the Company issues shares of its capital stock pursuant to such merger or consolidation,

except any such merger or consolidation involving the Company or a subsidiary in which the shares of capital stock of the Company outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of capital stock that represent, immediately following such merger or consolidation, at least a majority of the capital stock of (1) the surviving or resulting corporation; or (2) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation; or

(b) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Company or any subsidiary of the Company of all or substantially all the assets of the Company and its subsidiaries taken as a whole or (2) the sale or disposition (whether by merger, consolidation or otherwise, and whether in a single transaction or a series of related transactions) of one (1) or more subsidiaries of the Company if substantially all of the assets of the Company and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Company.

The Company shall not have the power to effect a Deemed Liquidation Event unless the agreement or plan of merger or consolidation for such transaction provides that the consideration payable to the stockholders of the Company in such Deemed Liquidation Event shall be allocated to the holders of capital stock of the Company in accordance with Section 5 hereto.

"**Dividend Shares**" shall have the meaning set forth in Section 3.

"**Effective Date**" means the date that this Certificate of Designations is filed with the Secretary of State of Delaware.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“**Five-Day Adjustment VWAP**” means the VWAP for the five (5) Trading Days immediately preceding the Second Anniversary.

“**Fundamental Transaction**” shall have the meaning set forth in Section 7(d).

“**Holder**” shall mean an owner of shares of Series AA-2 Preferred Stock.

“**Junior Securities**” means the Common Stock and any other class or series of capital stock of the Company hereafter created which does not expressly rank senior or pari passu with or senior to the Series AA-2 Preferred Stock (which for these purposes shall include the Series AA Preferred, along with any and all sub-series designated as Series AA-3 Preferred Stock, Series AA-4 Preferred Stock, and so on, that may be authorized following the date hereof) with respect to the distribution of assets on Liquidation as well as any other rights, preferences and privileges.

“**Liquidation**” shall have the meaning set forth in Section 5(a).

“**Majority Holders**” shall mean the Holders of 51% or more of the then issued and outstanding shares of all Series AA Preferred Stock, which for these purposes shall include the shares of Series AA Preferred Stock, Series AA-2 Preferred Stock, along with any and all sub-series designated Series AA-3 Preferred Stock, Series AA-4 Preferred Stock and so on that may be authorized following the date hereof.

“**Mandatory Conversion**” shall have the meaning set forth in Section 6(b).

“**Mandatory Conversion Date**” shall have the meaning set forth in Section 6(b).

“**Mandatory Conversion Determination**” shall have the meaning set forth in Section 6(b).

“**Minimum Trading Volume**” means average trading during the prior twenty (20) Trading Days of shares with a minimum value of $750,000, subject to adjustment in connection with any of the events in Section 7(a)(i).

“**New York Courts**” shall have the meaning set forth in Section 8(d).

“**Notice of Conversion**” shall have the meaning set forth in Section 6(a).

“**Optional Conversion Date**” shall have the meaning set forth in Section 6(a).

“**Original Issue Date**” means the date of the first issuance of any shares of Series AA-2 Preferred Stock regardless of the number of transfers of any particular shares of Series AA-2 Preferred Stock and regardless of the number of certificates which may be issued, if any, to evidence such Series AA-2 Preferred Stock.

"**Parity Securities**" means any class or series of capital stock of the Company hereinafter created that expressly ranks pari passu with the Series AA-2 Preferred Stock (which for these purposes shall include the Series A Preferred, Series AA Preferred Stock, along with any and all sub-series designated as Series AA-3 Preferred Stock, Series AA-4 Preferred Stock, and so on, that may be authorized following the date hereof) with respect to the distribution of assets on Liquidation as well as any other rights, preferences and privileges. The only Parity Securities existing as of the date hereof are the Series A Preferred and Series AA Preferred Stock.

"**Person**" means an individual, entity, corporation, partnership, association, limited liability company, limited liability partnership, joint-stock company, trust or unincorporated organization.

"**PIK Shares**" shall have the meaning set forth in Section 3.

"**Preferred Stock**" means the Company's preferred stock, par value $0.0001 per share, and stock of any other class of securities into which such securities may hereafter be reclassified or changed into.

"**Primary Market Limitation**" shall have the meaning set forth in Section 6(f).

"**Purchase Rights**" shall have the meaning set forth in Section 7(b).

"**Second Anniversary**" shall mean April 19, 2025.

"**Securities Act**" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"**Senior Securities**" shall be any class or series of capital stock of the Company hereafter created which expressly ranks senior to the Series AA-2 Preferred Stock (which for these purposes shall include the Series AA Preferred, Series A Preferred and all sub-series designated as Series AA-3 Preferred Stock, Series AA-4 Preferred Stock, and so on, that may be authorized following the date hereof) with respect to the distribution of assets on Liquidation, as well as any other rights, preferences and privileges. No Senior Securities exist as of the date hereof.

"**Series A Preferred Stock**" shall mean, unless otherwise stated herein, Five Thousand Three Hundred and Fifty Nine (5,359) shares of Series A Preferred Stock which were authorized pursuant to a Certificate of Designation of Preferences, Rights and Limitations which was filed with the Delaware Secretary of State on November 22, 2022.

"**Series A-2 Preferred Stock**" shall mean, unless otherwise stated herein, One Thousand Two Hundred Ninety-Seven (1,297) shares of Series A-2 Preferred Stock which were authorized pursuant to a Certificate of Designation of Preferences, Rights and Limitations which was filed with the Delaware Secretary of State on November 28, 2022.

"**Series A-3 Preferred Stock**" shall mean, unless otherwise stated herein, One Thousand Seven Hundred Thirty-Three (1,733) shares of Series A-3 Preferred Stock which were authorized pursuant to a Certificate of Designation of Preferences, Rights and Limitations which was filed with the Delaware Secretary of State on November 30, 2022.

"**Series A-4 Preferred Stock**" shall mean, unless otherwise stated herein, One Thousand Nine Hundred Thirty-Four (1,934) shares of Series A-4 Preferred Stock which were authorized pursuant to a Certificate of Designation of Preferences, Rights and Limitations which was filed with the Delaware Secretary of State on December 22, 2022.

"**Series A-5 Preferred Stock**" shall mean, unless otherwise stated herein, Two Thousand Two Hundred Ninety-Nine (2,299) shares of Series A-5 Preferred Stock which were authorized pursuant to a Certificate of Designation of Preferences, Rights and Limitations which was filed with the Delaware Secretary of State on January 31, 2023.

"**Series A Preferred**" shall mean, collectively, the Series A Preferred Stock, Series A-2 Preferred Stock, Series A-3 Preferred Stock, Series A-4 Preferred Stock, Series A-5 Preferred Stock, and any and all sub-series designated Series A-6 Preferred Stock, Series A-7 Preferred Stock and so on, that may be authorized following the date hereof.

"**Series AA Preferred Stock**" shall mean, unless otherwise stated herein, Seven Thousand Six Hundred Eighty (7,680) shares of Series AA Preferred Stock, which were authorized pursuant to a Certificate of Designation of Preferences, Rights and Limitations which was filed with the Delaware Secretary of State on April 19, 2023.

"**Series AA-2 Preferred Stock**" shall have the meaning set forth in Section 2.

"**Share Delivery Date**" shall have the meaning set forth in Section 6(d).

"**Stated Value**" means $1,000.00 per share of Series AA Preferred Stock.

"**Stockholder Approval**" means the receipt by the Company of the approval, by vote or action by written consent, of a majority of the issued and outstanding voting securities of the Company, voting on an as-converted basis, together as a single class with respect to (i) the increase in authorized Common Stock of the Company, (ii) issuances of Common Stock in excess of the Primary Market Limitation or that could otherwise cause a "Change in Control" as required by the applicable Listing Rules of the Nasdaq Capital Market (the "**Listing Rules**"), (iii) adjustments to the Conversion Price pursuant to Section 7.1(a)(ii) and Section 7.1(a)(iii) hereto, and (iv) the issuance of additional Series AA Preferred pursuant to the exercise of additional investment rights pursuant to Section 6 of those certain Subscription Agreements, dated as of the Effective Date, by and between the Company and the holders of the Series AA Preferred Stock, with respect to the initial purchase of Series AA Preferred Stock; it being understood that no shares of Series AA Preferred shall vote in regard to the Stockholder Approval or the approval of any matters which would not be permitted by the Listing Rules.

"**Subsidiary**" means any subsidiary of the Company existing as of the Effective Date hereof and shall, where applicable, also include any direct or indirect subsidiary of the Company formed or acquired after the Effective Date.

“**Trading Day**” means a day on which the principal Trading Market is open for business.

“**Trading Market**” means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange, OTCQB or OTCQX (or any successors to any of the foregoing).

“**Transfer Agent**” means Issuer Direct, the current transfer agent of the Company, with a mailing address of One Glenwood Avenue, Suite 1001, Raleigh, North Carolina 27603, a facsimile number of 919-481-6222 and an email address of info@issuerdirect.com, and any successor transfer agent of the Company.

Section 2. Designation and Authorized Shares. The series of Preferred Stock designated by this Certificate of Designations shall be designated as the Company’s Series AA-2 Convertible Preferred Stock (the “**Series AA-2 Preferred Stock**”) and the number of shares so designated shall be One Thousand Five Hundred (1,500). So long as any of the Series AA-2 Preferred Stock are issued and outstanding, the Company shall not issue any Senior Securities or Parity Securities without the approval of the Majority Holders. The Series AA-2 Preferred Stock shall not be redeemed for cash and under no circumstances shall the Company be required to net cash settle the Series AA-2 Preferred Stock.

Section 3. Dividends. Holders of shares of Series AA-2 Preferred Stock will be entitled to receive: (a) dividends payable as follows: a number of shares of Common Stock equal to twenty percent (20%) of the number of shares of Common Stock issuable upon conversion of the Series AA-2 Preferred Stock then held by such Holder on each of the 12 and 24 month anniversaries of the Effective Date (collectively, the “**PIK Shares**”) and (b) dividends equal, on an as-if-converted to shares of Common Stock basis, to and in the same form as dividends actually paid on shares of the Common Stock when, as, and if such dividends are paid on shares of the Common Stock. The dividends set forth in clause (a) of this Section 3 will be satisfied solely by delivery of shares of Common Stock. The dividends set forth in clause (a) shall be accelerated and paid (to the extent such dividends that are otherwise payable on each of such anniversary dates was not previously paid) upon the consummation of a Fundamental Transaction. The dividends set forth in clause (a) shall be accelerated and paid (to the extent such dividends that are otherwise payable on each of such anniversary dates was not previously paid not previously paid) upon the Mandatory Conversion Date following any Mandatory Conversion as contemplated in Section 6(b) hereto. Notwithstanding the foregoing, to the extent that a Holder’s right to participate in any dividend of PIK Shares pursuant to clause (a) or any stock dividend declared on the Common Stock to which such Holder is entitled to participate pursuant to clause (b) of this Section 3 (“**Dividend Shares**”) would result in such Holder exceeding the Beneficial Ownership Limitation or the Primary Market Limitation, then such Holder shall not be entitled to participate in any such dividend to such extent (or in the beneficial ownership of any PIK Shares or Dividend Shares as a result of such dividend to such extent) and the portion of such PIK Shares and/or Dividend Shares that would cause such Holder to exceed the Beneficial Ownership Limitation or the Primary Market Limitation shall be held in abeyance for the benefit of such Holder until such time, if ever, as such Holder’s beneficial ownership thereof would not result in such Holder exceeding the Beneficial Ownership Limitation or the Primary Market Limitation.

Section 4. Voting Rights. On any matter presented to the stockholders of the Company for their action or consideration at any meeting of stockholders of the Company (or by written consent of stockholders in lieu of meeting), and subject to the limitations set forth in Section 6(e) and 6(f), each Holder of outstanding shares of Series AA-2 Preferred Stock shall be entitled to cast the number of votes equal to the number of whole shares of Common Stock into which the shares of Series AA-2 Preferred Stock held by such holder are convertible as of the record date for determining stockholders entitled to vote on such matter. Except as provided by law or by the other provisions of the Certificate of Incorporation, Holders of Series AA-2 Preferred Stock shall vote together with the holders of Common Stock as a single class. The Holders shall be entitled to the same notice of any regular or special meeting of the stockholders as may or shall be given to holders of Common Stock entitled to vote at such meetings. As long as any shares of Series AA-2 Preferred Stock are outstanding, the Company may not, without the affirmative vote of the Majority Holders voting as a separate class, (i) amend, alter or repeal any provision of this Certificate of Designations in a manner that adversely affects the powers, preferences or rights of the Series AA-2 Preferred Stock, (ii) increase the number of authorized shares of Series AA-2 Preferred Stock, (iii) issue, or obligate itself to issue Parity Securities or Senior Securities, (iv) authorize, create, incur, assume, guarantee or suffer to exist any indebtedness for borrowed money of any kind other than trade accounts payable in the ordinary course of business, or (v) entering into any agreement with respect to the foregoing. Notwithstanding anything contained herein to the contrary, no holder of Series AA-2 Preferred Stock shall be entitled to vote on any matter presented to the Company's stockholders relating to approving the conversion of such holder's Series AA-2 Preferred Stock into an amount in excess of the Primary Market Limitation. Notwithstanding anything contained herein, for the purposes of this Section 4, the outstanding shares of Series AA-2 Preferred Stock also includes the Series AA Preferred Stock and any and all sub-series designated Series AA3 Preferred Stock, Series AA-4 Preferred Stock and so on that may be authorized following the date hereof and shall take into account the number of whole shares of Common Stock into which the shares of Series AA Preferred Stock, Series AA-2 Preferred Stock (and any other sub-series designated Series AA-3 Preferred Stock, Series AA-4 Preferred Stock and so on that may be authorized following the date hereof) are convertible into as of the record date for determining stockholders entitled to vote on such matter.

Section 5. Liquidation.

(a) The Series AA-2 Preferred Stock shall, with respect to distributions of assets and rights upon the occurrence of any voluntary or involuntary liquidation, dissolution or winding-up of the Company ("**Liquidation**") or Deemed Liquidation Event, rank: (i) junior to the Senior Securities, if any (ii) pari passu with the Parity Securities, if any and (iii) senior to the Junior Securities. For purposes hereof, references to Series AA-2 Preferred Stock in this Section 5 shall also include the Series A Preferred, Series AA Preferred Stock and all sub-series designated Series AA-3 Preferred Stock, Series AA-4 Preferred Stock and so on that may be authorized following the date hereof.

