REFINITIV

DELTA REPORT

10-Q

SLE - SUPER LEAGUE ENTERPRISE,

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1468
CHANGES	109
DELETIONS	704
ADDITIONS	655

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **September 30, 2023** **March 31, 2024**

OR

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

From the transition period from _____to _____

Commission File Number **001-38819**

SUPER LEAGUE ENTERPRISE, INC.

(Exact name of small business issuer 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)

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 on its corporate web site, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Sec.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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

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

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

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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

As of November 12, 2023May 13, 2024, there were 4,234,9986,632,707 shares of the registrant's common stock, $0.001 par value, issued and outstanding.

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PART I

FINANCIAL INFORMATION

ITEM1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SUPER LEAGUE ENTERPRISE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Rounded to the nearest thousands, except share and per share data)

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	September 30, 2023 (Unaudited)	December 31, 2022	March 31, 2024 (Unaudited)	December 31, 2023
ASSETS				
Current Assets				
Cash and cash equivalents	$ 1,140,000	$ 2,482,000	$ 3,311,000	$ 7,609,000
Accounts receivable	7,831,000	6,134,000	6,240,000	8,287,000
Prepaid expense and other current assets	1,389,000	1,381,000	1,134,000	862,000
Total current assets	10,360,000	9,997,000	10,685,000	16,758,000
Property and Equipment, net	89,000	147,000		
Property and equipment, net			53,000	70,000
Intangible assets, net	14,929,000	20,066,000	5,603,000	6,636,000
Goodwill	1,864,000	-	1,864,000	1,864,000
Other receivable – noncurrent			395,000	-
Total assets	$ 27,242,000	$ 30,210,000	$ 18,600,000	$ 25,328,000
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Accounts payable	$ 8,360,000	$ 6,697,000		
Accounts payable and accrued expenses			$ 7,110,000	$ 10,420,000
Accrued contingent consideration	1,501,000	3,206,000	2,017,000	1,812,000
Contract liabilities	336,000	111,000	334,000	339,000
Convertible note payable and accrued interest	-	679,000		
Secured loan – SLR Facility			370,000	800,000
Total current liabilities	10,197,000	10,693,000	9,831,000	13,371,000
Accrued contingent consideration – long term	178,000	-		
Accrued contingent consideration – noncurrent			449,000	396,000
Warrant liability	252,000	-	2,332,000	1,571,000
Deferred taxes	-	313,000		
Total liabilities	10,627,000	11,006,000	12,612,000	15,338,000
Commitments and Contingencies				
Stockholders' Equity				
Preferred stock, par value $0.001 per share; 10,000,000 shares authorized; 15,877 and 10,323 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	-	-		
Common stock, par value $0.001 per share; 100,000,000 shares authorized; 4,170,085 and 1,880,298 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	81,000	47,000		
Preferred stock, par value $0.001 per share; 10,000,000 shares authorized; 22,078 and 23,656 and shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively.			-	-
Common stock, par value $0.001 per share; 400,000,000 shares authorized; 5,982,912 and 4,774,116 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively.			83,000	81,000
Additional paid-in capital	244,333,000	229,900,000	260,183,000	258,923,000
Accumulated deficit	(227,799,000)	(210,743,000)	(254,278,000)	(249,014,000)
Total stockholders' equity	16,615,000	19,204,000	5,988,000	9,990,000
Total liabilities and stockholders' equity	$ 27,242,000	$ 30,210,000	$ 18,600,000	$ 25,328,000

See accompanying notes to condensed consolidated financial statements

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SUPER LEAGUE ENTERPRISE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Rounded to the nearest thousands, except share and per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	**2022**	**2023**	**2022**	2024	2023
REVENUE	$ 7,195,000	$ 4,508,000	$ 15,569,000	$ 12,555,000	$ 4,209,000	$ 3,322,000
COST OF REVENUE	4,655,000	2,719,000	9,512,000	7,086,000	2,477,000	1,948,000
GROSS PROFIT	2,540,000	1,789,000	6,057,000	5,469,000	1,732,000	1,374,000
OPERATING EXPENSE						
Selling, marketing and advertising	3,161,000	2,958,000	8,767,000	8,693,000	2,277,000	2,650,000
Engineering, technology and development	2,066,000	3,827,000	7,268,000	12,607,000	1,699,000	2,956,000
General and administrative	2,271,000	3,249,000	7,094,000	9,118,000	2,102,000	2,520,000
Contingent consideration	(462,000)	1,836,000	546,000	1,836,000	259,000	468,000
Loss on intangible asset disposal	-	-	2,284,000	-		
Impairment of goodwill	-	42,000,000	-	42,000,000		
Total operating expense	7,036,000	53,870,000	25,959,000	74,254,000	6,337,000	8,594,000
NET OPERATING LOSS	(4,496,000)	(52,081,000)	(19,902,000)	(68,785,000)	(4,605,000)	(7,220,000)
OTHER INCOME (EXPENSE)						
Gain on sale of intangible assets					144,000	-
Change in fair value of warrant liability	1,512,000	-	2,552,000	-	(761,000)	-
Interest expense	-	(514,000)	(43,000)	(493,000)	(18,000)	(40,000)
Other	-	(7,000)	24,000	(6,000)	(20,000)	24,000
Total other income (expense)	1,512,000	(521,000)	2,533,000	(499,000)	(655,000)	(16,000)
Loss before benefit from income taxes	(2,984,000)	(52,602,000)	(17,369,000)	(69,284,000)		
Loss before provision for income taxes					(5,260,000)	(7,236,000)
Benefit from income taxes	-	-	313,000	46,000		
Provision for income taxes					-	-
NET LOSS	$ (2,984,000)	$ (52,602,000)	$ (17,056,000)	$ (69,238,000)	$ (5,260,000)	$ (7,236,000)
Net loss attributable to common stockholders - basic and diluted						
Basic and diluted net loss per common share	$ (1.01)	$ (28.14)	$ (7.44)	$ (37.37)	$ (1.00)	$ (3.84)
Weighted-average number of shares outstanding, basic and diluted	2,957,271	1,869,349	2,293,191	1,852,975	5,240,755	1,885,797

See accompanying notes to condensed consolidated financial statements

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SUPER LEAGUE ENTERPRISE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Rounded to the nearest thousands, except share and per share data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Preferred stock (Shares):				
Balance, beginning of period	19,892	-	10,323	-
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	-
Conversions of Series A Preferred stock to common stock	(1,218)	-	(5,729)	
Conversions of Series AA Preferred stock to common stock	(2,797)	-	(2,797)	-
Balance, end of period	15,877	-	15,877	-
Preferred stock (Amount, at Par Value):				
Balance, beginning of period	$ -	$ -	$ -	$ -
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	-	-	-	-
Conversions of Series A Preferred stock	-	-	-	-
Conversions of Series AA Preferred stock	-	-	-	-
Balance, end of period	$ -	$ -	$ -	$ -
Common stock (Shares):				
Balance, beginning of period	2,416,741	1,852,189	1,880,299	1,840,459
Issuance of common stock at $2.60 per share, net of issuance costs	811,269		811,269	-
Exercise of prefunded common stock warrants at $2.60 per share, net of issuance costs	67,500		67,500	-
Common stock issued for Melon Acquisition	-	-	77,833	-
Common stock issued for Super Biz Acquisition	-	-	49,398	-
Common stock issued in connection with Bannerfy disposition	8,984	2,683	8,984	2,683
Conversion of Series A preferred stock	99,463	-	499,216	
Conversion of Series AA preferred stock	766,128	-	766,128	-
Stock-based compensation	-	7,495	9,458	16,354
Other	-	16,182	-	19,053
Balance, end of period	4,170,085	1,878,549	4,170,085	1,878,549
Common stock (Amount):				
Balance, beginning of period	$ 57,000	$ 46,000	$ 47,000	$ 46,000
Issuance of common stock at $2.60 per share, net of issuance costs	16,000	-	16,000	-

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Exercise of prefunded common stock warrants at $2.60 per share, net of issuance costs	1,000	-	1,000	-
Conversion of Series A and AA preferred stock	7,000	-	15,000	-
Stock-based compensation	-	-	-	-
Common stock issued for Melon Acquisition	-	-	1,000	-
Common stock issued for Super Biz Acquisition	-	-	1,000	-
Other	-	1,000	-	1,000
Balance, end of period	$ 81,000	$ 47,000	$ 81,000	$ 47,000
Additional paid-in-capital:				
Balance, beginning of period	$ 241,833,000	$ 218,050,000	$ 229,900,000	$ 215,943,000
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	-	-	6,518,000	-
Issuance of Series AA-2 preferred stock at $1,000 per share, net of issuance costs	-	-	1,370,000	-
Issuance of Series AA-3 preferred stock at $1,000 per share, net of issuance costs	-	-	892,000	-
Issuance of Series AA-4 preferred stock at $1,000 per share, net of issuance costs	-	-	893,000	-
Issuance of Series AA-5 preferred stock at $1,000 per share, net of issuance costs	-	-	479,000	-
Issuance of common stock at $2.60 per share, net of issuance costs	1,710,000	-	1,710,000	-
Exercise of prefunded common stock warrants at $2.60 per share, net of issuance costs	158,000	-	158,000	-
Common stock purchase warrants issued to placement agent	-	-	(2,804,000)	-
Common stock issued for Melon Acquisition	-	-	721,000	-
Common stock issued for Super Biz Acquisition	-	-	547,000	-
Common stock issued for Bannerfy Acquisition	70,000	220,000	70,000	220,000
Stock-based compensation	580,000	1,185,000	1,986,000	3,284,000
Other	(18,000)	312,000	(26,000)	320,000
Balance, end of period	$ 244,333,000	$ 219,767,000	$ 244,333,000	$ 219,767,000
Accumulated Deficit:				
Balance, beginning of period	$ (224,815,000)	$ (141,928,000)	$ (210,743,000)	$ (125,292,000)
Net Loss	(2,984,000)	(52,602,000)	(17,056,000)	(69,238,000)
Balance, end of period	$ (227,799,000)	$ (194,530,000)	$ (227,799,000)	$ (194,530,000)
Total stockholders' equity	$ 16,615,000	$ 25,284,000	$ 16,615,000	$ 25,284,000

	Three Months Ended March 31,	
	2024	2023
Preferred stock (Shares):		
Balance, beginning of period	23,656	10,323
Issuance of Series A-5 preferred stock at $1,000 per share	-	2,299
Conversions of Series A Preferred stock to common stock	(475)	-
Conversions of Series AA Preferred stock to common stock	(263)	-
Conversions of Series AAA Preferred stock to common stock	(840)	-
Balance, end of period	22,078	12,622
Preferred stock (Amount, at Par Value):		
Balance, beginning of period	$ -	$ -
Issuance of Series A-5 preferred stock, $0.001 par value, at $1,000 per share	-	-
Conversions of Series A Preferred stock	-	-
Conversions of Series AA Preferred stock	-	-
Conversions of Series AAA Preferred stock	-	-

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Balance, end of period	$ -	$ -
Common stock (Shares):		
Balance, beginning of period	4,774,116	1,880,298
Conversion of Series A preferred stock	45,587	-
Conversion of Series AA preferred stock	139,452	-
Conversion of Series AAA preferred stock	501,803	-
Stock-based compensation	19,788	9,455
Issuance of common stock in settlement of legal matter	500,000	-
Preferred stock dividends paid – common stock	2,166	-
Balance, end of period	5,982,912	1,889,753
Common stock (Amount):		
Balance, beginning of period	$ 81,000	$ 47,000
Conversion of Series A, AA and AAA preferred stock	1,000	-
Stock-based compensation	-	-
Issuance of common stock in settlement of legal matter	1,000	-
Preferred stock dividends paid – common stock	-	-
Balance, end of period	$ 83,000	$ 47,000
Additional paid-in-capital:		
Balance, beginning of period	$ 258,923,000	$ 229,900,000
Issuance of Series A-5 preferred stock at $1,000 per share, net of issuance costs	-	1,919,000
Stock-based compensation	332,000	720,000
Issuance of common stock in settlement of legal matter	924,000	-
Preferred stock dividends paid – common stock	4,000	-
Balance, end of period	$ 260,183,000	$ 232,539,000
Accumulated Deficit:		
Balance, beginning of period	$ (249,014,000)	$ (210,743,000)
Preferred stock dividends paid – common stock	(4,000)	-
Net Loss	(5,260,000)	(7,236,000)
Balance, end of period	$ (254,278,000)	$ (217,979,000)
Total stockholders' equity	$ 5,988,000	$ 14,607,000

See accompanying notes to condensed consolidated financial statements

SUPER LEAGUE ENTERPRISE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Rounded to the nearest thousands)

(Unaudited)

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	**2022**	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES				

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Net loss	$ (17,056,000)	$ (69,238,000)	$ (5,260,000)	$ (7,236,000)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	3,929,000	4,055,000	700,000	1,337,000
Stock-based compensation	2,175,000	3,284,000	332,000	783,000
Change in fair value of warrant liability	(2,552,000)	-	761,000	-
Change in fair value of contingent consideration	(527,000)	-	116,000	-
Change in fair value of convertible notes	-	285,000		
Amortization of convertible notes discount	40,000	120,000	-	40,000
Impairment of goodwill	-	42,000,000		
Write off of intangible asset	-	423,000		
Loss on intangible asset disposal	2,284,000	-		
Gain on sale of intangible assets			(144,000)	-
Change in fair value of noncash legal settlement			164,000	-
Changes in assets and liabilities:				
Accounts receivable	(1,661,000)	1,128,000	2,048,000	2,671,000
Prepaid expense and other current assets	(194,000)	(34,000)	(48,000)	140,000
Accounts payable and accrued expense	1,542,000	1,998,000	(2,548,000)	(919,000)
Accrued contingent consideration	(1,802,000)	-	142,000	468,000
Contract liabilities	225,000	(42,000)	(6,000)	(82,000)
Deferred taxes	(313,000)	(46,000)		
Accrued interest on note payable	(180,000)	31,000	-	(180,000)
Net cash used in operating activities	(14,090,000)	(16,036,000)	(3,743,000)	(2,978,000)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash paid in connection with Melon Acquisition	(150,000)	-		
Purchase of property and equipment	(8,000)	(149,000)	-	(6,000)
Purchase of third-party game properties	-	(500,000)		
Capitalization of software development costs	(483,000)	(766,000)	(125,000)	(281,000)
Acquisition of other intangible assets	(17,000)	(99,000)	-	(7,000)
Net cash used in investing activities	(658,000)	(1,514,000)	(125,000)	(294,000)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of preferred stock, net of issuance costs	12,060,000	-	-	1,919,000
Proceeds from issuance of common stock, net of issuance costs	1,885,000	320,000		
Proceeds from issuance convertible notes, net	-	4,000,000		
Payments on convertible notes	(539,000)	(160,000)	-	(539,000)
Net cash provided by financing activities	13,406,000	4,160,000		
Accounts receivable facility advances			371,000	-
Payments on accounts receivable facility			(801,000)	-
Net cash (used in) provided by financing activities			(430,000)	1,380,000
INCREASE/(DECREASE) IN CASH	(1,342,000)	(13,390,000)		
DECREASE IN CASH			(4,298,000)	(1,892,000)
Cash and Cash Equivalents – beginning of period	2,482,000	14,533,000	7,609,000	2,482,000
Cash and Cash Equivalents – end of period	$ 1,140,000	$ 1,143,000	$ 3,311,000	$ 590,000
SUPPLEMENTAL NONCASH INVESTING				
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 Acquisition	70,000	220,000		
SUPPLEMENTAL NONCASH INVESTING ACTIVITIES				
Issuance of common stock in connection with legal settlement			$ 924,000	-

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SUPER LEAGUE ENTERPRISE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Super League Enterprise, Inc. (Nasdaq: SLE), ("Super League," the "Company," "we," "us" or "our") is a leading strategically-integrated creator and publisher of content experiences and creator of games and experiences media solutions across the world's largest immersive digital platforms. From metaverse open gaming powerhouses such as Roblox, Minecraft and Fortnite to the most popular Web3 environments such as Sandbox and Decentraland, 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 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 "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 "Second "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 "*NameChange*" "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*" "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 6 7 below for additional information regarding the Reverse Split. In connection with the Name Change, the Company also changed its Nasdaq ticker symbol to "SLE" from "SLGG."

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 condensed consolidated financial statements (hereinafter, "consolidated financial statements") have been retroactively adjusted to reflect the effect of the Reverse Split for all periods presented.

In connection All references to "Note," followed by a number reference from one to seven herein, refer to the applicable corresponding numbered footnotes to these consolidated financial statements.
Sale of Minehut
On February 29, 2024, the Company sold its Minehut related assets ("Minehut Assets") to GamerSafer, Inc. ("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 $1.0 million of purchase consideration ("Purchase Consideration") for the Minehut Assets, which amount will be paid by GamerSafer in revenue and royalty sharing over a multiple year period, as described in the GS Agreement (the "Minehut Sale"). 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 Name Change, the Company also changed its Nasdaq ticker symbol 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 "SLE" from "SLGG." Super League's partners.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, certain information and footnotes required by U.S. GAAP in annual financial statements have been omitted or condensed in accordance with quarterly reporting requirements of the Securities and Exchange Commission ("SEC"). These interim condensed consolidated financial statements should be read in conjunction with our audited financial statements for the year ended December 31, 2022 December 31, 2023 included in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, filed with the SEC on March 31, 2023 April 15, 2023.

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The December 31, 2022 December 31, 2023 condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. The condensed consolidated interim financial statements of Super League include all adjustments of a normal recurring nature which, in the opinion of management, are necessary for a fair statement of Super League's financial position as of September 30, 2023 March 31, 2024, and results of its operations and its cash flows for the interim periods presented. The results of operations for the three and nine months ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results to be expected for the entire fiscal year, or any future period.

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Principles of Consolidation

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

Reclassifications

Certain reclassifications to revenue categories and operating expense line items have been made to prior period year amounts for consistency and comparability with the current periods' condensed year's consolidated financial statements 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 or stockholder's equity for the periods prior period presented.

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, derecognition of assets, 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 condensed 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 including noncash charges, of $17.1 million $5.3 million and $69.2 million $7.2 million for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively, and had an accumulated deficit of $227.8 million $254.3 million as of September 30, 2023 March 31, 2024. For the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, net cash used in operating activities totaled $14.1 million $3.7 million and $16.0 million $3.0 million, respectively.

The Company had cash and cash equivalents of $1.1 million $3.3 million and $2.5 million $7.6 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, 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 or pandemics, 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

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the Company to continue as a going concern as contemplated by ASC the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), Topic 205-40, "Going Concern," ("ASC 205").

Management's Plans

The Company experienced significant growth in fiscal year 2023, 2022 and 2021 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 During the prior fiscal year 2023, and the quarter ended March 31, 2024, we focused continued our focus 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 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. Refer to Note 6 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 its 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.

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. 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 ticketing 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 good goods or service 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 direct media and advertising sales arrangements.

Revenue billed or collected in advance is recorded as deferred revenue until In the event occurs a customer pays us consideration, or until applicable performance obligations are satisfied. 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

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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 in-game on-platform media and analytics products, and influencer marketing campaign sales and sales of programmatic display and video advertising units to third-party advertisers brands and exchanges. agencies (hereinafter, "Brands").

On Platform Media

On platform media revenue is generated from third party Brands advertising in-game on Roblox or other digital platforms, and prior to the Minehut Sale, on our Minehut Minecraft platform. 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, other platforms, and prior to the Minehut Sale, on our owned and operated Minehut platform. 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 several days one week to several weeks 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 advertising arrangements 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 include 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 obligations 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, customers typically simultaneously receive and consume due to the benefits under the arrangement as we satisfy fact that (1) our performance obligations, over does not create an asset with an alternative use to the applicable contract term. As such, revenue 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 recognized over the contract term based upon estimates of used to measure our progress toward complete satisfaction of the contract 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 utilizing additional influencer posts) into a time, effort bundle of goods or delivery-based method services that represent the combined output that the customer has contracted for, and (2) the goods or services are interdependent in that each of estimation). Revenue from shorter-term 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 arrangements that provide engagements, where Brand specific assets and collateral are created for a contractual delivery or 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 is recognized when performance is substantially complete and/or delivery occurs. Payments are typically due from customers during the term of the arrangement for longer-term campaigns, and once delivery is complete for shorter-term campaigns. 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.

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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. Prior to the Minehut Sale, we also created custom integrations on the 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.

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For publishing

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 studio arrangements production services are distinct in that include 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 satisfied obligations. In general, content production contracts do not meet the criteria for recognition of revenues over time customers as the customer typically does not simultaneously receive and consume the benefits under the arrangement provided by our performance as we satisfy perform, our performance obligations, 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 applicable contract term. 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 over at the contract term based upon estimates time of progress toward complete satisfaction completion of the contract performance obligations (typically utilizing a time, effort one-off or delivery-based method of estimation). Revenue from shorter-term publishing and monthly content studio arrangements that provide for a contractual delivery or performance date is recognized when performance is substantially complete and/or delivery occurs. Payments are typically due from customers during the term of the arrangement for longer-term campaigns or projects, and once delivery is complete for shorter-term campaigns or projects. production services.