(b) As of the date hereof, there are no outstanding Senior Securities, Parity Securities consist solely of Series A Preferred, Series AA Preferred Stock and the Junior Securities consist solely of shares of Common Stock. That so being, upon any Liquidation, the holders of shares of Series AA-2 Preferred Stock and other Parity Securities then outstanding shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders, and in the event of a Deemed Liquidation Event, the holders of shares of Series AA-2 Preferred Stock and other Parity Securities then outstanding shall be entitled to be paid out of the consideration payable to stockholders in such Deemed Liquidation Event, as applicable, before any payment shall be made to the holders of Common Stock by reason of their ownership thereof, an amount per share equal to one (1) times the applicable Original Issue Price, plus any dividends accrued but unpaid thereon (the amount payable pursuant to this sentence is hereinafter referred to as the "**Liquidation Amounts**").

(c) After the payment in full of all Liquidation Amounts required to be paid to the holders of shares of Series AA-2 Preferred Stock and other Parity Securities then outstanding, the remaining assets of the Company available for distribution to its stockholders or, in the case of a Deemed Liquidation Event, the consideration not payable to the holders of shares of Series AA-2 Preferred Stock and other Parity Securities then outstanding pursuant to Section 5(b), shall be distributed among the holders of shares of Common Stock, pro rata based on the number of shares held by each such holder.

Section 6 Conversion.

(a) Conversions at Option of Holder. Each share of Series AA-2 Preferred Stock (or fraction thereof) shall be convertible, at any time and from time to time, from and after the Original Issue Date at the option of the Holder thereof into that number of shares of Common Stock (subject to the Beneficial Ownership Limitation set forth in Section 6(e) and the Primary Market Limitation set forth in Section 6(f)) determined by dividing the Stated Value by the Conversion Price then in effect. Holders shall effect conversions by providing the Company and the Transfer Agent, with the form of conversion notice attached hereto as Annex A (a "**Notice of Conversion**"). Each Notice of Conversion shall specify the number of shares of Series AA-2 Preferred Stock to be converted, the number of shares of Series AA-2 Preferred Stock owned prior to such conversion, the number of shares of Series AA-2 Preferred Stock owned subsequent to such conversion and the date on which such conversion is to be effected, which date may not be prior to the date the applicable Holder delivers such Notice of Conversion to the Company pursuant to Section 6 and in accordance with Section 9 (such date, the "**Optional Conversion Date**"). Such Holder shall be deemed for all corporate purposes to have become the holder of record of the Conversion Shares with respect to which the shares of Series AA-2 Preferred Stock have been converted as of the Optional Conversion Date. If no Optional Conversion Date is specified in a Notice of Conversion, the Optional Conversion Date shall be the date that such Notice of Conversion and Cancellation Request are deemed delivered to the Company in accordance with Section 9. The calculations and entries set forth in the Notice of Conversion shall control in the absence of manifest or mathematical error. No ink-original Notice of Conversion shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Conversion form be required. To effect conversions of shares of Series AA-2 Preferred Stock, a Holder shall not be required to surrender any Certificated Series AA-2 Preferred Stock to the Company unless all of the shares of Series AA-2 Preferred Stock represented by any such certificate are so converted, in which case such Holder shall deliver the Certificated Series AA-2 Preferred Stock promptly following the Optional Conversion Date. To the extent that the Beneficial Ownership Limitation contained in Section 6(e) or the Primary Market Limitation contained in Section 6(f) applies to the converting Holder, the determination of whether the Series AA-2 Preferred Stock is convertible (in relation to other securities owned by such Holder together with any Affiliates and Attribution Parties) and of how many shares of Series AA-2 Preferred Stock are convertible shall be in the sole discretion of such Holder, and the submission of a Notice of Conversion shall be deemed to be such Holder's determination of whether the shares of Series AA-2 Preferred Stock may be converted (in relation to other securities owned by such Holder together with any Affiliates and Attribution Parties) and how many shares of the Series AA-2 Preferred Stock are convertible, in each case subject to the Beneficial Ownership Limitation or the Primary Market Limitation. To ensure compliance with this restriction, each Holder will be deemed to represent to the Company each time it delivers a Notice of Conversion that such Notice of Conversion has not violated the restrictions set forth in this Section and the Company shall have no obligation to verify or confirm the accuracy of such determination.

(b) Mandatory Conversion. On the one year anniversary of the Original Issue Date, the Company may, in its discretion, convert (A) 50% of the outstanding shares of Series AA-2 Preferred if the volume-weighted average price of the Company's common stock over the previous ten (10) days as reported on the NASDAQ Capital Market (the "**VWAP**"), equals at least 250% of the Conversion Price, or (B) 100% of the outstanding shares of Series AA-2 Preferred if the VWAP equals at least 300% of the Conversion Price (as applicable, the "**Mandatory Conversion Date**" and together with an Optional Conversion Date, the "**Conversion Date**"), each outstanding share of Series AA-2 Preferred Stock will automatically convert (subject to the Beneficial Ownership Limitation set forth in Section 6(e) and the Primary Market Limitation set forth in Section 6(f)) into such number of fully paid and non-assessable shares of Common Stock as is determined by dividing the Stated Value by the Conversion Price in effect on the Mandatory Conversion Date (a "**Mandatory Conversion**"); *provided*, *however*, the Company may not effect such Mandatory Conversion unless (I) such shares of Common Stock for which the shares of Series AA-2 Preferred Stock will be converted are either (i) registered pursuant to an effective registration statement, or (ii) may be resold without restriction pursuant to Rule 144 of the Securities Act, and (II) the Company's Common Stock has traded above the Minimum Trading Volume for a period of at least five (5) consecutive Trading Days. Within two Trading Days of (x) the Mandatory Conversion Date, if the shares of Series AA-2 Preferred Stock are held in book entry form, or (y) such Holder's surrender of Certificated Series AA-2 Preferred Stock (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and an indemnity or security reasonably acceptable to the Company (which shall not include the posting of any bond) to indemnify the Company against any claim that may be made against the Company on account of the alleged loss, theft or destruction of such certificate), the Company shall deliver: (I) to each Holder, the Conversion Shares issuable upon conversion of such Holder's Series AA-2 Preferred Stock via the Certificated Preferred Stock, and (II) the PIK Shares issuable upon Mandatory Conversion under Section 3, to Holders as of the Mandatory Conversion Date; provided that, any failure by the Holder to return Certificated Series AA-2 Preferred Stock, if any, will have no effect on the Mandatory Conversion pursuant to this Section 6(b), which Mandatory Conversion will be deemed to occur on the Mandatory Conversion Date. To the extent that the Beneficial Ownership Limitation contained in Section 6(e) or the Primary Market Limitation contained in Section 6(f) applies to any Holder, such Holder shall within five Business Days of such Holder's receipt of the Company Conversion Notice, provide the Company with a written determination (a "**Mandatory Conversion Determination**"), delivered in accordance with Section 9, of whether such Holder's Series AA-2 Preferred Stock is convertible (in relation to other securities owned by such Holder together with any Affiliates and Attribution Parties) and of how many shares of Series AA-2 Preferred Stock are convertible, and the submission of a Mandatory Conversion Determination shall be deemed to be such Holder's determination of the maximum number of shares of Series AA-2 Preferred Stock that may be converted, subject to the Beneficial Ownership Limitation or the Primary Market Limitation and the portion of the shares of Common Stock issuable upon such Mandatory Conversion hereunder that would cause such Holder to exceed the Beneficial Ownership Limitation or the Primary Market Limitation shall be held in abeyance for the benefit of such Holder until such time, if ever, as such Holder's beneficial ownership thereof would not result in such Holder exceeding the Beneficial Ownership Limitation or the Primary Market Limitation. To ensure compliance with this restriction, each Holder will be deemed to represent to the Company each time it delivers a Mandatory Conversion Determination that such determination has not violated the restrictions set forth in Section 6(e) or Section 6(f) and the Company shall have no obligation to verify or confirm the accuracy of such determination.

(c) Conversion Shares. The aggregate number of Conversion Shares which the Company shall issue upon conversion of the Series AA-2 Preferred Stock (whether pursuant to Section 6(a) or 6(b)) will be equal to the number of shares of Series AA-2 Preferred Stock to be converted, multiplied by the Stated Value, divided by the Conversion Price in effect at the time of the conversion.

(d) Mechanics of Conversion.

(i) Delivery of Conversion Shares upon Conversion. Promptly after the applicable Conversion Date, but in any case within the earlier of (i) two (2) Trading Days and (ii) the Standard Settlement Period (as defined below) thereof (the "**Share Delivery Date**"), the Company shall deliver, or cause to be delivered, to the converting Holder the number of Conversion Shares being acquired upon the conversion of the Series AA-2 Preferred Stock pursuant to Section 6(a) or 6(b), as applicable, any PIK Shares to which the Holder is entitled pursuant to Section 3 that have not been previously issued, if any, and a wire transfer of immediately available funds in the amount of accrued and unpaid cash dividends, if any. Conversion Shares issuable hereunder shall be transmitted by the Transfer Agent to the Holder by crediting the account of the Holder's or its designee's balance account with DTC through its Deposit or Withdrawal at Custodian system ("**DWAC**") if the Company is then a participant in such system and otherwise by physical delivery of a certificate, registered in the Company's share register in the name of the Holder or its designee, for the number of Conversion Shares and PIK Shares, if any, to which the Holder is entitled pursuant to such conversion to the address specified by the Holder in the Notice of Conversion or the Company Conversion Notice, as the case may be. The Company shall (A) deliver (or cause to be delivered) to the converting Holder who has converted less than all of such Holder's Certificated Series AA-2 Preferred Stock (1) a certificate or certificates, of like tenor, for the number of shares of Series AA-2 Preferred Stock evidenced by any surrendered certificate or certificates less the number of shares of Series AA-2 Preferred Stock converted. The Company agrees to maintain a transfer agent that is a participant in the DTC's FAST program so long as any shares of Series AA-2 Preferred Stock remain outstanding. As used herein, "**Standard Settlement Period**" means the standard settlement period, expressed in a number of Trading Days, on the Company's primary Trading Market with respect to the Common Stock as in effect on the date of delivery of the Notice of Conversion.

(ii) <u>Failure to Deliver Conversion Shares upon an Optional Conversion</u>. If, in the case of any Notice of Conversion, such Conversion Shares are not delivered to or as directed by the applicable Holder by the Share Delivery Date, in addition to any other rights herein, the Holder shall be entitled to elect by written notice to the Transfer Agent, on behalf of the Company, at any time on or before its receipt of such Conversion Shares, to rescind such Conversion, in which event the Company shall promptly return to the Holder any Certificated Series AA-2 Preferred Stock delivered to the Company and the Holder shall promptly return to the Company the Conversion Shares issued to such Holder pursuant to the rescinded Notice of Conversion.

(iii) <u>Obligation Absolute; Partial Liquidated Damages</u>. The Company's obligation to issue and deliver the Conversion Shares upon conversion of Series AA-2 Preferred Stock in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by a Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by such Holder or any other Person of any obligation to the Company or any violation or alleged violation of law by such Holder or any other person, and irrespective of any other circumstance which might otherwise limit such obligation of the Company to such Holder in connection with the issuance of such Conversion Shares; <u>provided</u>, <u>however</u>, that such delivery shall not operate as a waiver by the Company of any such action that the Company may have against such Holder. If the Company fails to deliver to a Holder such Conversion Shares pursuant to Section 6(d)(i) by the Share Delivery Date applicable to such conversion, the Company shall pay to such Holder, in cash, as liquidated damages and not as a penalty, for each $1,000 of Stated Value of Series AA-2 Preferred Stock being converted, $10 per Trading Day (increasing to $20 per Trading Day on the fifth Trading Day after such damages begin to accrue) for each Trading Day after the Share Delivery Date until such Conversion Shares are delivered or Holder rescinds such conversion.

(iv) <u>Compensation for Buy-In on Failure to Timely Deliver Conversion Shares Upon Conversion</u>. In addition to any other rights available to the Holder, if the Company fails for any reason to deliver to a Holder the applicable Conversion Shares by the Share Delivery Date pursuant to Section 6(d)(i), and if after such Share Delivery Date such Holder is required by its brokerage firm to purchase (in an open market transaction or otherwise), or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by such Holder of the Conversion Shares which such Holder was entitled to receive upon the conversion relating to such Share Delivery Date (a "**<u>Buy-In</u>**"), then the Company shall (A) pay in cash to such Holder (in addition to any other remedies available to or elected by such Holder) the amount, if any, by which (x) such Holder's total purchase price (including any brokerage commissions) for the Common Stock so purchased exceeds (y) the product of (1) the aggregate number of shares of Common Stock that such Holder was entitled to receive from the conversion at issue multiplied by (2) the actual sale price at which the sell order giving rise to such purchase obligation was executed (including any brokerage commissions) and (B) at the option of such Holder, either reissue (if surrendered) the shares of Series AA-2 Preferred Stock equal to the number of shares of Series AA-2 Preferred Stock submitted for conversion (in which case, such conversion shall be deemed rescinded) or deliver to such Holder the number of shares of Common Stock that would have been issued if the Company had timely complied with its delivery requirements under Section 6(c)(i). For example, if a Holder purchases shares of Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted conversion of shares of Series AA-2 Preferred Stock with respect to which the actual sale price of the Conversion Shares (including any brokerage commissions) giving rise to such purchase obligation was a total of $10,000 under clause (A) of the immediately preceding sentence, the Company shall be required to pay such Holder $1,000. The Holder shall provide the Company written notice indicating the amounts payable to such Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver the Conversion Shares upon conversion of the shares of Series AA-2 Preferred Stock as required pursuant to the terms hereof .

(v) Reservation of Shares Issuable Upon Conversion. The Company covenants that it will at all times reserve and keep available out of its authorized and unissued shares of Common Stock, free from preemptive rights or any other actual contingent purchase rights of Persons other than the Holders of the Series AA-2 Preferred Stock, not less than such aggregate number of shares of the Common Stock as shall be issuable (i) upon the conversion of all outstanding shares of Series AA-2 Preferred Stock (taking into account the adjustments and restrictions of Section 7) and (ii) in respect of the PIK Shares. The Company covenants that all Conversion Shares and PIK Shares shall, when issued, be duly authorized, validly issued, fully paid and nonassessable. If at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then-outstanding shares of Series AA-2 Preferred Stock (taking into account the adjustments and restrictions of Section 7), and payment of the PIK Shares, the Company shall take such corporate action as may be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes.

(vi) Fractional Shares. No fractional shares or scrip representing fractional shares shall be issued upon the conversion of or as dividends on the Series AA-2 Preferred Stock. As to any fraction of a share which a Holder would otherwise be entitled to upon such conversion or in respect of any such dividend, the Company shall round up to the next whole share of Common Stock.