<u>Direct to Consumer</u>

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. 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 also 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.

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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, bad debt, make goods, and refunds of all transactions managed via the platform by Microsoft. Payments are made to the Company monthly based on the reconciled sales revenue generated. generated on the platform.

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Revenue was comprised of the following for the periods presented: three months ended March 31:

	Three Months Ended September 30,		Nine Months Ended September 30,		2024	2023
	2023	2022	2023	2022	(Unaudited)	
Media and advertising	$ 2,886,000	$ 2,321,000	$ 6,904,000	$ 7,162,000	$ 1,365,000	$ 1,604,000
Publishing and content studio	3,960,000	1,768,000	7,547,000	3,994,000	2,538,000	1,336,000
Direct to consumer	349,000	419,000	1,118,000	1,399,000	306,000	382,000
	$ 7,195,000	$ 4,508,000	$ 15,569,000	$ 12,555,000	$ 4,209,000	$ 3,322,000

For the three and nine months ended September 30, 2023 March 31, 2024, 16% 31% of revenues were recognized at a single point in time, and 25% 69% of revenues were recognized over time, respectively. For the three months ended March 31, 2023, 29% of revenue was recognized at a single point in time, and 84% and 75% of revenue was recognized over time, respectively. For the three and nine months ended September 30, 2022, 34% and 33% of revenue was recognized at a single point in time, and 66% and 67% 71% of revenue was recognized over time, respectively.

Contract assets totaled $1,075,000 at March 31, 2024, $546,000 at December 31, 2023, and $1,013,000 at December 31, 2022. Contract liabilities represent payments received in advance of providing services under certain contracts totaled $334,000 at March 31, 2024, $339,000 at December 31, 2023, and were $47,000 at December 31, 2021, $111,000 at December 31, 2022 and $336,000 at September 30, 2023. Revenue recognized in during the three and nine months ended September 30, 2023 March 31, 2024 relating to contract liabilities as of December 31, 2023 totaled $171,000. Revenue recognized during the three months ended March 31, 2023 relating to contract liabilities as of December 31, 2022 were $0 and $82,000, respectively. Revenue recognized in the three and nine months ended September 30, 2022 relating to contract liabilities as of December 31, 2021 were $0 and $47,000, respectively. totaled $82,000.

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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 Revenue

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 ad production, social media, print media, marketing, promotions, and merchandising. The Company expenses advertising costs as incurred. Advertising costs are included in selling, marketing and advertising expense in the condensed consolidated statements of operations. Advertising expense for the three and nine months ended September 30, 2023 were 28,000 March 31, 2024 and $50,000, respectively. Advertising expense for the three 2023 was $43,000 and nine months ended September 30, 2022 were $126,000 and $409,000, $9,000, 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.

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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.

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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 FASB ASC Topic 480, "Distinguishing liabilities from equity," ("ASC 480"), and convertible notes payable recorded at fair value. As described in the notes below, at Note 4, Note 5 and Note 6 contingent consideration, convertible notes payable and warrant liabilities outstanding during the periods presented respectively, 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, receivables reserved for users, 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.

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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 condensed 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 FASB ASC Topic 470, "Debt," ("ASC 470").

Acquisitions

Acquisition Method. Acquisitions that meet the definition of a business under FASB ASC Topic 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 condensed 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

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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 3 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.

Transfer or Sale of Intangible Assets

Upon the sale of an intangible asset, or group of intangible assets (hereinafter, “nonfinancial assets”), the Company initially evaluates whether the Company has a controlling financial interest in the legal entity that holds the nonfinancial assets by applying the guidance on consolidation. Any nonfinancial assets transferred that are held in a legal entity in which the Company does not have (or ceases to have) a controlling financial interest is further evaluated to determine whether the underlying transaction contract meets all of the criteria for accounting for contract under the revenue standard. Once a contract meets all of the criteria, the Company identifies each distinct nonfinancial asset promised to a counterparty and derecognizes each distinct nonfinancial asset when the Company transfers control of the nonfinancial asset to the counterparty. The Company evaluates the point in time at which a counterparty obtains control of the nonfinancial assets, including whether or not the counterparty can direct the use of, and obtain substantially all of the benefits from, each distinct nonfinancial asset.

If the consideration promised in a contract is variable or includes a variable amount, the Company estimates the amount of consideration to which the Company will be entitled in exchange for transferring the promised assets to a counterparty. Purchase consideration is variable if the amount the Company will receive is contingent on future events occurring or not occurring, even though the amount itself is fixed. The Company determines the total transaction price, including an estimate of any variable consideration, at contract inception and reassesses this estimate at each reporting date. The Company estimates the transaction price utilizing the expected value method. The expected value is the sum of probability-weighted amounts in a range of possible consideration amounts.

The accounting for an arrangement with a put option depends on the amount the Company must pay to the counterparty in the event the counterparty exercises the put option, and whether the counterparty has a significant economic incentive to exercise its right. The accounting for put options requires the Company to assess at contract inception, whether the counterparty has a significant economic incentive to exercise its right, including how the repurchase price compares to the expected market value of the nonfinancial assets at the date of repurchase and the amount of time until the right expires. A customer has a significant economic incentive to exercise a put option when the repurchase price is expected to significantly exceed the market value of the good at the time of repurchase. The Company accounts for a put option as a sale of an asset or group of assets with a right of return, if the repurchase price is less than the original sales price and the customer does not have a significant economic incentive to exercise its right.

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.

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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. For the periods presented herein, management believes that there was no impairment of long-lived assets. 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

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.

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 FASB ASC Topic 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, "Stock-based Compensation." 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.

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, 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 PSUs totaled $0 and $298,000 for the three and nine months ended September 30, 2023, respectively. Noncash stock compensation expense related to the PSUs totaled $570,000 and $1,691,000 for the three and nine months ended September 30, 2022, respectively.

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In December 2022, the Company issued 25,000 warrants 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 condensed consolidated statement of operations for the three and nine months ended September 30, 2023 totaled $62,000 and $186,000, respectively.

Modifications to Equity-Based Awards

On April 30, 2023 March 19, 2024, the Board approved the cancellation that an equity pool consisting of (i) 1,692,606 shares of common stock, collectively, which amount is equivalent to ten percent 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 then existing and outstanding 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 will be recognized 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 Company on an accelerated as-converted basis, over be issued to executives of the derived term, totaled $131,000 Company in the following form, amounts and $220,000 for the three and nine months ended September 30, 2023, respectively.

On April 30, 2023, the Board approved the cancellation of certain vesting conditions: (a) 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 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 305,000 846,303 shares of common stock, under with vesting at the 2014 Plan, rate of 1/36th per month in arrears, and exercisable at an exercise a price per share of $9.80 (the closing price $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 Company's common 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 earnings before interest, taxes, depreciation and amortization ("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 listed on the Nasdaq Capital Market on April 28, 2023, the last trading day before the approval part of the awards), with one-third fiscal year 2025 financial plan)(collectively, the "2024 RSUs"). The issuance 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 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 which was obtained in connection with at the Company's 2023 2024 annual shareholder meeting. Total incremental compensation cost related to the Executive Grant Modifications totaled $347,000, $112,000 meeting of which related to vested awards as of the modification date stockholders, and was recognized as expense immediately, and $235,000 related to unvested awards which will be 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 cancellation in the original award as of the date of the Employee Grant Modifications totaled $960,000 which will be 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 will be recognized prospectively over the remaining service period of 4 years. event stockholder approval is not obtained.

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

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
					(Unaudited)	
Sales, marketing and advertising	$ 231,000	$ 295,000	$ 631,000	$ 776,000	$ 122,000	$ 164,000
Engineering, technology and development	14,000	114,000	205,000	377,000	11,000	89,000
General and administrative	398,000	776,000	1,339,000	2,131,000	199,000	530,000
Total noncash stock compensation expense	$ 643,000	$ 1,185,000	$ 2,175,000	$ 3,284,000	$ 332,000	$ 783,000

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.

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Deferred equity financing costs, if any, are included in other current assets in the accompanying condensed consolidated balance sheet. Deferred financing costs totaled $289,000 $323,000 and $349,000 $282,000 as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Convertible Debt

The Company evaluates convertible notes outstanding to determine if those contracts or embedded components of those contracts qualify as derivatives under FASB ASC Topic 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.

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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 condensed consolidated statements of operations.

Fair Value Option ("*FVO*"*) Election.* The Company accounts accounted for certain convertible notes issued, as described at Note 5, under the fair value option election pursuant to FASB ASC Topic 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 condensed consolidated statement of operations. With respect to the note described at Note 5, 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 condensed 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 condensed consolidated statement of operations.

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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 5 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 revenue 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) media and advertising component, including its publishing and content studio 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

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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. The Company has not experienced any Any loss incurred or a lack of access to such funds could have a significant losses adverse impact on its deposits the Company's financial condition, results of cash operations, and cash equivalents. 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:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Number of customers > 10% of revenue / percent of revenue	Two / 36%	Two / 26%	- / -%	One / 12%

	Three Months Ended March 31, 2024 (Unaudited)	Three Months Ended March 31, 2023
Number of customers > 10% of revenue / percent of revenue	Three / 36 %	Three / 37 %

Revenue concentrations were comprised of the following revenue categories:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	**Nine Months** Ended September 30, 2023	**Nine Months** Ended September 30, 2022	Three Months Ended March 31, 2024 (Unaudited)	Three Months Ended March 31, 2023
Media and advertising	17%	26%	-%	12%	12%	19%
Publishing and content studio	19%	-%	-%	-%	24%	18%

	September 30, 2023	December 31, 2022
Number of customers > 10% of accounts receivable / percent of accounts receivable	Three / 40 %	Two / 25 %
Number of vendors > 10% of accounts payable / percent of accounts payable	One / 15 %	One / 10 %

	March 31, 2024 (Unaudited)	December 31, 2023
Number of customers > 10% of accounts receivable / percent of accounts receivable	Two / 41 %	Three / 55 %
Number of vendors > 10% of accounts payable / percent of accounts payable	Two / 41 %	Two / 37 %

Earnings (Loss) Per Share

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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 1,044,000 2,178,000 and 339,000 346,000 at September 30, 2023 March 31, 2024 and 2022, 2023, 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 preferred stock totaling 4,077,000 11,442,000 and 1,121,000 at September 30, 2023, March 31, 2024 and 2023, respectively, have been excluded from the computation of diluted loss per share for the three and nine months ended September 30, 2023 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 for the three months ended March 31:

	2024	2023
	(Unaudited)	
Net loss	$ (5,260,000)	$ (7,236,000)
Preferred Dividends paid in shares of common stock	(4,000)	-
Net loss attributable to common stockholders	$ (5,264,000)	$ (7,236,000)

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.