(vii) Transfer Taxes and Expenses. The issuance of Conversion Shares on conversion of this Series AA-2 Preferred Stock shall be made without charge to any Holder for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such Conversion Shares, provided that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such Conversion Shares upon conversion in a name other than that of the Holders of such shares of Series AA-2 Preferred Stock and the Company shall not be required to issue or deliver such Conversion Shares unless or until the Person or Persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

(e) Beneficial Ownership Limitation. The Company shall not effect any conversion of the Series AA-2 Preferred Stock, including, without limitation, a Mandatory Conversion, and a Holder shall not have the right to receive dividends hereunder or convert any portion of the Series AA-2 Preferred Stock, to the extent that, after giving effect to the receipt of dividends hereunder or conversion set forth on the applicable Notice of Conversion, such Holder (together with such Holder's Affiliates, and any Persons acting as a group together with such Holder or any of such Holder's Affiliates (such Persons, "**Attribution Parties**")) would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by such Holder and its Affiliates and Attribution Parties shall include the number of shares of Common Stock received as dividends or issuable upon conversion of the Series AA-2 Preferred Stock with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which are issuable upon (i) conversion of the remaining, unconverted Series AA-2 Preferred Stock beneficially owned by such Holder or any of its Affiliates or Attribution Parties and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company subject to a limitation on conversion or exercise analogous to the limitation contained herein (including, without limitation, the Series AA-2 Preferred Stock) beneficially owned by such Holder or any of its Affiliates or Attribution Parties. Except as set forth in the preceding sentence, for purposes of this Section 6(e), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, it being acknowledged by the Holder that the Company is not representing to the Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Holder is solely responsible for any schedules required to be filed in accordance therewith (other than as it relates to a Holder relying on the number of shares issued and outstanding as provided by the Company pursuant to this Section). In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 6(e), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as stated in the most recent of the following: (i) the Company's most recent periodic or annual report filed with the Commission, as the case may be, (ii) a more recent public announcement by the Company or (iii) a more recent written notice by the Company or the Transfer Agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request (which may be via email) of a Holder, the Company shall within one Trading Day confirm orally and in writing to such Holder the number of shares of Common Stock then outstanding. The "**Beneficial Ownership Limitation**" shall be 4.99% (or, at the written election of any Holder delivered to the Company pursuant to the terms of Section 9 prior to the issuance of any shares of Series AA-2 Preferred Stock, 9.99% but no in event higher than 9.99%) of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon conversion of Series AA-2 Preferred Stock held by the applicable Holder. Upon delivery of a written notice to the Company, any holder may from time to time increase or waive (with such increase or waiver not effective until the sixty-first (61st) day after delivery of such notice) or decrease (immediately) the Beneficial Ownership Limitation provisions of this Section 6(e); *provided*, *however*, that the Holder shall not be entitled to increase or terminate the limitation contained in this Section 6(e) if the Holder has acquired (or if any of the Holder's Attribution parties has indirectly acquired) the Series AA-2 Preferred Stock with the purpose or effect of changing or influencing the control of the Company. The limitations contained in this Section 6(e) shall apply to a successor holder of Series AA-2 Preferred Stock.

(f) Primary Market Limitation. Unless the Company obtains the approval of its stockholders as required by the applicable rules of the applicable Trading Market for issuances of Common Stock in excess of such amount, the Company shall not effect any conversion of the Series AA-2 Preferred Stock, including, without limitation, a Mandatory Conversion, and a Holder shall not have the right to receive dividends hereunder or convert any portion of the Series AA-2 Preferred Stock, to the extent that, after giving effect to the receipt of dividends hereunder or conversion set forth on the applicable Notice of Conversion, the Holder, together with the Attribution Parties, would beneficially own in excess of the Primary Market Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by such Holder and its Affiliates and Attribution Parties shall include the number of shares of Common Stock received as dividends or issuable upon conversion of the Series AA-2 Preferred Stock with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which are issuable upon (i) conversion of the remaining, unconverted Series AA-2 Preferred Stock beneficially owned by such Holder or any of its Affiliates or Attribution Parties and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company subject to a limitation on conversion or exercise analogous to the limitation contained herein (including, without limitation, the Series AA-2 Preferred Stock) beneficially owned by such Holder or any of its Affiliates or Attribution Parties. Except as set forth in the preceding sentence, for purposes of this Section 6(f), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, it being acknowledged by the Holder that the Company is not representing to the Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Holder is solely responsible for any schedules required to be filed in accordance therewith (other than as it relates to a Holder relying on the number of shares issued and outstanding as provided by the Company pursuant to this Section). For purposes of this Section 6(f), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as stated in the most recent of the following: (i) the Company's most recent periodic or annual report filed with the Commission, as the case may be, (ii) a more recent public announcement by the Company or (iii) a more recent written notice by the Company or the Transfer Agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request (which may be via email) of a Holder, the Company shall within one Trading Day confirm orally and in writing to such Holder the number of shares of Common Stock then outstanding. The "**Primary Market Limitation**" shall be 19.99% of the number of shares of the Common Stock outstanding as of the Effective Date, immediately prior to the issuance of shares of Series AA-2 Preferred. The limitations contained in this paragraph shall apply to a successor holder of the Series AA-2 Preferred Stock.

Section 7. Certain Adjustments.

(a) Adjustments to Conversion Price.

(i) Stock Dividends and Stock Splits. If the Company, at any time while the Series AA-2 Preferred Stock is outstanding: (A) pays a stock dividend or otherwise makes a distribution or distributions payable in shares of Common Stock on shares of Common Stock or any other Common Stock Equivalents (which, for avoidance of doubt, will not include any shares of Common Stock issued by the Company upon conversion of this Series AA-2 Preferred Stock or payment of a dividend on this Series AA-2 Preferred Stock); (B) subdivides outstanding shares of Common Stock into a larger number of shares; (C) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares; or (D) issues, in the event of a reclassification of shares of the Common Stock, any shares of capital stock of the Company, then the Conversion Price will be multiplied by a fraction of which the numerator will be the number of shares of Common Stock (excluding any treasury shares of the Company) outstanding immediately before such event and of which the denominator will be the number of shares of Common Stock, or in the event that clause (D) of this Section 7(a) will apply shares of reclassified capital stock, outstanding immediately after such event. Any adjustment made pursuant to this Section 7(a) will become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and will become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

(ii) Future Issuances. From and after the date thereof, if the Company shall issue or sell any Equity Securities (as defined below) at an effective price per share less than the then effective Conversion Price (such lower price, the "**Base Share Price**" and such issuances collectively, a "**Dilutive Issuance**"), as adjusted hereunder (if the holder of the Equity Securities so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, is entitled to receive shares of Common Stock at an effective price per share which is less than the then effective Conversion Price, such issuance shall be deemed to have occurred for less than the then effective Conversion Price on such date of the Dilutive Issuance), then, the Conversion Price shall be reduced to equal the Base Share Price subject to the Conversion Price Floor. Notwithstanding the foregoing, no adjustments shall be made, paid or issued under this Section 7(a)(ii) in respect of Exempt Issuances (as defined below). The Company shall notify the Holder in writing as promptly as reasonably possible following the issuance of any Equity Securities subject to this section, indicating therein the applicable issuance price, or of applicable reset price, exchange price, conversion price and other pricing terms (such notice the "**Dilutive Issuance Notice**"). For purposes of clarification, whether or not the Company provides a Dilutive Issuance Notice pursuant to this Section 7(a)(ii), upon the occurrence of any Dilutive Issuance while the Series AA-2 Preferred is outstanding, after the date of such Dilutive Issuance the Holder is entitled to the Base Share Price regardless of whether the Holder accurately refers to the Base Share Price in the Conversion Notice. Provided however, the Company shall not issue any shares of common stock below the Conversion Price Floor without the consent of the Holders of a majority of the outstanding Series AA-2 Preferred Stock voting as a separate class.

For purposes of this Section 7(a)(ii), the following definitions shall apply:

"**Common Stock Equivalents**" as defined in Section 1.

"**Equity Securities**" means (i) Common Stock and (ii) Common Stock Equivalents.

"**Exempt Issuance**" means (i) Equity Securities issued or issuable upon conversion or exercise of any currently outstanding securities or any Equity Securities issued in accordance with this Certificate (including the Conversion Shares and the Dividend Shares) or issued pursuant to any contractual rights granted to holders of the Series AA-2 Preferred Stock; (ii) Equity Securities granted to officers, directors and employees of, and consultants to, the Company pursuant to stock option or purchase plans or other compensatory agreements approved by the Board of Directors; (iii) Equity Securities issued in connection with any pro rata stock split, stock dividend or recapitalization by the Company; (iv) Equity Securities issued in a Strategic Investment; (v) Equity Securities issued pursuant to the acquisition of another corporation or entity by the Company by consolidation, merger, purchase of all or substantially all of the assets, or other reorganization in which the Company acquires, in a single transaction or series of related transactions, all or substantially all of the assets of such other corporation or entity or fifty percent (50%) or more of the voting power of such other corporation or entity or fifty percent (50%) or more of the equity ownership of such other corporation or entity; and (vi) securities issuable upon conversion or exercise of the securities set forth in paragraphs (i) - (v) above.

"**Strategic Investment**" any transaction or agreement with one or more persons, firms or entities designated as a "strategic partner" of the Company, as determined in good faith by the Board of Directors of the Company); provided, however, that each such "strategic partner" is itself, or has a subsidiary or affiliate that is, an operating company in a business synergistic with the business of the Company and provided further that the transaction is one in which the Company receives benefits in addition to the investment of funds. In no event shall a transaction in which the Company issues securities primarily for the purpose of raising capital or to one or more persons or entities whose primary business is investing in securities be deemed a Strategic Investment.

(iii) VWAP-Based Adjustment. If, on the Second Anniversary, the Five-Day Adjustment VWAP is an amount that is less than the then effective Conversion Price, then the Conversion Price in effect immediately prior the Second Anniversary shall be adjusted so that the Conversion Price shall equal the Five-Day Adjustment VWAP, subject to the Conversion Price Floor.

(iv) Provisions for Adjustments. Notwithstanding anything in this Section to the contrary: (i) in no event shall an adjustment be made under this clause if such adjustment would result in raising the then-effective Conversion Price; (ii) no adjustment under this Section 7(a) need be made to the Conversion Price unless such adjustment would require a decrease of at least 1.0% of the Conversion Price then in effect, with any lesser adjustment being carried forward and made at the time of and together with the next subsequent adjustment, if any, which, together with any adjustment or adjustments so carried forward, shall result in a decrease of at least 1.0% of such Conversion Price; (iii) no adjustment under this Section 7(a) shall be made if such adjustment will result in a Conversion Price that is less than the par value of the Common Stock; and (iv) no adjustment shall be made to the Conversion Price upon any Exempt Issuances. The Company will make all calculations under this Certificate of Designation in good faith, which calculations will, absent manifest error, control for purposes this Certificate of Designation.

(b) Subsequent Rights Offerings. In addition to any adjustments pursuant to Section 7(a) above, if at any time the Company grants, issues or sells any Common Stock Equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the "**Purchase Rights**"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete conversion of such Holder's Series AA-2 Preferred Stock (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder exceeding the Beneficial Ownership Limitation or the Primary Market Limitation, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such shares of Common Stock as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation or the Primary Market Limitation).

(c) Pro Rata Distributions. During such time as this Series AA-2 Preferred Stock is outstanding, if the Company declares or makes any dividend or other distribution of its assets (or rights to acquire its assets) to holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "**Distribution**"), at any time after the issuance of this Series AA-2 Preferred Stock, then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of shares of Common Stock acquirable upon complete conversion of this Series AA-2 Preferred Stock (without regard to any limitations on conversion hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date of which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the participation in such Distribution (provided, however, to the extent that the Holder's right to participate in any such Distribution would result in the Holder exceeding the Beneficial Ownership Limitation or the Primary Market Limitation, then the Holder shall not be entitled to participate in such Distribution to such extent (or in the beneficial ownership of any shares of Common Stock as a result of such Distribution to such extent) and the portion of such Distribution shall be held in abeyance for the benefit of the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation or the Primary Market Limitation).

(d) Fundamental Transaction. If, at any time while the Series AA-2 Preferred Stock is outstanding, (A) the Company effects any merger or consolidation of the Company with or into another Person, (B) the Company effects any sale of all or substantially all of its assets in one transaction or a series of related transactions, or (C) the Company effects any reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (in any such case, a "**Fundamental Transaction**"), then, upon any subsequent conversion of the Series AA-2 Preferred Stock, the Holders shall have the right to receive, for each Conversion Share that would have been issuable upon such conversion immediately prior to the occurrence of such Fundamental Transaction, the same kind and amount of securities, cash or property as it would have been entitled to receive upon the occurrence of such Fundamental Transaction if it had been, immediately prior to such Fundamental Transaction, the holder of one share of Common Stock (the "**Alternate Consideration**"). For purposes of any such conversion, the determination of the Conversion Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall adjust the Conversion Price in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holders shall be given the same choice as to the Alternate Consideration they receive upon any conversion of the Series AA-2 Preferred Stock following such Fundamental Transaction. To the extent necessary to effectuate the foregoing provisions, any successor to the Company or surviving entity in such Fundamental Transaction shall file a new Certificate of Designation with the same terms and conditions and issue to the Holders new preferred stock consistent with the foregoing provisions and evidencing the Holders' right to convert such preferred stock into Alternate Consideration. The terms of any agreement pursuant to which a Fundamental Transaction is effected shall include terms requiring any such successor or surviving entity to comply with the provisions of this Section 7(d) and insuring that the Series AA-2 Preferred Stock (or any such replacement security) will be substantially similar in form and substance to this Certificate of Designations and insuring that the Series AA-2 Preferred Stock will be convertible for a corresponding number of shares of capital stock of such successor entity (or its parent entity) equivalent to the shares of Common Stock acquirable and receivable upon conversion of this Series AA-2 Preferred Stock (without regard to any limitations on the conversion of this Series AA-2 Preferred Stock) prior to such Fundamental Transaction, and with a conversion price which applies the conversion price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such conversion price being for the purpose of protecting the economic value of this Series AA-2 Preferred Stock immediately prior to the consummation of such Fundamental Transaction) and will be similarly adjusted upon any subsequent transaction analogous to a Fundamental Transaction.

(e) Calculations. All calculations under this Section 7 will be made to the nearest cent or the nearest 1/100th of a share, as the case may be.

(f) Notice to the Holders.