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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 periods presented.

In June 2023, Contingencies

Certain conditions may exist as of the date the consolidated financial statements are issued, which may result in a loss to the Company, assigned 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 intangible assets originally acquired Company or unasserted claims that may result in connection 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 acquisition of Bannerfy in fiscal year 2021, to consolidated financial statements. If the original sellers, as described at Note 3. The Bannerfy Acquisition was treated for tax purposes as assessment indicates a nontaxable transaction and, as such, potentially material loss contingency is not probable, but is reasonably possible, or is probable, but cannot be estimated, then the historical tax bases nature of the acquired assets and assumed liabilities, net operating losses, and other tax attributes of Bannerfy carried over, contingent liability, together with no step-up to fair value an estimate of the underlying tax bases 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 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

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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 condensed consolidated statement of operations for the nine months ended September 30, 2023. guarantees would be disclosed.

Recent Accounting Guidance

Recent Accounting Pronouncements – Not Yet Adopted

In November 2023, the FASB issued Accounting Standards Update ("ASU") No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*" ("ASU 2023-07") which updates required disclosures of significant reportable segment expenses that are regularly provided to the CODM and included within each reported measure of a segment's profit or loss. This standard also requires disclosure of the title and position of the individual identified as the CODM and an explanation of how the CODM uses the reported measures of a segment's profit or loss in assessing segment performance and deciding how to allocate resources. The standard is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, though early adoption is permitted. Adoption of ASU 2023-07 should be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the presentational impact of ASU 2023-07 and expects to adopt in the year ended December 31, 2024.

In December 2023, the FASB issued ASU No. 2023-09, "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures*" ("ASU 2023-09") which enhances the transparency and usefulness of income tax disclosures. The updates are effective for annual periods beginning after December 15, 2024 on a prospective or retrospective basis, though early adoption is permitted. The Company is currently evaluating the presentational impact of ASU 2023-09 and expects to adopt in the year ended December 31, 2025.

Recent Accounting Pronouncements – Recently 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* ("ASU 2021-08"), which requires entities to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with FASB 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 is ASU 2021-08 became effective for the Company and was adopted beginning in the first quarter of fiscal year 2023. The adoption of the new accounting this standard did not have a material impact on the condensed Company's consolidated balance sheets or financial statements of operations for the periods presented herein. and related disclosures.

3. INTANGIBLE AND OTHER ASSETS

Intangible and other assets consisted of the following for the periods presented: following:

	September 30, 2023	December 31, 2022
Partner and customer relationships	$ 13,566,000	$ 13,376,000
Capitalized software development costs	5,745,000	5,262,000
Capitalized third-party game property costs	500,000	500,000
Developed technology	5,062,000	7,880,000
Influencers/content creators	2,559,000	2,559,000
Trade name	209,000	189,000
Domain	68,000	68,000
Copyrights and other	826,000	760,000
	28,535,000	30,594,000
Less: accumulated amortization	(13,606,000)	(10,528,000)
Intangible and other assets, net	$ 14,929,000	$ 20,066,000

Intangible assets at September 30, 2023 reflected in the table above includes the intangible assets acquired in connection with the Melon Acquisition totaling $510,000, as described at Note 4 below.

	March 31, 2024 (Unaudited)	December 31, 2023	Weighted Average Amortization Period (Years)
Partner and customer relationships	$ 7,645,000	$ 7,645,000	6.5

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Capitalized software development costs	4,446,000	5,912,000	3.0
Capitalized third-party game property costs	500,000	500,000	5.0
Developed technology	3,931,000	3,931,000	5.0
Influencers/content creators	2,559,000	2,559,000	4.5
Trade name	209,000	209,000	5.0
Domain	68,000	68,000	10.0
Copyrights and other	745,000	825,000	5.5
	20,103,000	21,649,000	5.0
Less: accumulated amortization	(14,500,000)	(15,013,000)	
Intangible assets, net	$ 5,603,000	$ 6,636,000	

Amortization expense included in operating expense for the three and nine months ended September 30, 2023 March 31, 2024 and 2023 totaled $1,228,000 $683,000 and $3,832,000, respectively. Amortization expense included in operating expense for the three and nine months ended September 30, 2022 totaled $1,712,000 and $4,313,000, $1,288,000, respectively. Amortization expense included in cost of revenue for the three and nine months ended September 30, 2023 March 31, 2024 and 2023 totaled $0 and $31,000, $26,000, respectively. Amortization expense included in cost of revenue for the three and nine months ended September 30, 2022 totaled $29,000 and $60,000, respectively.

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 $2,284,000, which is included in "Loss on intangible asset disposal" in the accompanying condensed consolidated statement of operations for the nine months ended September 30, 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.

The Company expects to record amortization of intangible assets for the year ending December 31, 2023 December 31, 2024 and future fiscal years as follows:

For the years ending December 31,		
2023 remaining	$ 1,204,000	
2024	4,539,000	
2024 remaining		$ 1,728,000
2025	3,916,000	2,026,000
2026	2,654,000	1,143,000
2027	1,808,000	456,000
2028		237,000
Thereafter	808,000	13,000
	$ 14,929,000	$ 5,603,000

Sale of Minehut

On February 29, 2024, the Company sold its Minehut Assets to GamerSafer in a transaction approved by the board of directors of the Company. Pursuant to the GS Agreement entered into by and between GamerSafer, the Company will receive $1.0 million of purchase consideration for the Minehut Assets, which amount will be paid by GamerSafer in revenue and royalty sharing over a multiple year period, 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 $475,000 as of February 26, 2024, comprised of total carrying costs of $1,671,000, net of accumulated amortization of $1,196,000, and historically were included in intangible assets, net in the condensed consolidated balance sheet.

The Company recorded a receivable for the total estimated consideration totaling $619,000, of which $224,000 is included in prepaid expense and other current assets and $395,000 is included in other receivables in noncurrent assets, and recognized a gain on sale of the Minehut Assets totaling $144,000, which is included in other income in the condensed consolidated statement of operations. The Purchase Consideration in the GS Agreement is variable pursuant to the guidance set forth in ASC 606. Under ASC 606, purchase consideration is variable if the amount the Company will receive is contingent on future events occurring or not occurring, even though the amount itself is fixed. As such, the Company estimated the amount of consideration to which the Company will be entitled, in exchange for transferring the Minehut Assets to GamerSafer, utilizing the expected value method which is the sum of probability-weighted amounts in a range of possible consideration outcomes over the applicable contractual payment period, resulting in an estimated receivable of $619,000. Amounts collected over and above the estimated amount at contract inception, if any, will be recognized as additional gains on the sale of Minehut Assets when realized in future periods, up to the $1.0 million stated contractual amount of purchase consideration.

In the event GamerSafer does not make royalty or shortfall payments in the amount of $1.0 million by December 31, 2028 ("Payment Deadline"), GamerSafer shall assign and transfer all of the purchased assets back to the Company. In the event that GamerSafer determines in good faith that the acquisition of the assets and the operation of GamerSafer's

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related Minehut business becomes operationally unsustainable for any reason, GamerSafer 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 GamerSafer shall promptly assign all Minehut Assets and back to the Company.

4. 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 the form of the forgiveness of certain working capital advances paid in the form of cash to Melon between the dates of April 14, 2023 to May 4, 2023 (prior to the Melon Closing) in the equivalent amount, 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 5635(c)(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 three and nine months ended September 30, 2023 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

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The purchase price allocation was based upon a preliminary 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 condensed 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 condensed consolidated statements of operations. The estimated fair value of the Melon Contingent Consideration was $682,000 at September 30, 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 accompanying statement of operations for the applicable periods present was comprised of the following:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023		2022		**2023**		**2022**	
Beginning balance	$	1,432,000	$	-	$	1,350,000	$	-
Change in fair value		(750,000)		-		(668,000)		-
Accrued contingent consideration	$	682,000	$	-	$	682,000	$	-

Aggregated amortization expense for the three and nine months ended September 30, 2023, related to intangible assets acquired in connection with the Melon Acquisition, totaled $37,000 and $60,000, respectively. 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 intangibles 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

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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 for the three and nine months ended September 30, 2023 and 2022, 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.

	Three Months Ended September 30,		**Nine Months Ended** September 30,	
	2023	2022	2023	2022
Revenue	$ 7,195,000	$ 5,234,000	$ 16,284,000	$ 14,592,000
Net Loss	(3,011,000)	(53,591,000)	(17,877,000)	(71,516,000)

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 will 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.

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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 condensed 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 condensed consolidated statements of operations.

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

	Three Months Ended September 30,		**Nine Months** Ended September 30,	
	2023	2022	2023	2022
Beginning balance	$ 709,000	$ -	$ 3,206,000	$ -
Change in fair value	(63,000)	-	141,000	-
Current period accrued contingent consideration	351,000	-	1,073,000	-
Contingent consideration payments(2)	-	-	(3,423,000)	-
Accrued contingent consideration	$ 997,000 (1)	$ -	$ 997,000 (1)	$ -

	Three Months Ended March 31,	
	2024	2023
	(Unaudited)	
Beginning balance	$ 1,670,000	$ 3,206,000
Change in fair value(2)	18,000	217,000
Current period accrued contingent consideration(2)	142,000	251,000
Accrued contingent consideration (1)	$ 1,830,000	$ 3,674,000

(1) Includes 16,636 As of March 31, 2024, included 30,330 shares of common stock valued at $1.74, $2.15, the closing price of our common stock as of March 31, 2024. As of March 31, 2023, included 53,050 shares of common stock valued at $11.10, the applicable date. closing price of our common stock as of March 31, 2023.

(2) In April 2023, Reflected in the Company paid accrued contingent consideration related to condensed consolidated statement of operations for 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. applicable period

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 Melon Acquisition

During the three months ended September 30, 2022 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 released a holdback acquired substantially all of the assets of Melon (the “Melon Assets”) (the “Melon Acquisition”).

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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 related 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

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collectively referred to a fiscal year 2021 acquisition as follows: (i) $55,000 the “Earnout Periods”). The Melon Contingent Consideration is payable in the form of cash and (ii) approximately $220,000 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 Volume Weighted Average Price (“VWAP”) for the five trading days immediately preceding the end of each respective Earnout Period.

Contingent consideration is recorded as a liability in the accompanying condensed 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 common 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 condensed consolidated statements of operations. The fair value of the Melon Contingent Consideration on the valuation date was determined utilizing a Monte Carlo simulation model and measured using Level 3 inputs. Assumptions utilized in connection with utilization of the Monte Carlo simulation model as of March 31, 2024 included a risk free interest rate of 4.79%, a volatility rate of 70%, a closing stock at price of $2.15 and a price per share discount rate of $4.10. 30%.