(i) Adjustment to Conversion Price. Whenever the Conversion Price is adjusted pursuant to any provision of this Section 7, the Company shall promptly deliver to each Holder a notice setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

(ii) Notice to Allow Conversion by Holder. If (A) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property or (B) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be filed at each office or agency maintained for the purpose of conversion of the Series AA-2 Preferred Stock, and shall cause to be delivered to each Holder pursuant to Section 9, at least twenty (20) calendar days prior to the applicable record or effective date hereinafter specified, a written notice stating (x) the date on which a record is to be taken for the purpose of seeking such stockholder approval or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange, provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. The Holder shall remain entitled to convert such Holder's Series AA-2 Preferred Stock pursuant to Section 6(a) (subject to the Beneficial Ownership Limitation and the Primary Market Limitation) during the 20-day period commencing on the date of such notice through the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Section 8. Miscellaneous.

(a) Notices. Any and all notices or other communications or deliveries to be provided to the Holders, the Company or the Transfer Agent hereunder, including, without limitation, any Notice of Conversion or Company Conversion Notice, shall be in writing and delivered personally, by facsimile, by e-mail, or sent by a nationally recognized overnight courier service (i) if to the Holders, at the Holder's address set forth in the book and records of the Company or to another address of such Holder as may be specified by such Holder to the Company in a written notice delivered in accordance with this Section, or (ii) if to the Company, at 2912 Colorado Avenue, Suite 203, Santa Monica, CA 90404, or to another address as the Company may specify for such purposes by written notice to the Holders delivered in accordance with this Section. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number or via e-mail at the e-mail address set forth in this Section prior to 5:30 p.m. (New York City time) on any date, (ii) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number or via e-mail at the e-mail address set forth in this Section on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (iii) the second Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given. To the extent that any notice provided pursuant to this Certificate of Designations constitutes, or contains, material, non-public information regarding the Company or any Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K.

(b) Absolute Obligation. Except as expressly provided herein, no provision of this Certificate of Designations shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay accrued dividends, as applicable, on the shares of Series AA-2 Preferred Stock at the time, place, and rate, and in the coin or currency, herein prescribed.

(c) Lost or Mutilated Series AA-2 Preferred Stock Certificate. If a Holder alleges that such Holder's Series AA-2 Preferred Stock certificate has been lost, stolen or destroyed, the Company will only be obligated to issue a replacement certificate if the Holder delivers to the transfer agent, or the Company, as applicable: (i) a lost certificate affidavit; (ii) an indemnity bond in a form acceptable to the Company's transfer agent, or if the Company acts as its own transfer agent, an agreement reasonably acceptable to the Company to indemnify the Company against any claim that may be made against the Company on account of the alleged loss, theft or destruction of such certificate; and (iii) any other documentation that the transfer agent or the Company, if the Company acts as its own transfer agent, may reasonably require.

(d) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Certificate of Designations shall be governed by and construed and enforced in accordance with the internal laws of the State of Delaware, without regard to the principles of conflict of laws thereof. Each party agrees that all legal proceedings concerning the interpretation, enforcement and defense of the transactions contemplated by this Certificate of Designations (whether brought against a party hereto or its respective Affiliates, directors, officers, shareholders, employees or agents) shall be commenced in the state and federal courts sitting in the City of New York, Borough of Manhattan (the "**New York Courts**"). Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such New York Courts, or such New York Courts are improper or inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Certificate of Designations and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by applicable law. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Certificate of Designations or the transactions contemplated hereby. If any party shall commence an action or proceeding to enforce any provisions of this Certificate of Designation, then the prevailing party in such action or proceeding shall be reimbursed by the other party for its attorneys' fees and other costs and expenses incurred in the investigation, preparation and prosecution of such action or proceeding.

(e) Waiver. Any waiver by the Company or a Holder of a breach of any provision of this Certificate of Designations shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Certificate of Designations or a waiver by any other Holders. The failure of the Company or a Holder to insist upon strict adherence to any term of this Certificate of Designations on one or more occasions shall not be considered a waiver or deprive that party (or any other Holder) of the right thereafter to insist upon strict adherence to that term or any other term of this Certificate of Designation. Any waiver by the Company or a Holder must be in writing.

(f) Severability. If any provision of this Certificate of Designations is invalid, illegal or unenforceable, the balance of this Certificate of Designations shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances. If it shall be found that any dividend or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law.

(g) Next Business Day. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

(h) Headings. The headings contained herein are for convenience only, do not constitute a part of this Certificate of Designations and shall not be deemed to limit or affect any of the provisions hereof.

(i) Status of Converted Series AA-2 Preferred Stock. If any shares of Series AA-2 Preferred Stock shall be converted or reacquired by the Company, such shares shall resume the status of authorized but unissued shares of preferred stock and shall no longer be designated as Series AA-2 Convertible Preferred Stock.

[Signature page follows.]

IN WITNESS WHEREOF, this Certificate of Designations has been executed by a duly authorized officer of the Company as of this 20th day of April, 2023.

/s/ *Ann Hand*

Name: Ann Hand
Title: Chief Executive Officer

ANNEX A

NOTICE OF CONVERSION

(TO BE EXECUTED BY THE REGISTERED HOLDER IN ORDER TO CONVERT SHARES OF SERIES AA-2 PREFERRED STOCK)

The undersigned hereby elects to convert the number of shares of Series AA-2 Convertible Preferred Stock indicated below into shares of common stock, $.001 par value per share (the "Common Stock"), of Super League Gaming, Inc., a Delaware corporation (the "Corporation"), according to the conditions hereof, as of the date written below. If shares of Common Stock are to be issued in the name of a Person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto. No fee will be charged to the Holders for any conversion, except for any such transfer taxes.

Conversion calculations:

Date to Effect Conversion:____________________

Number of shares of Series AA-2 Preferred Stock owned prior to Conversion:____________________

Number of shares of Series AA-2 Preferred Stock to be Converted:____________________

Stated Value of shares of Series AA-2 Preferred Stock to be Converted:____________________

Number of shares of Common Stock to be Issued:____________________

Applicable Conversion Price:____________________

Number of shares of Series AA-2 Preferred Stock subsequent to Conversion:____________________

Address for Delivery:____________________

Or

DWAC Instructions:

Broker no: ____________________

Account no: ____________________

[Holder]

By: ____________________
Name:
Title:

ASSET PURCHASE AGREEMENT

This **ASSET PURCHASE AGREEMENT** (the "Agreement") is made and entered into as of February 26, 2024 ("Execution Date"), by and between GamerSafer, Inc., a Delaware corporation ("GS" or "Buyer"), and Super League Enterprise, Inc., a Delaware corporation f/k/a Super League Gaming, Inc. ("SLE" or "Seller"). The Buyer and Seller may be referred to collectively herein as the "Parties" and individually as a "Party."

RECITALS

WHEREAS, Seller is engaged through its Minehut division ("Minehut") in the business of offering services and tools to Minecraft server owners and players via a one hundred percent (100%) owned and operated networked community (the "Business"); and

WHEREAS, Seller wishes to sell and assign to Buyer, and Buyer wishes to purchase and assume from Seller, all right, title, and interest of Seller in and to those certain assets specified in the respective disclosure schedules attached hereto (collectively, the "Purchased Assets"), and certain specified liabilities, of the Business, subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and covenants set forth herein, the receipt and sufficiency of which is hereby mutually acknowledged, and intending to be legally bound hereby, the Parties agree as follows:

ARTICLE I.
PURCHASE AND SALE.

1.1 Agreement to Purchase and Sell Assets. Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, Seller will sell, transfer, convey, assign and deliver to Buyer, and Buyer will purchase and acquire from Seller, free and clear of any Encumbrances other than the license set forth in Section 1.10 below, all legal right, title and interest of the Seller in, to and under all of the Purchased Assets (other than the Excluded Assets), including, without limitation, the following:

(a) the assets listed on Section 1.1(a) of the disclosure schedules attached hereto (the "Disclosure Schedules") hereto;

(b) the Contracts, including but not limited to the Intellectual Property Agreements set forth on Section 1.1(b) of the Disclosure Schedules (the "Assigned Contracts");

(c) the Intellectual Property Assets;

(d) all rights to any Actions of any nature available to or being pursued by Seller that primarily relate to the Business, the Purchased Assets or the Assumed Liabilities, whether arising by way of counterclaim or otherwise

(e) all of Seller's rights under warranties, indemnities and all similar rights against third parties to the extent primarily related to any Purchased Asset or Assumed Liability;

(f) originals, or where not available, copies, of all books and records, including, but not limited to, books of account, ledgers and general, financial and accounting records, machinery and equipment maintenance files, customer lists, customer purchasing histories, price lists, distribution lists, supplier lists, production data, quality control records and procedures, customer complaints and inquiry files, research and development files, records and data (including all correspondence with any federal, state, local or foreign government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority (to the extent that the rules, regulations or orders of such organization or authority have the force of law)), or any arbitrator, court or tribunal of competent jurisdiction ("Governmental Authority"), sales material and records (including pricing history, total sales, terms and conditions of sale, sales and pricing policies and practices), strategic plans, internal financial statements, marketing and promotional surveys, material and research and files that primarily relate to the Intellectual Property Assets and the Intellectual Property Agreements ("Books and Records"); and

(g) all goodwill associated with any of the Purchased Assets.

1.2 Excluded Assets. Other than the Purchased Assets subject to Section 1.1, Buyer expressly understands and agrees that it is not purchasing or acquiring, and Seller is not selling or assigning, any other assets or properties of Seller, and all such other assets and properties shall be excluded from the Purchased Assets (collectively, the "Excluded Assets"). Excluded Assets include, without limitation, the following assets and properties of Seller:

(a) Contracts that are not Assigned Contracts (the "Excluded Contracts");

(b) the corporate seals, organizational documents, minute books, stock books, Tax Returns, books of account or other records having to do with the corporate organization of Seller, all employee-related or employee benefit related files or records, other than personnel files of Transferable Employees, books and records not exclusively related to the Business or Purchased Assets, and any other books and records which Seller is prohibited from disclosing or transferring to Buyer under applicable Law and is required by applicable Law to retain;

(c) any benefit plans and assets attributable thereto;

(d) cash and cash equivalents, bank accounts and securities of Seller;

(e) the assets, properties and rights specifically set forth on Section 1.2(e) of the Disclosure Schedules;

(f) all Intellectual Property other than the Intellectual Property Assets;

(g) all insurance policies of Seller and all rights to applicable claims and proceeds thereunder;

(h) all tax assets (including duty and Tax refunds and prepayments) of Seller or any of its affiliates;

(i) all rights to any action, suit or claim of any nature available to or being pursued by Seller, whether arising by way of counterclaim or otherwise, other than those primarily related to a Purchased Asset or Assumed Liability;

(j) all assets, properties and rights used by Seller in its business other than those exclusively used in the Business; and

(k) the rights which accrue or will accrue to Seller under this Agreement, the Assignment and Assumption Agreement, the Intellectual Property Assignment Agreement, the Domain Name Assignment Agreement and the other agreements, instruments and documents required to be delivered at the Closing ("Ancillary Documents").

1.3 Assumption of Certain Liabilities. Subject to the terms and conditions set forth herein, Buyer shall assume and agree to pay, perform and discharge when due only the following Liabilities of Seller (collectively, the "Assumed Liabilities"), and no other Liabilities:

(a) all Liabilities arising under or relating to any Assigned Contracts but only to the extent that such Liabilities thereunder are required to be performed after the Closing Date, were incurred in the ordinary course of business, and do not relate to any failure to perform, improper performance, warranty, or other breach, default, or violation by Seller on or prior to the Closing;

(b) all liabilities and obligations of Buyer or its affiliates relating to employee benefits, compensation or other arrangements with respect to those Transferrable Employee who are hired by Buyer, and solely with respect to those liabilities and obligations which relate to events occurring after such Transferable Employee accepts employment or is formally engaged by Buyer;

(c) all liabilities and obligations for (i) taxes relating to the Business, the Purchased Assets or the Assumed Liabilities for any taxable period beginning after the Closing Date and (ii) taxes for which Buyer is liable pursuant to Section 4.10;

(d) all Minehut credits, inclusive of credits purchased or earned by Minehut users and

(e) all other liabilities and obligations arising out of or relating to Buyer's ownership or operation of the Business and the Purchased Assets after the Closing.

1.4 Excluded Liabilities. Buyer shall not assume and shall not be responsible to pay, perform or discharge any of the following liabilities or obligations of Seller (collectively, the "Excluded Liabilities"):

(a) any liabilities or obligations relating to or arising out of the Excluded Assets;

(b) any liabilities or obligations for (i) Taxes relating to the Business, Purchased Assets or the Assumed Liabilities for any taxable period ending on or prior to the Closing Date and (ii) any other Taxes of Seller (other than Taxes allocated to Buyer under Section 4.10) for any taxable period;

(c) any liabilities or obligations of Seller relating to or arising out of (i) the employment, or termination of employment, of any employee of the Business, other than the termination after the Closing by Buyer of a Transferrable Employee hired by Buyer, or (ii) workers' compensation claims of any employee which relate to events occurring prior to the Closing Date (the "Employee Related Excluded Liability");

(d) other than as set forth in Schedule 1.4(d) and Section 1.12, any liabilities or obligations of Seller relating to, arising out of or incurred in connection with the Intellectual Property Assets for the period ending on the Closing Date (the "IP Related Excluded Liability");

(e) other than a Special Excluded Liability and as set forth in Section 1.12, any liabilities or obligations of Seller arising out of or incurred in connection with operation of the Business, usage or ownership of the Purchased Assets or performance of the Assumed Liabilities, in each case relating to the period ending on the Closing Date; and

(f) any liabilities or obligations of Seller arising or incurred in connection with the negotiation, preparation, investigation and performance of this Agreement, the other Ancillary Documents and the transactions contemplated hereby and thereby, including, without limitation, fees and expenses of counsel, accountants, consultants, advisers and others.

1.5 Purchase Consideration. The purchase consideration for the Purchased Assets is One Million and 00/100 Dollars ($1,000.000.00) (the "Purchase Consideration"). No cash shall be paid by Buyer at Closing. The Purchase Consideration shall be paid based on the following:

(a) Revenue Sharing & Royalty.

(1) For a period of two (2) years following the Closing (the "Revenue Share Term"), SLE shall continue making commercially reasonable efforts to sell advertising campaigns and brand activations ("SLE Ad Campaigns & Activations") into the Minecraft ecosystem, provided that any SLE Ad Campaigns & Activations into the Minecraft ecosystem shall be subject to approval by GS, which such approval shall not be unreasonably withheld, conditioned, or delayed. During the Revenue Share Term, GS shall have a right of first refusal for any SLE Ad Campaigns & Activations inside the Minecraft ecosystem.

(2) Revenues generated from SLE Ad Campaigns & Activations will be divided on a 60/40 basis in favor of Seller, after deducting all Direct Costs of Seller relating thereto (the "Revenue Share") until the Purchase Consideration is paid in full.

a. By way of illustration, assuming an SLE ad campaign generates one hundred thousand dollars ($100,000) in gross revenues, and incurs fifty thousand dollars ($50,000) of Seller Direct Costs, the remaining fifty thousand dollars ($50,000) will be split (i) thirty thousand dollars ($30,000) in favor of SLE, and (ii) twenty thousand dollars ($20,000) in favor of GS. The sum of thirty thousand dollars ($30,000) shall be applied against the Purchase Consideration.

b. SLE shall provide quarterly written reports delineating all gross revenues realized and the Direct Costs relating thereto for each SLE Ad Campaign & Activation. The written report will also include the application of the Revenue Share against the Purchase Consideration and the remaining amount of Purchase Consideration outstanding.

(3) All advertising campaigns and brand activations sold solely by the Buyer without any contribution by Seller (the "GS Ad Campaigns & Activations") will result in a ten percent (10%) royalty fee (the "Royalty Fee No. 1") calculated based on gross revenues received by Buyer. For the avoidance of doubt, Seller's receipt of Royalty Fee payments shall reduce the Purchase Consideration in an equivalent amount and shall continue until the Purchase Consideration is paid in full.

a. Buyer shall provide quarterly written reports delineating all gross revenues realized for each GS Ad Campaign & Activation. The written report will also include the application of the Royalty Fee against the Purchase Consideration and the remaining amount of Purchase Consideration outstanding.

(4) All gross revenues generated by GS from the Minehut platform, related to (i) programmatic in-game ads, and (ii) programmatic web ads (collectively, "Minehut Platform Sales"), shall result in a royalty payment to SLE in the amount of ten percent (10%) of the gross amount of such sales ("Royalty Fee No. 2"). Each payment of Royalty Fee No. 2 shall reduce the Purchase Consideration in an equivalent amount and shall continue until the Purchase Consideration is paid in full. GS shall provide SLE with quarterly written reports delineating all Minehut Platform Sales until the Purchase Consideration is paid for in full.

(5) Once the Purchase Consideration is paid in full, the following shall apply:

a. Royalty Fee No. 1 and Royalty Fee No. 2 (collectively, "Royalty Fees") shall cease;

b. The Revenue Share split of 60/40 in favor of Seller shall cease; and

c. All SLE Ad Campaigns & Activations will transition to a 50/50 split between Seller and Buyer, after deduction of Seller and Buyer Direct Costs, as applicable, provided that any SLE Ad Campaigns & Activations into the Minehut ecosystem shall be subject to approval by GS.

1.6 Purchase Consideration Shortfall. In the event SLE does not receive collective Royalty Fee and Revenue Share payments in the amount of the Purchase Consideration by December 31, 2028 ("Payment Deadline"). In the event that Buyer desires to remedy any shortfall in the Purchase Consideration (the "Shortfall Amount") by way of making a payment of the Shortfall Amount to Seller in lieu of assigning and transferring all Purchased Assets and Assumed Liabilities to SLE (a "Shortfall Payment"), Buyer may, at its sole discretion and before the Payment Deadline, notify Seller in writing (the "Buyer Shortfall Notice") that it will exercise its right to make the Shortfall Payment. Buyer shall pay the Shortfall Amount to Seller within thirty (30) days after Seller's receipt of the Buyer Shortfall Notice. Notwithstanding the foregoing, SLE and GS may mutually elect to negotiate an extension of the Revenue Share for a period of time necessary to achieve payment of the Purchase Consideration in full.

1.7 Buyer Termination Post-Closing. In the event that the Buyer determines in good faith that the acquisition of the Purchased Assets and the Business becomes operationally unsustainable for any reason, the Buyer reserves the right, at its sole discretion, to terminate operations (the "Termination"). In the event a Termination occurs prior to the Purchase Consideration being paid in full, then in such event Buyer shall promptly assign all Purchased Assets and Assumed Liabilities back to SLE, including the intellectual property developed specifically for the Business post-Closing.

1.8 Employment.

(a) SLE shall provide GS with an initial list ("Initial List") of employees involved in the Business, whom SLE does not plan to retain after the Closing (the "Transferable Employees"). Subject to GS's discretion, SLE will facilitate discussions with the Transferable Employees on the Initial List whom GS may consider offering employment to, at its discretion.

(b) The second list on Section 1.8(b) of the Disclosure Schedules ("Second List") will include employees who are necessary for knowledge transfer but will not be offered employment with GS and will not be departing SLE. SLE agrees not to interfere with any GS efforts to retain individuals on the Second List solely for consultancy purposes, so long as such discussions and engagements are transparent between the Parties.

1.9 Closing. Subject to the terms and conditions of this Agreement, the closing of the purchase and sale of the Purchased Assets (the "Closing") shall occur on the date hereof. The date on which the Closing is to occur is herein referred to as the "Closing Date".

1.10 Retention of First Party Data Rights.

(a) SLE shall receive a non-exclusive, fully-paid, license to use all first party user data of Minehut, both existing as of Closing and post-Closing ("Licensed Data"), solely for the purposes of SLE Ad Campaigns & Activations and other advertising and promotion opportunities within Minehut, as well as across SLE's other offerings.

(b) SLE shall receive a non-exclusive, perpetual, global, irrevocable, fully-paid up, royalty free (other than royalties pursuant to Section 1.5(a) of this Agreement), non-sublicensable, and non-assignable license to the advertising technology used in the Minehut business (the "Ad Tech") solely for the purposes of SLE Ad Campaigns & Activations and other advertising and promotion opportunities within Minehut. This license permits SLE to utilize the Ad Tech in any platform or game other than the Minecraft ecosystem.

(c) Seller shall receive a non-exclusive, perpetual, global, irrevocable, fully-paid up, royalty free license to use any Intellectual Property Assets constituting Purchased Assets that are primarily used in the Business, which Seller uses in its other divisions or businesses; provided, however that such Intellectual Property Assets or a portion thereof shall not be used to create campaigns or products to be used or deployed in the Minecraft ecosystem.

(d) Each Party will use good faith efforts to comply in all material respects with all applicable laws, regulations, and statutes concerning the collection, use, and processing of personally identified data, as well as its own internal privacy policies, in its use of the Licensed Data and Ad Tech.

(e) The Parties will work in good faith post-Closing to negotiate the terms of the licenses described in Sections 1.10(a)-(d) above.

1.11 Wrong Pockets. Subject to 1.6 and 1.9, if following the Closing, any Party discovers that any Purchased Asset or any Assumed Liability was not transferred to Buyer as part of the transactions contemplated by this Agreement, Seller shall promptly transfer, assign, and convey that Purchased Asset or Assumed Liability, as applicable, to Buyer as directed by Buyer without additional consideration therefor but at Seller's sole cost and expense and, for the avoidance of doubt, such Purchased Assets or Liabilities shall be deemed to be Purchased Assets and Assumed Liabilities for all purposes of this Agreement.

1.12 Straddle Periods. In the case of Liabilities that are payable under a Contract that is a Purchased Asset with respect to any period that begins before and ends after the Closing Date (each such period, a "Straddle Period"), the portion of any such Liabilities that are treated as Excluded Liabilities for purposes of this Agreement shall be deemed to be the amount of such Liabilities for the entire period multiplied by a fraction the numerator of which is the number of days in the period ending on the Closing Date and the denominator of which is the number of days in the entire period (each, a "Straddle Period Liability"). To the extent that Seller has paid an amount in excess of the Straddle Period Liability for any Contract that is a Purchased Asset, Buyer shall remit the difference between the amount paid by Seller and the Straddle Period Liability within twenty (20) Business Days from the Closing Date.

ARTICLE II.
REPRESENTATIONS AND WARRANTIES OF SELLER.

Except as set forth in the Disclosure Schedules, Seller represents and warrants to Buyer that the statements contained in this ARTICLE II are true and correct as of the date hereof.

2.1 Corporate Status; Authority. Seller is a corporation which is duly organized, validly existing, and in good standing under the laws of the State of Delaware. Seller is duly qualified to do business in each jurisdiction in which the ownership of the Purchased Assets or the operation of the Business as currently conducted makes qualification to do business necessary, except where the failure to be so qualified would not have a Material Adverse Effect. Seller has full corporate power to carry on its business, including the Business, as it is now being conducted and as proposed to be conducted and to own and operate its assets, including the Purchased Assets. Seller has full corporate power and authority to execute and deliver this Agreement and perform the transactions contemplated hereby.

2.2 Actions. All corporate or other actions and proceedings necessary to be taken by or on the part of Seller in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement, including the obtaining of approval by the directors and shareholders of Seller, if and as applicable, have been duly and validly taken, and this Agreement has been duly and validly authorized, executed and delivered by Seller and (assuming due authorization, execution and delivery by Buyer) constitutes the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with and subject to its terms except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

2.3 No Defaults. Neither the execution, delivery or performance by Seller of this Agreement nor the consummation by Seller of the transactions contemplated hereby is an event that, of itself or with the giving of notice or the passage of time or both, will:

(a) Violate or conflict with any provision of the certificate of incorporation, by-laws, or other governing documents of Seller;

(b) Violate or conflict with or result in any breach of or any default under, result in any termination or modification of, or cause any acceleration of any obligation under, any material Contract, mortgage, indenture, agreement, lease or other instrument to which Seller is a party to or by which it is bound, or by which it may be affected, or result in the creation of any charge, claim, pledge, equitable interest, lien, security interest, restriction of any kind, or other encumbrance ("Encumbrance") upon any of Seller's assets except where the violation, breach, conflict, or default would not have a Material Adverse Effect; or

(c) Except as provided in Section 2.3(c) of the Disclosure Schedules, require the consent, notice, declaration, or filing with or other action by any Person; or

(d) Violate or conflict with any provision of any statute, law, ordinance, regulation, rule, code, constitution, treaty, common law, other requirement, or rule of law of any Governmental Authority (collectively, "Law") or any order, writ, judgment, injunction, decree, stipulation, determination, penalty, or award entered by or with any Governmental Authority ("Governmental Order") applicable to Seller, the Business, or the Purchased Assets except where the violation or conflict would not have a Material Adverse Effect.

2.4 Breach. Seller is not in violation or breach of any of the terms, conditions or provisions of any Contracts, lease, instrument, Governmental Order, or Law affecting the business of Seller, to which Seller is a party or by which it is otherwise bound, where the effect thereof would have a Material Adverse Effect on Seller.

2.5 Approvals and Consents. No permits, licenses, franchises, approvals, authorizations, registrations, certificates, variances and similar rights obtained, or required to be obtained, from any Governmental Authority ("Permits") is required in connection with the execution, delivery and performance of this Agreement, or the consummation of the transactions contemplated hereby, except where its absence would not have a Material Adverse Effect on the Purchased Assets.

2.6 Title to and Condition of Assets.

(a) Except as set forth on the Disclosure Schedules, Seller has good, valid and marketable title to all the Purchased Assets, free and clear of all Encumbrances of every kind or character; and

(b) The Purchased Assets are sufficient for the continued conduct of the Business after the Closing in substantially the same manner as conducted prior to the Closing and constitute all of the rights, property, and assets necessary to conduct the Business as currently conducted. None of the Excluded Assets are material to the Business.

2.7 Undisclosed Liabilities. Seller has no Liabilities with respect to the Business, except (a) those which are adequately reflected or reserved against in the balance sheet of the Business as of December 31, 2023 ("Balance Sheet Date"), which was delivered to Buyer, and (b) those which have been incurred in the ordinary course of business consistent with past practice since the Balance Sheet Date and which are not, individually or in the aggregate, material in amount.

2.8 Assigned Contracts. Each Assigned Contract is valid and binding on Seller in accordance with its terms and is in full force and effect. Neither Seller nor, to Seller's knowledge, any other party thereto is in material breach of or default under (or is alleged to be in material breach of or default under), or has provided or received any notice of any intention to terminate, any Assigned Contract. No event or circumstance has occurred that would constitute an event of material default under any Assigned Contract or result in a termination thereof. Complete and correct copies of each Assigned Contract (including all modifications, amendments, and supplements thereto and waivers thereunder) have been made available to Buyer. There are no disputes pending or threatened under any Assigned Contract.

2.9 Legal Proceedings; Governmental Orders.

(a) There are no claims, actions, causes of action, demands, lawsuits, arbitrations, inquiries, audits, notices of violation, proceedings, litigation, citations, summons, subpoenas, or investigations of any nature, whether at law or in equity (collectively, "Actions") pending or, to Seller's knowledge, threatened against or by Seller: (i) relating to or affecting the Business, the Purchased Assets, or the Assumed Liabilities; or (ii) that challenge or seek to prevent, enjoin, or otherwise delay the transactions contemplated by this Agreement, each of which if determined adversely to Seller would result in a Material Adverse Effect. No event has occurred or circumstances exist that may give rise to, or serve as a basis for, any such Action.

(b) There are no outstanding Governmental Orders against, relating to, or affecting the Business or the Purchased Assets.

2.10 Compliance with Laws. Seller is in compliance with all Laws applicable to the conduct of the Business as currently conducted or the ownership and use of the Purchased Assets, except where the failure to be in compliance would not have a Material Adverse Effect.

2.11 Taxes. Except as would not have a Material Adverse Effect, Seller has filed (taking into account any valid extensions) all material returns, declarations, reports, information returns and statements, and other documents relating to Taxes (including amended returns and claims for refund) ("Tax Returns") with respect to the Business required to be filed by Seller and has paid all Taxes shown thereon as owing. Seller is not currently the beneficiary of any extension of time within which to file any material Tax Return other than extensions of time to file Tax Returns obtained in the ordinary course of business. The representations and warranties set forth in this Section 2.11 are Seller's sole and exclusive representations and warranties regarding Tax matters.