The change in fair value, which is included in contingent consideration expense in the condensed consolidated statement of operations for the applicable periods present was comprised of the following:

	Three Months Ended March 31, 2024	2023
	(Unaudited)	
Beginning balance	$ 538,000	$ -
Change in fair value	98,000	-
Accrued contingent consideration(1)	$ 636,000	$ -

(1) As of March 31, 2024, included 156,329 shares of common stock valued at $2.15, the closing price of our common stock as of March 31, 2024.

5. NOTE PAYABLE DEBT

Accounts 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.

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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

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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 for the three months ended March 31, 2024 totaled $371,000. Total repayments of advances under the AR Facility for the three months ended March 31, 2024 totaled $801,000. Interest expense and commitment fee expense for the three months ended March 31, 2024 totaled $19,000 and $10,000, 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 condensed consolidated balance sheet. Total amortization Amortization of original issue discount for the three and nine months ended September 30, 2023 was $0 March 31, 2023 totaled $40,000 and $40,000, $280,000, respectively.

The Company elected to utilize Interest paid during the FVO to account for the Notes, which are included in current liabilities at December 31, 2022.
three months ended March 31, 2023 totaled $180,000. 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.

6. **STOCKHOLDERS' EQUITY AND EQUITY-LINKED INSTRUMENTS**

Reverse Stock Split

On September 7, 2023, the Company filed the 2023 Second Amendment effecting to the Reverse Stock Split (the 1-for-20 Company's Charter, to effect a reverse stock split of the Company's Company's issued and outstanding shares of common stock) 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

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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 August 21, 2023, the dates set forth in the table below, we entered into subscription agreements with accredited investors in connection with the sale of an underwriting agreement (the "Underwriting Agreement" 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 Certificates of Designation of Preferences, Rights and Limitations of the Series AAA Preferred Stock and Series AAA-1 Preferred Stock (collectively, the "Series AAA Certificates of Designation") with Aegis Capital Corp. (the "Underwriter"), relating to the Company's public offering (the "Common Stock Offering") State of 778,653 shares Delaware. Use 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 from 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 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

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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 Series AAA Offerings for the benefit of the parties to the Underwriting Agreement periods presented included working capital and were subject to limitations agreed upon by the contracting parties. general corporate purposes, including sales and marketing activities and product development.

Convertible 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 VWAP of such common stock over the previous 10 days as reported on the NASDAQ Capital Market 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 Issuances 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 Designation, 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.

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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.

Series AAA Preferred stock outstanding as of March 31, 2024 and December 31, 2023 was comprised of the following:

Series Designation	Conversion Price	Issued	Conversions Year Ended December 31, 2023	Outstanding as of December 31, 2023	Conversions Three Months Ended March 31, 2024	Outstanding as of March 31, 2024
Sales:						
Series AAA	$ 1.674	5,377	-	5,377	-	5,377
Series AAA-2	$ 1.71	2,978	-	2,978	-	2,978
Subtotal		8,355	-	8,355		8,355
Exchanges:						
Series AAA	$ 1.674	4,011	(125)	3,886	(840)	3,046
Series AAA-2	$ 1.71	2,356	(100)	2,256	-	2,256
Subtotal		6,367	(225)	6,142	(840)	5,302
Total		14,722	(225)	14,497	(840)	13,657

As of March 31, 2024 and December 31, 2023, Series AAA Preferred stock outstanding was convertible into shares of the Company's common stock as follows:

Series Designation	Conversion Price	Original Conversion Shares	Conversions Year Ended December 31, 2023	Conversion Shares As of December 31, 2023	Conversions Three Months Ended March 31, 2024	Conversion Shares As of March 31, 2024
Sales:						
Series AAA	$ 1.674	3,212,000	-	3,212,000	-	3,212,000
Series AAA-2	$ 1.71	1,742,000	-	1,742,000	-	1,742,000
Subtotal		4,954,000		4,954,000		4,954,000
Exchanges:						
Series AAA	$ 1.674	2,396,000	(75,000)	2,321,000	(502,000)	1,819,000
Series AAA-2	$ 1.71	1,378,000	(58,000)	1,320,000	-	1,320,000
Subtotal		3,774,000	(133,000)	3,641,000	(502,000)	3,139,000
Total		8,728,000	(133,000)	8,595,000	(502,000)	8,093,000

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:

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Date	Series Design-ation	Conversion Price – At Issuance(2)	Shares	Gross Proceeds	Fees	Net Proceeds	Conversion Shares – At Issuance	Placement Agent Warrants (1)	Series Design-ation	Original Conversion Price – At Issuance(2)	Shares	Gross Proceeds	Fees	Net Proceed
April 19, 2023	Series AA	$ 9.43	7,680	$ 7,680,000	$ 966,000	$ 6,714,000	814,000	114,000	Series AA	$ 9.43	7,680	$ 7,680,000	$ 966,000	$ 6,714,(
April 20, 2023	Series AA-2	$ 10.43	1,500	1,500,000	130,000	1,370,000	144,000	13,000	Series AA-2	$ 10.43	1,500	1,500,000	130,000	1,370,(
April 28, 2023	Series AA-3	$ 9.50	1,025	1,025,000	133,000	892,000	108,000	15,000	Series AA-3	$ 9.50	1,025	1,025,000	133,000	892,(
May 5, 2023	Series AA-4	$ 9.28	1,026	1,026,000	133,000	893,000	111,000	16,000	Series AA-4	$ 9.28	1,026	1,026,000	133,000	893,(
May 26, 2023	Series AA-5	$ 10.60	550	550,000	72,000	479,000	52,000	7,000	Series AA-5	$ 10.60	550	550,000	72,000	478,(
Total	Total		11,781	$ 11,781,000	$ 1,434,000	$ 10,348,000	1,229,000	165,000	Total		11,781	$ 11,781,000	$ 1,434,000	$ 10,347,(

(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 $0.13 $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.

Series AA Preferred stock outstanding as of March 31, 2024 and December 31, 2023 was comprised of the following:

Series Designation	Conversion Price As **Adjusted(1)**	Issued	Converted / Exchanged - Year Ended December 31, 2023	Outstanding as of December 31, 2023	Conversions - Three Months Ended March 31, 2024	Outstanding as of March 31, 2024
Series AA	$ 1.89	7,680	(2,926)	4,754	(263)	4,491
Series AA-2	$ 2.09	1,500	(1,500)	-	-	-
Series AA-3	$ 1.90	1,025	(634)	391	-	391
Series AA-4	$ 1.86	1,026	(511)	515	-	515
Series AA-5	$ 2.12	550	-	550	-	550
Total		11,781	(5,571)	6,210	(263)	5,947

(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.

At September 30, 2023 As of March 31, 2024 and December 31, 2023, Series AA Preferred stock outstanding was comprised of the following, including conversions of Series AA Preferred stock convertible into shares of the Company’s common stock for the applicable periods presented: as follows:

Conversion

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Series Designation	Price As Adjusted(1)	Preferred Shares Series Preferred AA			Conversion Shares Series Preferred AA			
		Issued	Converted	Outstanding	Original Conversion Shares	Conversions During the Period	Additional Conversion Shares - Adjusted Conversion Price(1)	Adjusted Conversion Shares At End of Period
Series AA	$ 2.60	7,680	(1,292)	6,388	814,000	(476,000)	2,119,000	2,457,000
Series AA-2	$ 2.60	1,500	(1,500)	-	144,000	(288,000)	144,000	-
Series AA-3	$ 2.60	1,025	-	1,025	108,000	-	286,000	394,000
Series AA-4	$ 2.60	1,026	(5)	1,021	111,000	(2,000)	284,000	393,000
Series AA-5	$ 2.60	550	-	550	52,000	-	160,000	212,000
Total as of September 30, 2023		11,781	(2,797)	8,984	1,229,000	(766,000)	2,993,000	3,456,000

(1) 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 $0.13 as a result of the 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.

Series Designation	Conversion Price As Adjusted	Issued	Converted / Exchanged - Year Ended December 31, 2023	Additional Conversion Shares - Adjusted Conversion **Price(1)**	Conversion Shares As of December 31, 2023	Conversions - Three Months Ended March 31, 2024	Conversion Shares As of March 31, 2024
Series AA	$ 1.89	814,000	(1,336,000)	3,043,000	2,521,000	(139,000)	2,382,000
Series AA-2	$ 2.09	144,000	(274,000)	130,000	-	-	-
Series AA-3	$ 1.90	108,000	(334,000)	432,000	206,000	-	206,000
Series AA-4	$ 1.86	109,000	(275,000)	443,000	277,000	-	277,000
Series AA-5	$ 2.12	58,000	-	201,000	259,000	-	259,000
Total		1,233,000	(2,219,000)	4,249,000	3,263,000	(139,000)	3,124,000

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)

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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).

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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 "Additional "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.

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The securities to be issued in the Offering are exempt from the registration requirements of the Securities Act, pursuant to Section 4(a)(2) of the Securities Act and/or Rule 506(b) of Regulation D promulgated thereunder because, among other things, the transaction did not involve a public offering, the investors are accredited investors, the investors are

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purchasing the securities for investment and not for resale and the Company took appropriate measures to restrict the transfer of the securities. The securities have not been registered under the Securities Act and may not be sold in the United States absent registration or an exemption from registration.

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

(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 5, 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 three and nine months ended September 30, 2023 March 31, 2023, $0 and $719,000 of the net proceeds from the Series A Offerings were utilized in connection with the redemption of the Notes and related accrued interest, respectively. interest.

On the respective effective dates, the Company filed certificates Certificates of designation Designation of preferences, rights Preferences, Rights and limitations Limitations (collectively, the "Certificate of Designations") 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 of the Series A Certificate Certificates 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.