2.12 Intellectual Property.

(a) Definitions.

i. "Intellectual Property Agreements" means all licenses, sublicenses, consent to use agreements, settlements, coexistence agreements, covenants not to sue, waivers, releases, permissions and other contracts, whether written or oral, relating to any Intellectual Property Rights that are used or held for use in the conduct of the Business as currently conducted or proposed to be conducted to which Seller is a party, beneficiary or otherwise bound.

ii. "Intellectual Property Assets" means the Licensed Business IP and Seller-Owned Business IP.

iii. "Intellectual Property Rights" means, all past, present, and future intellectual property, industrial, and proprietary rights of any kind, strictly relating to the Intellectual Property Assets, whether registered or unregistered, and whether arising in the United States or in any other jurisdiction throughout the world, including all such rights in and to: (i) inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all issued patents and applications therefor together with all reissues, continuations, continuations-in-part, revisions, divisionals, extensions, and reexaminations in connection therewith and counterparts thereof, (ii) trademarks, service marks, trade names, Internet domain names, designs, logos, slogans, and other indicia of origin, all goodwill associated therewith and symbolized therefor, and all applications, registrations, and renewals in connection therewith, (iii) registered and unregistered copyrights and other works of authorship whether copyrightable or not (including databases and Software), (iv) trade secrets and confidential or proprietary business information (including confidential ideas, research and development, know-how, methods, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information, and business and marketing plans and proposals), and (v) all past, present, and future claims and causes of action arising out of or related to infringement or misappropriation of any of the foregoing.

iv. "Licensed Business IP" means all Intellectual Property Rights licensed to Seller from a third-party that are included within the Assets, as set forth on Schedule 1.1(a) of the Disclosure Schedules.

v. "Open Source Software" means any software or similar subject matter that is licensed, provided, or distributed under any open source software or similar license agreement, including any license that meets the definition of "Open Source" as promulgated by the Open Source Initiative (available https://opensource.org/osd/), or the Free Software Definition as promulgated by the Free Software Foundation (any such license an "Open Source License").

vi. "Seller-Owned Business IP" means all Intellectual Property Rights included within the Purchased Assets that are owned by Seller and set forth on Schedule 1.1(a) of the Disclosure Schedules.

(b) Title and Rights to Seller Intellectual Property Assets. Seller is the sole and exclusive legal and beneficial owner of all right, title, and interest in and to the Seller-Owned Business IP, and has the valid and enforceable right to use all other Intellectual Property Rights used or held for use in or necessary for the conduct of the Business as currently conducted, in each case, free and clear of all Encumbrances. The Intellectual Property Assets are all of the Intellectual Property Rights necessary to operate the Business as presently conducted.

(c) Non-Infringement. To Seller's actual knowledge, neither the Seller-Owned Business IP nor the conduct of the Business (including the manufacture, development, sale, and distribution of Seller's products and services) infringes, misappropriates, or violates the Intellectual Property Rights of a third party. There is, and has been, no charge, complaint, claim, demand or notice (i) challenging the validity, enforceability, or ownership by Seller of any of the Seller-Owned Business IP or (ii) alleging that the conduct of the Business or the use, reproduction, modification, manufacture, distribution, licensing, sublicensing, sale, or any other exercise of rights in any Seller-Owned Business IP infringes, violates, or misappropriates any Intellectual Property Rights of any third party, nor, to the knowledge of Seller, does there exist any valid basis for such a claim.

(d) Protection of IP. Seller has taken commercially reasonable measures to protect, maintain and police its ownership of, and rights in, all Seller-Owned Business IP. Without limiting the foregoing, Seller has not made any of its trade secrets or other confidential or proprietary information (including Seller Source Code) included within the Purchased Assets available to any third party except pursuant to written agreements requiring such third party to maintain the confidentiality of such information.

(e) Harmful Components. To Seller's actual knowledge, the Purchased Assets do not contain any computer code designed to disrupt, disable or harm in any manner the operation of any software or hardware or any unauthorized feature (including any worm, bomb, backdoor, clock, timer or other disabling device, code, design or routine) that causes the software or any portion thereof to be erased, inoperable or otherwise incapable of being used, either automatically, with the passage of time or upon command by any third party.

(f) Open Source Compliance. Except as would not have a Material Adverse Effect, Seller has been in compliance with the terms and conditions of all Open Source Licenses applicable to any Open Source Software that is or has been included, incorporated, or embedded in, linked to or distributed with any of Seller's products and services relating to the Business, including any attribution and copyright notice requirements. To Seller's actual knowledge, Seller has not included, incorporated, linked to, or embedded any Open Source Software in a manner that would require (a) the disclosure, licensing, or distribution of any software included in the Assets ("Business Software") in source code form; (b) the granting of any license of the rights to reverse engineer or make derivative works of any Business Software or Seller-Owned Business IP; or (c) redistributing, selling, hosting, licensing, or otherwise making available any Business Software at no or a nominal fee or charge.

(g) Data Privacy. Except as would not have a Material Adverse Effect, Seller has complied with all applicable laws, regulations and statutes and all internal or publicly posted policies, notices, and statements concerning the collection, use, processing, storage, transfer, and security of personal information in the conduct of the Business. In the past three (3) years, Seller has not (i) experienced any actual, alleged, or suspected data breach or other security incident involving personal information in its possession or control or (ii) been subject to or received any notice of any audit, investigation, complaint, or other action by any governmental authority or other third-party concerning Seller's collection, use, processing, storage, transfer, or protection of personal information or actual, alleged, or suspected violation of any applicable law concerning privacy, data security, or data breach notification, in each case in connection with the conduct of the Business, and to Seller's knowledge, there are no facts or circumstances that could reasonably be expected to give rise to any such action.

2.13 Employment Matters. Seller is not a party to, nor bound by, any collective bargaining or other agreement with a labor organization representing any of the Transferable Employees. There has not been, nor, to Seller's knowledge, has there been any threat of, any strike, slowdown, work stoppage, lockout, concerted refusal to work overtime or other similar labor activity or dispute affecting Seller or any of the Transferable Employees. Seller is in compliance with all applicable Laws pertaining to employment and employment practices to the extent they relate to the Transferable Employees, except to the extent non-compliance would not result in a Material Adverse Effect. The representations and warranties set forth in this Section 2.13 are the Seller's sole and exclusive representations and warranties regarding employment matters.

2.14 No Broker or Finder. Seller has not employed or used the services of any broker or finder in connection with the transactions contemplated by this Agreement and Seller shall hold Buyer completely free and harmless from the claims of any person claiming to have so acted on behalf of Seller.

2.15 No Other Representations or Warranties. Except for the representations and warranties contained in this Article II (including the related portions of the Disclosure Schedules), neither Seller nor any other Person has made or makes any other express or implied representation or warranty, either written or oral, on behalf of Seller, including any representation or warranty as to the accuracy or completeness of any information regarding the Business and the Purchased Assets furnished or made available to Buyer and its Representatives (including any information, documents or material delivered or otherwise made available to Buyer, management presentations or in any other form in expectation of the transactions contemplated hereby) or as to the future revenue, profitability or success of the Business, or any representation or warranty arising from statute or otherwise in law.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES OF BUYER.

3.1 Corporate Status. Buyer is a corporation which is duly organized, validly existing, and in good standing under the laws of the State of Delaware. Buyer is duly qualified to do business in each jurisdiction in which the character of and location of its assets or operations makes qualification to do business necessary, except where the failure to be so qualified would not have a material adverse effect on the Buyer. Buyer has full corporate power to carry on its business as it is now being conducted and as proposed to be conducted and to own and operate its assets. Buyer has full corporate power and authority to execute and deliver this Agreement and perform the transactions contemplated hereby.

3.2 Corporate Actions. All corporate or other actions and proceedings necessary to be taken by or on the part of Buyer in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement, including the obtaining of approval by the directors of Buyer, have been duly and validly taken, and this Agreement has been duly and validly authorized, executed and delivered by Buyer and constitutes the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with and subject to its terms.

3.3 No Defaults. Neither the execution, delivery or performance by Buyer of this Agreement nor the consummation by Buyer of the transactions contemplated hereby is an event that, of itself or with the giving of notice or the passage of time or both, will:

(a) Violate or conflict with the provisions of the certificate of incorporation, by-laws, or other governing documents of Buyer;

(b) Violate or conflict with or result in any breach of or any default under, result in any termination or modification of, or cause any acceleration of any obligation under, any Contract, mortgage, indenture, agreement, lease or other instrument to which Buyer is a party to or by which it is bound, or by which it may be affected, or result in the creation of any Encumbrance upon any of Buyer's assets, except for agreements, indentures and instruments related to the financing of the transactions contemplated by this Agreement;

(c) Require the consent, notice, declaration, or filing with or other action by any Person; or

(d) Violate or conflict with any Law or Governmental Order applicable to Buyer.

3.4 Breach. Buyer is not in violation or breach of any of the terms, conditions or provisions of any Contracts, lease, instrument, Governmental Order or Law materially affecting the business of Buyer, to which Buyer is a party or by which it is otherwise bound, where the effect thereof would have a Material Adverse Effect on Buyer.

3.5 Approvals and Consents. No Permits is required in connection with the execution, delivery and performance of this Agreement, or the consummation of the transactions contemplated hereby, except where its absence would not have a Material Adverse Effect on the Purchased Assets.

3.6 Litigation. There are no Actions pending against, or to Buyer's knowledge, threatened against the Buyer relating to or affecting the execution, delivery or performance of this Agreement or the ability of Buyer to perform its obligations under this Agreement.

3.7 No Broker or Finder. Buyer has not employed or used the services of any broker or finder in connection with the transactions contemplated by this Agreement, and no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement or any other Transaction Document based upon arrangements made by or on behalf of Buyer. Buyer shall indemnify and hold Seller completely free and harmless from the claims of any person claiming to have so acted on behalf of Buyer.

3.8 Solvency. Immediately after giving effect to the transactions contemplated hereby, Buyer shall be solvent and shall: (a) be able to pay its debts as they become due; (b) own property that has a fair saleable value greater than the amounts required to pay its debts (including a reasonable estimate of the amount of all contingent liabilities); and (c) have adequate capital to carry on its business. No transfer of property is being made and no obligation is being incurred in connection with the transactions contemplated hereby with the intent to hinder, delay or defraud either present or future creditors of Buyer or Seller. In connection with the transactions contemplated hereby, Buyer has not incurred, nor plans to incur, debts beyond its ability to pay as they become absolute and matured.

ARTICLE IV.
COVENANTS OF SELLER.

4.1 [Reserved].

4.2 Consummation of Agreement. Seller shall use its best efforts to fulfill and perform all conditions and obligations on its part to be fulfilled and performed under this Agreement, and cause the transactions contemplated by this Agreement to be fully consummated.

4.3 [Reserved].

4.4 Sales and Marketing Efforts. SLE shall collaborate in good faith with GS on pitches, pipelines, proposals, calendaring, and trafficking regarding SLE sales efforts and campaign execution.

4.5 [Reserved].

4.6 [Reserved].

4.7 Confidentiality. From and after the Closing, Seller shall, and shall cause its Affiliates to, hold, and shall use its reasonable efforts to cause its or their respective Representatives to hold, in confidence any and all information, whether written or oral, concerning the Business, except to the extent that Seller can show that such information (a) is generally available to and known by the public through no fault of Seller, any of its Affiliates or their respective Representatives; or (b) is lawfully acquired by Seller, any of its Affiliates or their respective Representatives from and after the Closing from sources which are not prohibited from disclosing such information by a legal, contractual or fiduciary obligation. If Seller or any of its Affiliates or their respective Representatives are compelled to disclose any information by judicial or administrative process or by other requirements of Law, Seller shall promptly notify Buyer in writing and shall disclose only that portion of such information which Seller is advised by its counsel in writing is legally required to be disclosed, provided that Seller shall use reasonable efforts to obtain an appropriate protective order or other reasonable assurance that confidential treatment will be accorded such information.

4.8 Public Announcements. Unless otherwise required by applicable Law or stock exchange requirements (based upon the reasonable advice of counsel), no Party shall make any public announcements in respect of this Agreement or the transactions contemplated hereby or otherwise communicate with any news media without the prior written consent of the other Party (which consent shall not be unreasonably withheld, conditioned or delayed), and the parties shall cooperate as to the timing and contents of any such announcement.

4.9 [Reserved].

4.10 Transfer Taxes. All transfer, documentary, sales, use, stamp, registration, value added and other such Taxes and fees (including any penalties and interest) incurred in connection with this Agreement and any Ancillary Documents shall be borne and paid by fifty percent (50%) by Buyer and fifty percent (50%) by Seller when due. Buyer shall, at its own expense, timely file any Tax Return or other document with respect to such Taxes or fees (and Seller shall cooperate with respect thereto as necessary).

4.11 [Reserved].

4.12 Continuity of Seller. Seller shall not be dissolved, liquidated, or wound up until the Payment Deadline. In the event that all or substantially all of Seller’s assets are transferred to another Person, Seller shall ensure that the underlying document governing such transfer includes a provision explicitly stating that the transferee of Seller’s assets shall assume all of Seller’s rights and liabilities under this Agreement.

ARTICLE V.
COVENANTS OF BUYER.

5.1 Representations and Warranties. Buyer shall give detailed written notice to Seller promptly upon learning of any fact which (i) would render untrue in any material respect any of Buyer's representations or warranties contained in this Agreement, or (ii) would cause Buyer to fail to comply with is obligations hereunder in any material respect between the Execution Date and the Closing.

5.2 Consummation of Agreement. Buyer shall fulfill and perform all conditions and obligations on its part to be fulfilled and performed under this Agreement, and cause the transactions contemplated by this Agreement to be fully consummated.

5.3 Sales and Marketing Efforts. GS shall collaborate in good faith with SLE on pitches, pipelines, proposals, calendaring, and trafficking regarding SLE sales efforts and campaign execution.

ARTICLE VI.
[RESERVED]

ARTICLE VII.
ITEMS TO BE DELIVERED AT THE CLOSING.

7.1 Deliveries by Seller. At the Closing, Seller shall deliver to Buyer the following:

(a) an assignment and assumption agreement in the form of Exhibit A hereto (the "Assignment and Assumption Agreement") and duly executed by Seller, effecting the assignment to and assumption by Buyer of the Purchased Assets and the Assumed Liabilities;

(b) an intellectual property assignment agreement in the form of Exhibit B hereto (the "Intellectual Property Assignment Agreement") and duly executed by Seller, transferring all of Seller's right, title and interest in and to the Intellectual Property Assets to Buyer;

(c) a domain name assignment agreement in the form of Exhibit C hereto (the "Domain Name Assignment Agreement") and duly executed by Seller, transferring all of Seller's right, title and interest in and to the domain name to Buyer;

(d) the Seller Closing Certificate;

(e) the Seller Secretary Certificate;

(f) a copy of the UCC-3, or, the amended UCC-1, as applicable, to be filed by SRL Digital Financing LLC immediately after Closing in form reasonably satisfactory to Buyer; and

(g) such other customary instruments of transfer, assumption, filings or documents, in form and substance reasonably satisfactory to Buyer, as may be required to give effect to this Agreement.

7.2 Deliveries by Buyer. At the Closing, Buyer shall deliver to Seller the following:

(a) the Assignment and Assumption Agreement duly executed by Buyer;

(b) the Intellectual Property Assignment Agreement duly executed by Buyer;

(c) the Domain Name Assignment Agreement duly executed by Buyer; and

(d) the Buyer Closing Certificate.

ARTICLE VIII.
POST-CLOSING MATTERS.

8.1 Post-Closing Obligations.

(a) SLE shall file and record with the United States Patent & Trademark Office an assignment of the two (2) Minehut trademarks listed on Section 1.1(a) of the Disclosure Schedules hereto in favor of GS.

(b) The Parties shall each handle all post-Closing matters that may arise from time to time to further the transaction set forth herein.

ARTICLE IX.
INDEMNIFICATION.

9.1 Survival. Subject to the limitations and other provisions of this Agreement, the representations and warranties contained herein shall survive the Closing and shall remain in full force and effect until the date that is one (1) year from the Closing Date; provided, that (i) the Seller Fundamental Representations and Buyer Fundamental Representations shall survive indefinitely, and (ii) Section 2.11 shall survive for the full period of all applicable statutes of limitations (giving effect to any waiver, mitigation or extension thereof) plus 60 days. All covenants and agreements of the parties contained herein shall survive the Closing indefinitely. Notwithstanding the foregoing, any claims asserted in good faith with reasonable specificity (to the extent known at such time) and in writing by notice from the non-breaching Party to the breaching Party prior to the expiration date of the applicable survival period shall not thereafter be barred by the expiration of the relevant representation or warranty and such claims shall survive until finally resolved.

9.2 Indemnification by Seller. Subject to the other terms and conditions of this Article IX, Seller shall indemnify, defend and hold harmless Buyer and its Affiliates and their respective Representatives (collectively, the "Buyer Indemnitees") from and against, and shall pay and reimburse each of them for, any and all Actions, claims, demands, losses, costs, obligations, liabilities, damages, recoveries, deficiencies, interest, awards, penalties, fines or expenses of whatever kind, including reasonable attorney's fees and costs and the cost of enforcing any right to indemnification hereunder and the cost of pursuing any insurance providers (collectively, "Losses") incurred or sustained by, or imposed upon, the Buyer Indemnitees, which arise out of, result from, or relate to: (i) any inaccuracy of Seller's representations and warranties contained in this Agreement, the Ancillary Documents or in any agreement, instrument or document entered into pursuant hereto or in connection with the Closing, (ii) any breach of or failure by Seller to perform any of its covenants or agreements contained in this Agreement, the Ancillary Documents or in any agreement, instrument or document pursuant hereto or in connection with the Closing, (iii) any Excluded Asset or any Excluded Liability, or (iv) any Third-Party Claim based upon, resulting from or arising out of the business, operations, properties, assets or obligations of Seller or any of its Affiliates (including the Purchased Assets and Assumed Liabilities) conducted, existing or arising prior to the Closing Date.

9.3 Indemnification by Buyer. Buyer shall indemnify, defend and hold harmless Seller and its Affiliates and their respective Representatives (collectively, the "Seller Indemnitees") from and against any Losses incurred or sustained by, or imposed upon, the Seller Indemnitees, which arise out of, result from, or relate to: (i) any inaccuracy of Buyer's representations and warranties contained in this Agreement, the Ancillary Documents or in any agreement, instrument or document pursuant hereto or in connection with the Closing, (ii) any breach of or failure by Buyer to perform any of its covenants or agreements contained in this Agreement, the Ancillary Documents or in any agreement, instrument or document pursuant hereto or in connection with the Closing, (iii) any Purchased Asset or Assumed Liability, or (iv) any Third-Party Claim based upon, resulting from or arising out of the business, operations, properties, assets or obligations of Buyer or any of its Affiliates (including the Purchased Assets and Assumed Liabilities) conducted, existing or arising on or after to the Closing Date.

9.4 Certain Limitations. The Party making a claim under this ARTICLE IX is referred to as the "Indemnified Party", and the Party against whom such claims are asserted under this ARTICLE IX is referred to as the "Indemnifying Party".

(a) The aggregate amount of all Losses for which an Indemnifying Party shall liable pursuant to Section 9.2 and Section 9.3, as applicable, shall not exceed ten percent (10%) of the Purchase Consideration;

(b) Notwithstanding the foregoing, the limitations set forth in Section 9.4(a) shall not apply to Losses based upon, arising out of, with respect to or by reason of (i) for claims based on fraud, or (ii) an Employee Related Excluded Liability for which the aggregate amount of such Losses for which an Indemnifying Party shall be liable shall not exceed the Purchase Consideration.

(c) Notwithstanding the foregoing, the limitations set forth in Section 9.4(a) shall not apply to Losses based upon, arising out of, with respect to or by reason of (i) any inaccuracy in or breach of any Buyer Fundamental Representation or Seller Fundamental Representation, or (ii) an IP Related Excluded Liability, for which the aggregate amount of such Losses for which an Indemnifying Party shall be liable shall not exceed Two Hundred Fifty Thousand and 00/100 Dollars ($250,000.00).

(d) Payments by an Indemnifying Party pursuant to Section 9.2 or Section 9.3 in respect of any Loss shall be limited to the amount of any liability or damage that remains after deducting therefrom any insurance proceeds and any indemnity, contribution or other similar payment received by the Indemnified Party in respect of any such claim. The Indemnified Party shall use its commercially reasonable efforts to recover under insurance policies or indemnity, contribution or other similar agreements for any Losses; *provided*, *however*, that the inability to recover any amount under such insurance policies, indemnity, contribution or similar agreements shall not reduce or restrict the ability or right of the Indemnified Party to be indemnified pursuant to the terms of this Agreement.

(e) Each Indemnified Party shall take, and cause its Affiliates to take, all reasonable steps to mitigate any Loss upon becoming aware of any event or circumstance that would be reasonably expected to, or does, give rise thereto, including incurring costs only to the minimum extent necessary to remedy the breach that gives rise to such Loss.

9.5 Indemnification Procedures.

(a) Third-Party Claims. If any Indemnified Party receives notice of the assertion or commencement of any Action made or brought by any Person who is not a party to this Agreement or an Affiliate of a Party to this Agreement or a Representative of the foregoing (a "Third-Party Claim") against such Indemnified Party with respect to which the Indemnifying Party is obligated to provide indemnification under this Agreement, the Indemnified Party shall give the Indemnifying Party prompt written notice thereof. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Party of its indemnification obligations, except and only to the extent that the Indemnifying Party forfeits rights or defenses by reason of such failure. Such notice by the Indemnified Party shall describe the Third-Party Claim in reasonable detail, shall include copies of all material written evidence thereof and shall indicate the estimated amount, if reasonably practicable, of the Loss that has been or may be sustained by the Indemnified Party. The Indemnifying Party shall have the right to participate in, or by giving written notice to the Indemnified Party, to assume the defense of any Third-Party Claim at the Indemnifying Party's expense and by the Indemnifying Party's own counsel, and the Indemnified Party shall cooperate in good faith in such defense. In the event that the Indemnifying Party assumes the defense of any Third-Party Claim, subject to Section 9.5(c), it shall have the right to take such action as it deems necessary to avoid, dispute, defend, appeal or make counterclaims pertaining to any such Third-Party Claim in the name and on behalf of the Indemnified Party. The Indemnified Party shall have the right, at its own cost and expense, to participate in the defense of any Third-Party Claim with counsel selected by it subject to the Indemnifying Party's right to control the defense thereof. If the Indemnifying Party elects not to compromise or defend such Third-Party Claim, or fails to promptly notify the Indemnified Party in writing of its election to defend as provided in this Agreement, the Indemnified Party may, subject to Section 9.5(b), pay, compromise, defend such Third-Party Claim and seek indemnification for any and all Losses based upon, arising from or relating to such Third-Party Claim. Seller and Buyer shall cooperate with each other in all reasonable respects in connection with the defense of any Third-Party Claim, including making available (subject to the provisions of Section 4.7) records relating to such Third-Party Claim and furnishing, without expense (other than reimbursement of actual out-of-pocket expenses) to the defending party, management employees of the non-defending party as may be reasonably necessary for the preparation of the defense of such Third-Party Claim.

(b) Settlement of Third-Party Claims. Notwithstanding any other provision of this Agreement, the Indemnifying Party shall not enter into settlement of any Third-Party Claim without the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld, conditioned or delayed), except as provided in this Section 9.5(b). If a firm offer is made to settle a Third-Party Claim without leading to liability or the creation of a financial or other obligation on the part of the Indemnified Party and provides, in customary form, for the unconditional release of each Indemnified Party from all liabilities and obligations in connection with such Third-Party Claim and the Indemnifying Party desires to accept and agree to such offer, the Indemnifying Party shall give written notice to that effect to the Indemnified Party. If the Indemnified Party fails to consent to such firm offer within ten (10) days after its receipt of such notice, the Indemnified Party may continue to contest or defend such Third-Party Claim and in such event, the maximum liability of the Indemnifying Party as to such Third-Party Claim shall not exceed the amount of such settlement offer. If the Indemnified Party fails to consent to such firm offer and also fails to assume defense of such Third-Party Claim, the Indemnifying Party may settle the Third-Party Claim upon the terms set forth in such firm offer to settle such Third-Party Claim. If the Indemnified Party has assumed the defense pursuant to Section 9.5(a), it shall not agree to any settlement without the written consent of the Indemnifying Party (which consent shall not be unreasonably withheld, conditioned or delayed).

(c) Direct Claims. Any Action by an Indemnified Party on account of a Loss which does not result from a Third-Party Claim (a "Direct Claim") shall be asserted by the Indemnified Party giving the Indemnifying Party prompt written notice thereof. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Party of its indemnification obligations, except and only to the extent that the Indemnifying Party forfeits rights or defenses by reason of such failure. Such notice by the Indemnified Party shall describe the Direct Claim in reasonable detail, shall include copies of all material written evidence thereof and shall indicate the estimated amount, if reasonably practicable, of the Loss that has been or may be sustained by the Indemnified Party. The Indemnifying Party shall have thirty (30) days after its receipt of such notice to respond in writing to such Direct Claim. During such thirty (30) day period, the Indemnified Party shall allow the Indemnifying Party and its professional advisors to investigate the matter or circumstance alleged to give rise to the Direct Claim, and whether and to what extent any amount is payable in respect of the Direct Claim and the Indemnified Party shall assist the Indemnifying Party's investigation by giving such information and assistance (including access to the Indemnified Party's premises and personnel and the right to examine and copy any accounts, documents or records) as the Indemnifying Party or any of its professional advisors may reasonably request. If the Indemnifying Party does not so respond within such thirty (30)-day period, the Indemnifying Party shall be deemed to have rejected such claim, in which case the Indemnified Party shall be free to pursue such remedies as may be available to the Indemnified Party on the terms and subject to the provisions of this Agreement.

9.6 Tax Treatment of Indemnification Payments. All indemnification payments made under this Agreement shall be treated by the parties as an adjustment to the Purchase Consideration for Tax purposes, unless otherwise required by Law.

9.7 Set Off. The Buyer or any of its Affiliates shall set off all or any portion of the amount of any Losses finally adjudicated to be payable by Seller to Buyer (or any other Buyer Indemnitee) under this ARTICLE IX against any amounts due to the Seller pursuant to Section 1.5.

9.8 Exclusive Remedies. Subject to Section 12.11, the parties acknowledge and agree that from and after Closing their sole and exclusive remedy with respect to any and all claims (other than claims arising from fraud on the part of a Party hereto in connection with the transactions contemplated by this Agreement) for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement, shall be pursuant to the indemnification provisions set forth in this ARTICLE IX. In furtherance of the foregoing, each Party hereby waives, from and after Closing, to the fullest extent permitted under Law, any and all rights, claims and causes of action for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement it may have against the other parties hereto and their Affiliates and each of their respective Representatives arising under or based upon any Law, except pursuant to the indemnification provisions set forth in this ARTICLE IX. Nothing in this Section 9.8 shall limit any Person's right to seek and obtain any equitable relief to which any Person shall be entitled pursuant to Section 12.11, or to seek any remedy on account of any Party's fraud.

ARTICLE X.
[RESERVED].

ARTICLE XI.
DISPUTE RESOLUTION.

11.1 Direct Discussion. In the event of any dispute, claim, question, or disagreement arising out of or relating to this Agreement (a "Dispute"), the Parties shall use their best efforts to settle such Dispute with the management of each of the Parties consulting and negotiating with the other in good faith to attempt to reach a just and equitable solution satisfactory to both Parties.

11.2 Governing Law. This Agreement and all questions relating to its validity, interpretation, performance and enforcement shall be governed by and construed in accordance with the laws of the State of California without giving effect to any choice or conflict of law provision or rule (whether of the State of California or any other jurisdiction).

11.3 Submission to Jurisdiction; Waiver of Jury Trial. The Parties irrevocably and unconditionally:

(a) submit to the non-exclusive jurisdiction of the courts of the State of California, County of Los Angeles, and all courts of appeal from them; and

(b) waive any objection they may now or in the future have to the bringing of proceedings in those courts and any claim that any proceedings have been brought in an inconvenient forum.

(c) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT OR THE ANCILLARY DOCUMENTS IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE ANCILLARY DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY TO THIS AGREEMENT CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL ACTION, (B) SUCH PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 11.3(c).

ARTICLE XII.
MISCELLANEOUS.

12.1 Expenses. Each Party hereto shall bear all of its expenses incurred in connection with the transactions contemplated by this Agreement, including without limitation, accounting and legal fees incurred in connection herewith.

12.2 Further Assurances. From time to time prior to, on and after the Closing, each Party hereto will execute all such instruments and take all such actions as any other Party, being advised by counsel, shall reasonably request, without payment of further consideration, in connection with carrying out and effectuating the intent and purpose hereof and all transactions and things contemplated by this Agreement, including without limitation the execution and delivery of any and all confirmatory and other instruments in addition to those to be delivered on the Closing, and any and all actions which may reasonably be necessary or desirable to complete the transactions contemplated hereby. The Parties shall cooperate fully with each other and with their respective counsel and accountants in connection with any steps required to be taken as part of their respective obligations under this Agreement.

12.3 Construction. All signatories hereto agree that each of them and their respective counsel, and other advisors, has reviewed and had an opportunity to revise this Agreement and the exhibits hereto and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any exhibits hereto.

12.4 Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

12.5 Successors and Assigns. Except as otherwise expressly provided herein, this Agreement shall be binding upon and inure to the benefit of the Parties hereto, and their respective representative, successors and assigns. No Party hereto may assign any of its rights or delegate any of its duties hereunder without the prior written consent of the other Party, and any such attempted assignment or delegation without such consent shall be void. Seller agrees not to unreasonably withhold its consent to any assignment by Buyer of its rights hereunder prior to Closing to a corporation or other entity controlled by Buyer, provided that (a) such assignee will assume all obligations of Buyer hereunder, without Buyer being released, and (b) such assignment will not, in Seller’s reasonable judgment, delay in any material way or make more doubtful the Closing.