Series A Preferred stock outstanding was comprised of the following as of March 31, 2024 and December 31, 2023:

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Series Designation	Conversion Price		Issued	Converted / Exchanged - Year Ended December 31, 2023	Outstanding as of December 31, 2023	Conversions - Three Months Ended March 31, 2024	Outstanding as of March 31, 2024
Series A	$	12.40	5,359	(4,551)	808	(368)	440
Series A-2	$	13.29	1,297	(834)	463	-	463
Series A-3	$	13.41	1,733	(1,418)	315	-	315
Series A-4	$	7.60	1,934	(1,383)	551	(75)	476
Series A-5	$	11.09	2,299	(1,487)	812	(32)	780
Total			12,622	(9,673)	2,949	(475)	2,474

During the applicable periods presented, conversions As of March 31, 2024 and December 31, 2023, Series A Preferred stock outstanding was convertible into shares of the Company's common stock were comprised of the following: as follows:

Series Designation	Conversion Price		Preferred Shares Series Preferred A			Conversion Shares Series Preferred A			Conversion Price		Issued	Converted / Exchanged - Year Ended December 31, 2023	Conversion Shares as of December 31, 2023	Conversions - Three Months Ended March 31, 2024
			Issued	**Converted**	**Outstanding**	**Original Conversion Shares**	**Conversions During the Period**	**Conversion Shares At End of Period**						
Series A	$	0.6200	5,359	(3,126)	2,233	432,000	(252,000)	180,000	$	12.40	432,000	(367,000)	65,000	(30,000
Series A-2	$	0.6646	1,297	(375)	922	98,000	(28,000)	70,000	$	13.29	98,000	(63,000)	35,000	-
Series A-3	$	0.6704	1,733	(1,130)	603	129,000	(84,000)	45,000	$	13.41	129,000	(106,000)	23,000	-
Series A-4	$	0.3801	1,934	(878)	1,056	254,000	(115,000)	139,000	$	7.60	254,000	(182,000)	72,000	(10,000
Series A-5	$	0.5546	2,299	(220)	2,079	207,000	(20,000)	187,000	$	11.09	207,000	(134,000)	73,000	(3,000
			12,622	(5,729)	6,893	1,120,000	(499,000)	621,000						
Total											1,120,000	(852,000)	268,000	(43,000

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 Certificates 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

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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, we 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.

The securities issued in the Series A Offerings are exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Section 4(a)(2) of the Securities Act and/or Rule 506(b) of Regulation D promulgated thereunder because, among other things, the transaction did not involve a public offering, the investors were accredited investors, the investors purchased the securities for investment and not for resale and the Company took appropriate measures to restrict the transfer of the securities. The securities have not been registered under the Securities Act and may not be sold in the United States absent registration or an exemption from registration.

Placement Agent Warrants

The Placement Agent Warrants issued in connection with the Series A Preferred, and the 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 condensed consolidated balance sheet and re-valued at each reporting date, with changes in the fair value reported in the condensed 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 for the periods presented was comprised of the following: following for the applicable periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
					(Unaudited)	
Beginning balance	$ 1,764,000	$ -	$ -	$ -	$ 1,571	$ -
Initial fair value of warrant liability – grant date	-	-	2,804,000	-		
Change in fair value	(1,512,000)	-	(2,552,000)	-	761	-
Fair value of warrant liability at September 30, 2023	$ 252,000	$ -	$ 252,000	$ -		
Fair value of warrant liability					$ 2,332	$ -

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 presented: dates:

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	May 26, 2023	September 30, 2023	May 26, 2023	December 22, 2023	December 31, 2023	March 31, 2024
Expected Volatility	95%	95%	95%	98%	98%	98%
Risk–free interest rate	3.88%	4.60%	3.88%	3.87%	3.84%	4.21
Dividend yield	-%	-%	-%	-%	-%	-%
Expected life of options (in years)	5.0 - 5.19	4.67 - 4.85	5 - 5.19	5	4.5 - 5	4.14 - 4.72

Preferred Stock Dividends

During the three months ended March 31, 2024, the Company paid common stock dividends on outstanding preferred stock, as follows:

Series Designation	Dividend Shares	Fair Value of **Shares Issued (1)**
Series A-5	2,166	$ 4,000
Total	2,166	$ 4,000

(1) Fair valued at $2.03 per share, the closing price of the Company's common stock on January 31, 2024

7. COMMITMENTS AND CONTINGENCIES

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 was included in general and administrative expense in the consolidated statement of operations for the year ended December 31, 2023. The Company issued the 500,000 shares of common stock on March 19, 2024, which were valued at $1.85 per share (the closing price of the Company's common stock on March 19, 2024), or $924,000, resulting in additional noncash settlement expense of $164,000, which was included in the general and administrative expense in the condensed consolidated statement of operations for the three months ended March 31, 2024.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

References in this Quarterly Report on Form 10-Q to "Super League Enterprise, Inc." "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 seven herein, refer to the applicable corresponding numbered footnotes to the condensed consolidated financial statements contained elsewhere herein.

Forward-Looking Statements

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our condensed consolidated financial statements and the related notes included elsewhere in this interim report. Our condensed consolidated financial statements have been prepared in accordance with U.S. GAAP. The following discussion and analysis contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including, without limitation, statements regarding our expectations, beliefs, intentions or future strategies that are signified by the words "expect," "anticipate," "intend," "believe," or similar language. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. Our business and financial performance are subject to substantial risks and uncertainties. Actual results could differ materially from those projected in the forward-looking statements. In evaluating our business, you should carefully consider the information set forth under the heading "Risk Factors" included Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, as amended, as well as in Item II, Part 1A of this Quarterly Report on Form 10-Q (this "Report"). Readers are cautioned not to place undue reliance on these forward-looking statements.

Overview

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Super League Enterprise, Inc. is a leading strategically-integrated creator and publisher of content experiences and creator of games and experiences media solutions across the world's largest immersive digital platforms. From metaverse open gaming powerhouses such as Roblox, Minecraft and Fortnite to the most popular Web3 environments such as Sandbox and Decentraland, 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 6 to the condensed consolidated financial statements elsewhere herein 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.

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

Executive Summary

Revenue for the three and nine months ended September 30, 2023 March 31, 2024 totaled $7.2 million and $15.6 million $4.2 million, reflecting increases an increase of 60% and 24% $887,000 or 27%, respectively, compared to $3.3 million for the comparable prior year periods. Excluding product design and software development kit related revenue totaling $919,000 recognized during the nine months ended September 30, 2022, total revenue for the nine months ended September 30, 2023 increased $3.9 million, or 34% compared to the comparable prior year period. quarter. Cost of revenue for the three and nine months ended September 30, 2023 was $4.7 million and $9.5 million March 31, 2024 increased $529,000 or 27% to $2.5 million, respectively, compared to $2.7 million and $7.1 million, respectively, $1.9 million in the comparable prior year periods, quarter, driven primarily by the significant increase in quarterly revenues. revenues for the same periods. As a percent of revenue, gross profit for the three and nine months ended September 30, 2023 March 31, 2024 was 35% and 39% 41%, respectively, compared to 40% and 44%, respectively, 41% for the prior year comparable periods, driven by partial delivery during the three and nine months ended September 30, 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 other programs that generated revenues during the comparable prior year quarter, and for the year to date periods presented, by lower cost product design and software development kit related revenue recognized during the nine months ended September 30, 2022. quarter.

Total operating expense for the three and nine months ended September 30, 2023 March 31, 2024 decreased $2.3 million, or 26% to $7.0 million and $26.0 million $6.3 million, compared to $53.9 million and $74.3 million, respectively, $8.6 million in the comparable prior year periods. Operating expense for the three and nine months ended September 30, 2022 included a noncash goodwill impairment charge of $42.0 million. Excluding the noncash goodwill impairment charge, 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. quarter. Excluding noncash stock compensation expense, amortization expense, intangible asset impairment charges amortization expense, and mark to market related fair value adjustments, operating expense for the three and nine months ended September 30, 2023 March 31, 2024 and 2023 was $6.0 million $5.0 million and $18.2 million $6.3 million, respectively, reflecting a 33% and 26% reduction in operating expense, respectively, compared to the comparable prior year periods.
respectively. Net loss for the three months ended September 30, 2023 March 31, 2024, which includes the impact of significant noncash mark to market related credits for the 2023 periods presented, charges, as described below, and noncash stock compensation amortization and intangible asset impairment amortization charges, as summarized below, was $3.0 $5.3 million or $(1.01) $(1.00) per share, compared to a net loss of $52.6 million $7.2 million, or $(28.14) $(3.84) per share, in the comparable prior year period. quarter. Net loss for the nine three months ended September 30, 2023 was $17.1 million or $(7.44) per share, compared to March 31, 2024 included a net loss gain on the sale of $69.2 million, or $(37.37) per share, in the comparable prior year period. Minehut related assets totaling $144,000.

During the third first quarter of 2023, 2024, we continued to deliver top line revenue growth, including a 42% 27% increase in sequential quarterly revenues and a 60% increase in revenues compared to the prior year quarter. During the quarter we continued to demonstrate the effectiveness of our overall strategy, providing us with increasing opportunities to

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take a greater share of advertisers' wallet, as demonstrated by larger average 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 the third quarter of 2023, we continued to work with signature clients including Kraft Heinz, Hamilton and Yas Island 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.

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.

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 "Acquisition"). The consummation of the 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 the form of the forgiveness of certain working capital advances paid to Melon in the equivalent amount, 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 4 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 7 to the condensed consolidated financial statements contained elsewhere herein.

Refer to Note 4 to the condensed consolidated financial statements elsewhere herein for additional information.

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
- 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.

Increase in Authorized Common Stock

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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.

Equity Financing

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, par value $0.001 per share, 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.

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.

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

On September 25, 2023, we received a written notice from The Nasdaq Stock Market ("Nasdaq") informing Super League that it 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.

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.

Common Sense Networks Initiative

In March 2024, we announced an initiative with Common Sense Networks, the award winning, singular leader in age appropriate content moderation standards and owner of Sensical, the groundbreaking streaming and FAST channel service for kids 2-12, that enables brands to connect with young audiences on a global scale in safe and suitable ways across major gaming and video platforms, including Roblox, Fortnite Creative, Minecraft, YouTube, TikTok, and beyond.

GSTV Partnership

In March 2024, we announced a partnership with GSTV, the national on-the-go video network engaging and entertaining targeted audiences at scale across tens of thousands of fuel retailers. The partnership will unite the physical journey of consumers with the expansive digital world of gaming. Initially, the partnership brings Super League's popular Metaburst gaming news segment to GSTV, keeping millions of viewers at fuel and convenience retailers across the country updated on the latest trends and advancements in the 3D web, virtual worlds and platforms like Roblox and Fortnite. GSTV and Super League are also collaborating on other integration opportunities that unite physical and digital retail engagement to provide brands with innovative and exciting ways to reach a broad base of consumers. In addition to extending in-game content to GSTV screens, the Super League Loyalty & Reward platform will power custom omnichannel programs that reward Roblox users with seamless real world benefits from GTSV partners, and create opportunities for GSTV audience family members to enjoy special rewards within Roblox.

Chartis Partnership

In March 2024, we announced new capabilities for our entertainment and consumer brand clients in Fortnite Creative via a partnership with Chartis. Chartis is a platform focused on Unreal Editor for Fortnite (UEFN), offering a rapidly-growing suite of tools to make it easier and more intuitive for creators to build original games and experiences within Fortnite Creative, where an increasing segment of the blockbuster game's 70 million monthly players spend their time. The partnership with Chartis enables Super League and its prominent global brand partners to tap into the Chartis Network, a coalition of independent Fortnite Creative developers with more than 157 million monthly plays and nearly one billion monthly impressions. Together, the companies will provide unparalleled opportunities for brands to launch new Fortnite Creative Islands and custom integrations.

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Condensed Consolidated Results of Operations

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The following table sets forth a summary of our results of operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 (dollars in thousands):

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Change $	Change %	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Change $	Change %	Three Months Ended March 31, 2024 (Unaudited)	Three Months Ended March 31, 2023 (Unaudited)	Change $	Change %
REVENUE	$ 7,195	$ 4,508	$ 2,687	60 %	$ 15,569	$ 12,555	$ 3,014	24 %	$ 4,209	$ 3,322	$ 887	27 %
COST OF REVENUE	(4,655)	(2,719)	1,936	71 %	(9,512)	(7,086)	2,426	34 %	(2,477)	(1,948)	529	27 %
GROSS PROFIT	2,540	1,789	751	42 %	6,057	5,469	588	11 %	1,732	1,374	358	26 %
OPERATING EXPENSE												
Selling, marketing and advertising	3,161	2,958	203	7 %	8,767	8,693	74	1 %	2,277	2,650	(373)	(14)%
Engineering, technology and development	2,066	3,827	(1,761)	(46)%	7,268	12,607	(5,339)	(42)%	1,699	2,956	(1,257)	(43)%
General and administrative	2,271	3,249	(978)	(30)%	7,094	9,118	(2,024)	(22)%	2,102	2,520	(418)	(17)%
Contingent consideration	(462)	1,836	(2,298)	(125)%	546	1,836	(1,290)	(70)%	259	468	(209)	(45)%
Loss on intangible asset disposal	-	-	-	- %	2,284	-	2,284	100 %				
Impairment of goodwill	-	42,000	(42,000)	(100)%	-	42,000	(42,000)	(100)%				
Total operating expense	7,036	53,870	(46,834)	(87)%	25,959	74,254	(48,295)	(65)%	6,337	8,594	(2,257)	(26)%
NET LOSS FROM OPERATIONS	(4,496)	(52,081)	(47,585)	(91)%	(19,902)	(68,785)	(48,883)	(71)%	(4,605)	(7,220)	2,615	(36)%
OTHER INCOME (EXPENSE), NET	1,512	(521)	(2,033)	(390)%	2,533	(499)	(3,032)	(608)%	(655)	(16)	(639)	* %
Loss before benefit from income taxes	(2,984)	(52,602)	(49,618)	(94)%	(17,369)	(69,284)	(51,915)	(75)%				
Benefit from income taxes	-	-	-	- %	313	46	267	580 %				
Loss before provision for income taxes									(5,260)	(7,236)	(1,976)	(27)%
Provision for income taxes									-	-	-	-
NET LOSS	$ (2,984)	$ (52,602)	$ (49,618)	(94)%	$ (17,056)	$ (69,238)	$ (52,182)	(75)%	$ (5,260)	$ (7,236)	$ (1,976)	(27)%

* Percentage exceeds 300%

Comparison of the Results of Operations for the Three and Nine Months Ended September 30, 2023 March 31, 2024 and 2022 2023

Revenue (dollars in thousands)

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Change $	Change %	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Change $	Change %
Media and advertising	$ 2,886	$ 2,321	$ 565	24 %	$ 6,904	$ 7,162	$ (258)	(4)%
Publishing and content studio	3,960	1,768	2,192	124 %	7,547	3,994	3,553	89 %

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Direct to consumer	349	419	(70)	(17)%	1,118	1,399	(281)	(20)%
	$ 7,195	$ 4,508	$ 2,687	60 %	$ 15,569	$ 12,555	$ 3,014	24 %

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Number of customers > 10% of revenue / percent of revenue	Two / 36%	Two / 26%	- / -%	One / 12%
By revenue category:				
Media and advertising	One / 17%	Two / 26%	- / -%	One / 12%
Publishing and content studio	One / 19%	- / -%	- / -%	- / -%

	Three Months Ended March 31,		Change	
	2024	2023	$	%
	(Unaudited)			
Media and advertising	$ 1,365	$ 1,604	$ (239)	(15)%
Publishing and content studio	2,538	1,336	1,202	90 %
Direct to consumer	306	382	(76)	(20)%
	$ 4,209	$ 3,322	$ 887	27 %

	Three Months Ended March 31,	
	2024	2023
	(Unaudited)	
Number of customers > 10% of revenue / percent of revenue	Three / 36%	Three / 37%
By revenue category:		
Media and advertising	Two / 12%	Two / 19%
Publishing and content studio	Three / 24%	One / 18%

Three Months Ended September 30, 2023 March 31, 2024, Compared to the Three Months Ended September 30, 2022 March 31, 2023:

- Total revenue increased $2.7 million $887,000, or 60% 27% to $7.2 million $4.2 million, compared to $4.5 million $3.3 million in the comparable prior year quarter.

- Media and advertising revenue increased 24% decreased $239,000, or 15%, to $2.9 million $1.4 million, compared to $2.3 million $1.6 million in the comparable prior year quarter. The change reflected a $554,000 decrease in on-platform related media sales revenue, partially offset by a $243,000 increase in off-platform related media sales revenue.

- Publishing and content studio revenue increased $1.2 million, or 90%, to $2.5 million, compared to $1.3 million in the comparable prior year quarter, driven primarily by a net 46% increase in Roblox immersive advertising media product sales revenues, including portals and 3D pop up characters and a net 5% increase in influencer marketing related revenues.

- Publishing and content studio revenue increased $2.2 million $1.4 million, or 124%, driven primarily by a $2.3 million, or 184% 161% increase in custom game development and immersive experience related revenues, including revenues for immersive experiences for Kraft Lunchables, Hamiliton, Arm & Hammer Sketchers, Lego and Universal Pictures "Trolls Band Together."
during the three months ended March 31, 2024.

- Direct to consumer revenue decreased $70,000, or 17%, compared to the comparable prior year quarter, driven primarily by a 25% decrease in "in-game" platform sales of digital goods within our Mineville, official Microsoft Minecraft partner gaming server digital property, partially offset by a 12% 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.

Nine Months Ended September 30, 2023, Compared to the Nine Months Ended September 30, 2022:

- Total revenue increased $3.0 million or 24% to $15.6 million, compared to $12.6 million in the comparable prior year period. Revenue for the nine months ended September 30, 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 the nine months ended September 30, 2022, total revenue for the nine months ended September 30, 2023 increased $3.9 million, or 34% compared to the comparable prior year period.

- Media and advertising revenue was relatively flat, decreasing $258,000, or 4%, to $6.9 million, compared to $7.2 million in the comparable prior year quarter.

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- Publishing and content studio revenue, excluding product design and software development kit related revenue recognized during the nine months ended September 30, 2022, increased $4.5 million, or 145%, driven primarily by a 271% 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 and Universal Pictures, "Trolls Band Together." Publishing and content studio sales revenue for the nine months ended September 30, 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 $281,000, or 20%, compared to the comparable prior year quarter, driven primarily by a 23% decrease in "in-game" platform sales of digital goods within our Mineville, official Microsoft Minecraft partner gaming server digital property, partially offset by a 14% 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 Revenue

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.

Three Months Ended September 30, 2023 March 31, 2024, Compared to the Three Months Ended September 30, 2022 March 31, 2023:

- Cost of revenue increased $1.9 million $529,000, or 27%, or 71%, compared to relatively consistent with the 60% 27% increase in related revenues for the quarterly periods presented. The greater than proportionate change in cost of revenue was driven by partial delivery during the quarter under a significant custom integration and platform media revenue contract with a customer that had a higher average direct cost profile in the current quarter compared to the programs generating revenues during the comparable prior year quarter.

Nine Months Ended September 30, 2023, Compared to the Nine Months Ended September 30, 2022:

- Cost of revenue increased $2.4 million, or 34%, compared to the 24% increase in related revenues for the year to date 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 comparable prior year period.

Operating Expense

Refer to the table summarizing our results of operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 above.

Noncash stock-based compensation. Noncash stock-based compensation expense for the periods presented was included in the following operating expense line items (dollars in thousands):

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change		Three Months Ended March 31,		Change	
	2023	2022	$	%	2023	2022	$	%	2024	2023	$	%
									(Unaudited)			
Sales, marketing and advertising	$ 231	$ 295	$ (64)	(22)%	$ 631	$ 776	$ (145)	(19)%	$ 122	$ 164	$ (42)	(26)%
Engineering, technology and development	14	115	(101)	(88)%	205	377	(172)	(46)%	12	89	(77)	(87)%
General and administrative	398	776	(378)	(49)%	1,339	2,131	(792)	(37)%	198	530	(332)	(63)%
Total noncash stock compensation expense	$ 643	$ 1,186	$ (543)	(46)%	$ 2,175	$ 3,284	$ (1,109)	(34)%	$ 332	$ 783	$ (451)	(58)%

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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 The decrease in five equal increments of 13,500 PSUs, based on satisfaction of market based vesting conditions as describe at Note 2 to the condensed consolidated financial statements elsewhere herein. Noncash noncash stock compensation expense related was due to the PSUs, which is recognized on an accelerated basis over the derived term, totaled $0 and $298,000 for the three and nine months ended September 30, 2023, respectively. Noncash stock compensation expense related to the PSUs totaled $570,000 and $1,691,000 for the three and nine months ended September 30, 2022, respectively. following:

- Reduction in headcount since the end of the prior year quarter, resulting in a $94,000, or 12% decrease in related employee noncash stock compensation expense.
- *April 2023 Modification of Outstanding PSUs*. 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 (the "2014 Plan"), which vested in five equal increments of 13,500 PSUs, based on satisfaction of market based vesting conditions.

On April 30, 2023, the Board approved the cancellation of the 67,500 Original PSUs previously granted to certain executives under the 2014 Plan (as described above). In exchange for the cancelled Original PSUs, the executives were granted an aggregate of 67,500 modified PSUs ("Modified 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 Modified PSUs totaled $540,000 which will be recognized over the implied service period, on an accelerated basis, 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 Modified PSUs immediately before and after the modification. PSU Modification.

Noncash stock compensation expense related to the modified Original PSUs which is recognized on an accelerated basis over the derived term, totaled $131,000 $0 and $220,000 $250,000 for the three and nine months ended September 30, 2023, March 31, 2024 and 2023, respectively.

On April 30, 2023, the Board approved the cancellation of certain Noncash 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 will be 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 Modified PSUs totaled $42,000 and $0 for the date of three months ended March 31, 2024 and 2023, respectively. The decrease in PSU related noncash stock compensation primarily reflects the Employee Grant Modifications totaled $960,000 which will be recognized prospectively over decrease in stock price on the remaining service period of 4 years. Total incremental compensation cost related to respective grant dates for 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 will be recognized prospectively over the remaining service period of 4 years. equity awards.