12.6 No Third-Party Beneficiaries. Except as provided in Article IX, this Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

12.7 Amendments; Waivers. The terms, covenants, representations, warranties and conditions of this Agreement may be changed, amended modified, waived, discharged or terminated only by a written instrument executed by the Party waiving compliance. The failure of any Party at any time or times to require performance of any provision of this Agreement shall in no manner affect the right of such Party at a later date to enforce the same. No waiver by any Party of any condition or the breach of any provision, term, covenant, representation or warranty contained in this Agreement, whether by conduct or otherwise, in any one or more instance shall be deemed to be or construed as a further or continuing waiver of any such condition or of the breach of any other provision, term, covenant, representation or warranty of this Agreement.

12.8 Notices. All notices, requests, demands and other communications required or permitted under this Agreement shall be in writing (which shall include notice by telex or facsimile transmission) and shall be deemed to have been duly made and received when personally served, or when delivered by Federal Express or a similar overnight courier service, expenses prepaid, or, if sent by telex, graphic scanning or other facsimile communications equipment, delivered by such equipment, addressed as set forth below:

(a) If to Seller, then to:

Super League Enterprise, Inc.
2912 Colorado Ave., Suite 203
Santa Monica, CA 90404
Attn: Ann Hand, CEO

(b) If to Buyer, then to:

GamerSafer Inc
6378 Woosley Drive
San Jose, CA 95123
Attn: Rodrigo Tamellini

Any Party may alter the address to which communications are to be sent by giving notice of such change of address in conformity with the provisions of this Section 12.8 providing for the giving of notice.

12.9 Captions. The captions of Articles and Sections of this Agreement are for convenience only and shall not control or affect the meaning or construction of any of the provisions of this Agreement.

12.10 Entire Agreement. This Agreement and the other documents delivered hereunder constitute the full and entire understanding and agreement between the Parties with regard to the subject matter hereof, and supersedes all prior agreements, understandings, inducements or conditions, express or implied, oral or written, relating to the subject matter hereof, except as herein contained. The express terms hereof control and supersede any course of performance and/or usage of trade inconsistent with any of the terms hereof.

12.11 Specific Performance. The parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity.

12.12 Execution; Counterparts. This Agreement may be executed in any number of original or facsimile counterparts, each of which shall be deemed to be an original as against any Party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all the Parties reflected hereon as the signatories.

12.13 Time. Time is of the essence in complying with all stated dates and times.

12.14 Currency. All references to "$" means U.S. dollars.

12.15 Definitions. As used in this Agreement, the following defined terms have the following meanings:

"Acquisition Proposal" means any inquiry, proposal or offer from any Person (other than Buyer or any of its Affiliates) relating to the direct or indirect disposition, whether by sale, merger or otherwise, of all or any portion of the Business or the Purchased Assets

"Affiliate" of a Person means any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person.

"Buyer Closing Certificate" means a certificate, dated as of the Closing Date and signed by a duly authorized officer of Buyer that: (a)(i) other than the Buyer Fundamental Representations, "), the representations and warranties of Buyer contained in this Agreement, the Ancillary Documents and any certificate or other writing delivered pursuant hereto are true and correct in all respects (in the case of any representation or warranty qualified by materiality or Material Adverse Effect) or in all material respects (in the case of any representation or warranty not qualified by materiality or Material Adverse Effect) on and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects), and (ii) the Buyer Fundamental Representations are true and correct in all respects on and as of the Closing Date with the same effect as though made at and as of such date; and (b) Buyer has duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement and each of the Ancillary Documents to be performed or complied with by it prior to or on the Closing Date.

"Buyer Fundamental Representations" means the representations and warranties of Buyer contained in Section 3.1, Section 3.2, Section 3.3 and Section 3.7.

“Contracts” means all contracts, leases, licenses, instruments, notes, commitments, undertakings, indentures, joint ventures, and all other agreements, commitments, and legally binding arrangements, whether written or oral.

“Control” (including the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise.

“Direct Costs” means those costs paid by Seller for (a) payment processing fees, (b) fees with the applicable advertising platform to run advertising campaigns, but excluding Seller overhead and salaries, and (c) costs associated with the construction, production or assemble of the assets used or included in each advertising campaigns.

“Liabilities” means liabilities, obligations or commitments of any nature whatsoever, whether asserted or unasserted, known or unknown, absolute or contingent, accrued or unaccrued, matured or unmatured or otherwise.

“Material Adverse Effect” means any event, occurrence, fact, condition or change that is, or could reasonably be expected to become, individually or in the aggregate, materially adverse to (a) the business, results of operations, condition (financial or otherwise) or assets of the Business, (b) the value of the Purchased Assets taken as a whole, or (c) the ability of Seller to consummate the transactions contemplated hereby on a timely basis; *provided, however*, that “Material Adverse Effect” shall not include any event, occurrence, fact, condition or change, directly or indirectly, arising out of or attributable to: (i) general economic or political conditions; (ii) conditions generally affecting the industries in which the Business operates; (iii) any changes in financial or securities markets in general; (iv) acts of war (whether or not declared), armed hostilities or terrorism, or the escalation or worsening thereof; (v) any action required or permitted by this Agreement or any action taken (or omitted to be taken) with the written consent of or at the written request of Buyer; (vi) any matter of which Buyer is aware on the date hereof; or (vii) any changes in applicable Laws or accounting rules.

“Person” means any individual, corporation, partnership, joint venture, limited liability company, Governmental Authority, unincorporated organization, trust, association, or other entity.

“Seller Closing Certificate” means a certificate, dated as of the Closing Date and signed by a duly authorized officer of Seller, that: (a)(i) other than the Seller Fundamental Representations, the representations and warranties of Seller contained in this Agreement, any Ancillary Documents and any certificate or other writing delivered pursuant hereto are true and correct in all respects (in the case of any representation or warranty qualified by materiality or Material Adverse Effect) or in all material respects (in the case of any representation or warranty not qualified by materiality or Material Adverse Effect) on and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects), and (ii) the Seller Fundamental Representations are true and correct in all respects on and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects); and (b) Seller has duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement and each of the Ancillary Documents to be performed or complied with by it prior to or on the Closing Date.

“Seller Fundamental Representations” means the representations and warranties of Seller contained Section2.1, Section 2.2, Section 2.3, Section 2.6, Section 2.12 and Section 2.14.

“Seller Secretary Certificate” means a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of Seller certifying (i) that attached thereto are true and complete copies of all resolutions adopted by the board of directors of Seller authorizing the execution, delivery and performance of this Agreement and the Ancillary Documents and the consummation of the transactions contemplated hereby and thereby, and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with transactions contemplated hereby and thereby, and (ii) the names and signatures of the officers of Seller authorized to sign this Agreement, the Ancillary Documents and the other documents to be delivered hereunder and thereunder.

“Taxes” means all federal, state, local, foreign, and other income, gross receipts, sales, use, production, ad valorem, transfer, documentary, franchise, registration, profits, license, withholding, payroll, employment, unemployment, excise, severance, stamp, occupation, premium, property (real or personal), customs, duties, or other taxes, fees, assessments, or charges of any kind whatsoever, together with any interest, additions, or penalties with respect thereto.

12.16 Related Party Transaction; Arms-Length Negotiation. For the avoidance of doubt, this Agreement has been negotiated at arms-length between the Parties and, by their execution of this Agreement, has been unanimously agreed upon by the respective board of directors of Seller and Buyer.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their authorized signatories as of the date first written above.

SELLER:

SUPER LEAGUE ENTERPRISE, INC.,
a Delaware corporation

By: /s/ *Ann Hand*
Name: Ann Hand
Title: CEO

BUYER:

GAMERSAFER, INC.,
a Delaware corporation

By: */s/ Rodrigo Tamellini*
Name: Rodrigo Tamellini
Title: Chief Executive Officer

[**EXHIBITS AND SCHEDULES INTENTIONALLY OMITTED]**

[Signature Page to Asset Purchase Agreement]

Exhibit 21.1

SUBSIDIARIES OF REGISTRANT

Significant Subsidiaries

Company	Jurisdiction of incorporation	Percentage of voting securities owned by registrant	Number of US subsidiaries	Number of non-US subsidiaries
Mobcrush Streaming, Inc.	Delaware	100%	—	—
InPVP, LLC	Delaware	100%	—	—

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements of Super League Enterprise, Inc. and Subsidiaries (the “Company”) on Form S-8 (File Nos. 333-238143, 333-258996 and 333-269875), and on Form S-3 (File Nos. 333-258946, 333-259347, 333-273282, 333-237626, 333-271424, and 333-273282) of our report dated April 12, 2024, relating to the consolidated financial statements of Super League Enterprise, Inc. as of December 31, 2023 and for the year then ended, which expresses an unqualified opinion and includes an explanatory paragraph relating to the conditions and events that raise substantial doubt regarding the Company's ability to continue as a going concern, which appears in this Form 10-K.

Whippany, New Jersey
April 12, 2024

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-238143, 333-258996 and 333-269875) and Form S-3 (File Nos. 333-258946, 333-259347, 333-273282, 333-237626, 333-271424, and 333-273282) of Super League Enterprise, Inc. (formerly, "Super League Gaming, Inc.") of our report dated March 31, 2023 relating to the consolidated financial statements of Super League Enterprise, Inc., which appears in this Annual Report on Form 10-K of Super League Enterprise, Inc.

/s/ Baker Tilly US, LLP

Los Angeles, California
April 12, 2024

Exhibit 31.1

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 Enterprise, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K of Super League Enterprise, 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: April 12, 2024

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

EXHIBIT 31.2

**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 Enterprise, Inc., certify that:

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

/s/ Clayton Haynes

Date: April 12, 2024

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

Exhibit 32.1

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 Enterprise, Inc. (the "*Company*") on Form 10-K for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "*Report*"), I, Ann Hand, 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: April 12, 2024

/s/ *Ann Hand*
Ann Hand
Chief Executive Officer
(Principal Executive Officer)

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

Exhibit 97.1

SUPER LEAGUE ENTERPRISE, INC.

CLAWBACK POLICY

Introduction

The Board of Directors (the "**Board**") of Super League Enterprise, Inc. (the "**Company**") believes that it is in the best interests of the Company and its shareholders to create and maintain a culture that emphasizes integrity and accountability and that reinforces the Company's pay-for-performance compensation philosophy. The Board has therefore adopted this policy which provides for the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under the federal securities laws (the "**Policy**"). This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934 (the "**Exchange Act**") and Nasdaq Listing Rule 5608 (the "**Clawback Listing Standards**").

Administration

This Policy shall be administered by the Board or, if so designated by the Board, the Compensation Committee, in which case references herein to the Board shall be deemed references to the Compensation Committee. Any determinations made by the Board shall be final and binding on all affected individuals.

Covered Executives

This Policy applies to the Company's current and former executive officers, as determined by the Board in accordance with the definition in Section 10D of the Exchange Act and the Clawback Listing Standards, and such other senior executives who may from time to time be deemed subject to the Policy by the Board ("**Covered Executives**").

Recoupment; Accounting Restatement

In the event the Company is required to prepare an accounting restatement of its financial statements due to the Company's material noncompliance with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period, the Board will require reimbursement or forfeiture of any excess Incentive Compensation received by any Covered Executive during the three completed fiscal years immediately preceding the date on which the Company is required to prepare an accounting restatement.

Incentive Compensation

For purposes of this Policy, Incentive Compensation means any of the following; provided that, such compensation is granted, earned, or vested based wholly or in part on the attainment of a financial reporting measure:

- Annual bonuses and other short- and long-term cash incentives.
- Stock options.
- Stock appreciation rights.
- Restricted stock.
- Restricted stock units.
- Performance shares.
- Performance units.

Financial reporting measures include:

- Company stock price.
- Total shareholder return.
- Revenues.
- Net income.
- Earnings before interest, taxes, depreciation, and amortization (EBITDA).
- Funds from operations.
- Liquidity measures such as working capital or operating cash flow.
- Return measures such as return on invested capital or return on assets.
- Earnings measures such as earnings per share.

Excess Incentive Compensation: Amount Subject to Recovery

The amount to be recovered will be the excess of the Incentive Compensation paid to the Covered Executive based on the erroneous data over the Incentive Compensation that would have been paid to the Covered Executive had it been based on the restated results, as determined by the Board, without regard to any taxes paid by the Covered Executive in respect of the Incentive Compensation paid based on the erroneous data.

If the Board cannot determine the amount of excess Incentive Compensation received by the Covered Executive directly from the information in the accounting restatement, then it will make its determination based on a reasonable estimate of the effect of the accounting restatement.

Method of Recoupment

The Board will determine, in its sole discretion, the method for recouping Incentive Compensation hereunder which may include, without limitation:

(a) requiring reimbursement of cash Incentive Compensation previously paid;

(b) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards;

(c) offsetting the recouped amount from any compensation otherwise owed by the Company to the Covered Executive;

(d)) cancelling outstanding vested or unvested equity awards; and/or

(e) taking any other remedial and recovery action permitted by law, as determined by the Board.

No Indemnification

The Company shall not indemnify any Covered Executives against the loss of any incorrectly awarded Incentive Compensation.

Interpretation

The Board is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act, any applicable rules or standards adopted by the Securities and Exchange Commission, and the Clawback Listing Standards.

Effective Date

This Policy shall be effective as of the date it is adopted by the Board (the "**Effective Date**") and shall apply to Incentive Compensation that is received by Covered Executives on or after the Effective Date, even if such Incentive Compensation was approved, awarded, or granted to Covered Executives prior to the Effective Date.

Amendment; Termination

The Board may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary to reflect final regulations adopted by the Securities and Exchange Commission under Section 10D of the Exchange Act and to comply with the Clawback Listing Standards and any other rules or standards adopted by a national securities exchange on which the Company's securities are listed. The Board may terminate this Policy at any time.

Other Recoupment Rights

Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

Relationship to Other Plans and Agreements

The Board intends that this Policy will be applied to the fullest extent of the law. The Board may require that any employment agreement, equity award agreement, or similar agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. In the event of any inconsistency between the terms of the Policy and the terms of any employment agreement, equity award agreement, or similar agreement under which Incentive Compensation has been granted, awarded, earned or paid to a Covered Executive, whether or not deferred, the terms of the Policy shall govern.

Impracticability

The Board shall recover any excess Incentive Compensation in accordance with this Policy unless such recovery would be impracticable, as determined by the Board in accordance with Rule 10D-1 of the Exchange Act and the listing standards of the national securities exchange on which the Company's securities are listed.

Successors

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.