- *April 2023 Stock Option Exchange.* 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 (together the "Original Executive Grants"). 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 will be recognized prospectively over the remaining service period of 3 years.

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Noncash stock compensation expense related to the Original Executive Grants totaled $0 and $148,000 for the three months ended March 31, 2024 and 2023, respectively. Noncash stock compensation expense related to the Executive Grant Modifications totaled $54,000 and $0 for the three months ended March 31, 2024 and 2023, respectively. The decrease in related noncash stock compensation primarily reflects the decrease in stock price on the respective grant dates for the equity awards.

Amortization of intangible assets. Amortization expense for the periods presented was included in the following operating expense line items (dollars in thousands):

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change		Three Months Ended March 31,		Change	
	2023	**2022**	**$**	**%**	**2023**	**2022**	**$**	**%**	2024 (Unaudited)	**2023**	$	%
Sales, marketing and advertising	$ 534	$ 526	$ 8	2%	$ 1,591	$ 1,578	$ 13	1%	$ 199	$ 526	$ (327)	(62)%
Engineering, technology and development	492	584	(92)	(16)%	1,656	1,731	(75)	(4)%	291	576	(285)	(49)%
General and administrative	202	611	(409)	(67)%	584	1,014	(430)	(42)%	193	186	7	4%
Intangible asset disposal	-	-	-	-%	2,284	-	2,284	100%				
Total amortization expense	$ 1,228	$ 1,721	$ (493)	(29)%	$ 6,115	$ 4,323	$ 1,792	41%	$ 683	$ 1,288	$ (605)	(47)%

Amortization expense for the three months ended March 31, 2024 decreased primarily due to a $7.1 million write-down of our partner relationship related intangible assets in the fourth quarter of the year ended December 31, 2023, 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 write-down resulted in a $7.1 million decrease in the carrying value of the related intangible assets as of December 31, 2023, and a corresponding decrease in scheduled future quarterly and annual amortization expense for the remaining carrying value of the applicable intangible assets, commencing in the first quarter of 2024 (remaining carrying value totaled $860,000 as of December 31, 2023). Amortization expense related to our partner relationship related intangible assets, comprised of our Microsoft Minecraft server and InPvP developed technology intangible assets, for the three months ended March 31, 2024 and 2023 totaled $50,000 and $502,000, respectively.

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, in the second quarter of 2023, the Company recorded a write-off 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 condensed consolidated statements of operations $2,284,000. Amortization expense for the nine disposed Bannerfy related intangible assets for the three months ended September 30, 2023. March 31, 2024 and 2023, totaled $0 and $110,000, respectively.

Selling, Marketing and Advertising

Three Months Ended September 30, 2023 March 31, 2024, Compared to the Three Months Ended September 30, 2022 March 31, 2023:

- Selling, marketing and advertising expense increased $203,000 or 7% driven primarily by a net increase in sales and account management personnel costs and an increase in sales commissions consistent with the increase in revenues for the quarterly periods presented.

Nine Months Ended September 30, 2023, Compared Selling, marketing and advertising expense decreased $373,000, or 14% due primarily to a reduction in amortization expense related to the Nine Months Ended September 30, 2022: write-down of our partner relationship related intangible assets as described above.

- Selling, marketing and advertising expense was relatively flat for the periods presented.

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 expense 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.

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Three Months Ended September 30, 2023 March 31, 2024, Compared to the Three Months Ended September 30, 2022 March 31, 2023:

Engineering, technology and development costs decreased $1.3 million, or 43%, driven primarily by the following:

- Engineering, technology and development costs decreased $1.8 million, or 46% driven primarily by a decrease Decrease in cloud services and other technology platform costs totaling $840,000, $574,000, or 67% 58%, and a decrease in product and engineering personnel costs and noncash stock compensation expense totaling $686,000, $367,000, or 39% 30%, and $78,000, and 87%, respectively, reflecting the impact of related ongoing personnel and other cost reduction activities.
- Decrease in developed technology related intangible asset amortization expense totaling $285,000, or 49% resulting from the write-down and optimization activities.

  disposal of the Microsoft Minecraft Server, InPvP developed technology and Bannerfy technology related intangible assets, respectively, as of December 31, 2023, as described above.

Nine Months Ended September 30, 2023, Compared to the Nine Months Ended September 30, 2022:

- Engineering, technology and development costs decreased $5.3 million, or 42% driven primarily by a decrease in cloud services and other technology platform costs totaling $2.9 million, or 60%, and a decrease in product and engineering personnel costs totaling $1.9 million, or 37%, 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 (dollars in thousands):

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change		Three Months Ended March 31,		Change	
	2023	2022	$	%	2023	2022	$	%	2024	2023	$	%
									(Unaudited)			
Personnel costs	$ 542	$ 738	$ (196)	(27)%	$ 1,729	$ 2,042	$ (313)	(15)%	$ 527	$ 590	$ (63)	(11)%
Office and facilities	48	63	(15)	(24)%	153	193	(40)	(21)%	47	56	(9)	(16)%
Professional fees	183	207	(24)	(12)%	660	952	(292)	(31)%	297	298	(1)	(-)%
Stock-based compensation	398	776	(378)	(49)%	1,339	2,132	(793)	(37)%	198	530	(332)	(63)%
Depreciation and amortization	224	639	(415)	(65)%	651	1,096	(445)	(41)%	210	209	1	-%
Other	876	826	50	6%	2,562	2,703	(141)	(5)%	823	837	(14)	(2)%
Total general and administrative expense	$ 2,271	$ 3,249	$ (978)	(30)%	$ 7,094	$ 9,118	$ (2,024)	(22)%	$ 2,102	$ 2,520	$ (418)	(17)%

A summary of the main drivers of the change in general and administrative expense for the periods presented is as follows:

For the Three Months Ended September 30, 2023 March 31, 2024, Compared to the Three Months Ended September 30, 2022 March 31, 2023:

- 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 $378,000, or 49% primarily due to a reduction in amortization of noncash stock compensation expense in connection with performance-based stock units originally granted on January 1, 2022, and modified in connection with the PSU Modification described above, which vest based on the achievement of certain Company stock price targets, as described at Note 2 to the condensed consolidated financial statements elsewhere herein. Noncash stock compensation expense included in general and administrative expense decreased primarily due to a $124,000 net reduction in noncash stock compensation expense in connection with performance-based stock units originally granted on January 1, 2022, and modified in April 2023, in connection with the PSU Modification described above, and a $84,000 net reduction in noncash stock compensation expense in connection with the April 2023 Stock Option Exchange, described above. The decrease primarily reflects the impact of the 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 awards on the modification date.

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- Depreciation and amortization expense decreased due primarily to certain products and offerings acquired in connection with the Mobcrush Acquisition being rebranded during the three months ended September 30, 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 the three months ended September 30, 2022.

For the Nine Months Ended September 30, 2023, Compared to the Nine Months Ended September 30, 2022: original grant date fair market value, which is an input to the Monte Carlo simulation and Black Sholes models, respectively, utilized to determine the estimated fair value of the equity-based awards on the modification date. The decrease also reflects an $86,000 net reduction in third-party consultant related noncash stock compensation expense, resulting from the full vesting of certain consultant related equity grants in prior periods.

- 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 $793,000, or 37% 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 2 to the condensed consolidated financial statements elsewhere herein, 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 $292,000 or 31%, 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 the three months ended September 30, 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 the three months ended September 30, 2022.

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 the fiscal year ending December 31, 2023 (the "Super Biz Earnout Periods"), as a consequence of his resignation without good cause, or termination for cause, the Super Biz Contingent Consideration (See Note 4) will be reduced by one-half (50%) for the respective Super Biz Earn Out Period, 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 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 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 condensed 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 condensed consolidated statements of operations.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Beginning balance	$ 709,000	$ -	$ 3,206,000	$ -
Change in fair value(3)	(63,000)	-	141,000	-
Current period accrued contingent consideration	351,000	-	1,073,000	-
Contingent consideration payments(2)	-	-	(3,423,000)	-
Accrued contingent consideration	$ 997,000 (1)	$ -	$ 997,000 (1)	$ -

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	Three Months Ended March 31, 2024		2023	
	(Unaudited)			
Beginning balance	$	1,670	$	3,206
Change in fair value(2)		18		217
Current period accrued contingent consideration(2)		142		251
Accrued contingent consideration (1)	$	1,830	$	3,674

(1) Includes 16,636 As of March 31, 2024, included 30,330 shares of common stock valued at $1.74, $2.15, the closing price of our common stock as of March 31, 2024. As of March 31, 2023, included 53,050 shares of common stock valued at $11.10, the applicable date. closing price of our common stock as of March 31, 2023.

(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.

(3) Reflected in the condensed consolidated statement of operations for the applicable period

Melon Acquisition

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").

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.

Contingent consideration is recorded as a liability in the accompanying condensed 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 condensed consolidated statements of operations. The estimated fair value of the Melon Contingent Consideration was $682,000 at September 30, 2023. The fair value of the Melon Contingent Consideration on the respective valuation dates date was determined utilizing a Monte Carlo simulation model and measured using Level 3 inputs, as described at Note 2. inputs. Assumptions utilized in connection with utilization of the Monte Carlo simulation model for the periods presented as of March 31, 2024 included a risk free interest rates ranging from 4.04 % to 5.35% rate of 4.79%, a volatility rates ranging from rate of 70% to 85%, a closing stock price of $2.15 and a discount rate of 30%.

The change in fair value, which is included in contingent consideration expense in the accompanying condensed consolidated statement of operations for the applicable periods present was comprised of the following:

	Three Months Ended September 30, 2023		2022		Nine Months Ended September 30, 2023		2022		Three Months Ended March 31, 2024 (Unaudited)		2023	
Beginning balance	$	1,432,000	$	-	$	1,350,000	$	-	$	538	$	-
Change in fair value		(750,000)		-		(668,000)		-		98		-
Accrued contingent consideration	$	682,000	$	-	$	682,000	$	-				
Accrued contingent consideration(1)									$	636	$	-

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(1) As of March 31, 2024, included 156,329 shares of common stock valued at $2.15, the closing price of our common stock as of March 31, 2024.

Other Income (Expense), Net

Gain on Sale of Minehut Assets

On February 29, 2024, the Company sold its Minehut related assets ("Minehut Assets") to GamerSafer, Inc. ("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 $1.0 million of purchase consideration ("Purchase Consideration") for the Minehut Assets, which amount will be paid by GamerSafer in revenue and royalty sharing over a multiple year period, 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 $475,000 as of February 26, 2024, comprised of total carrying costs of $1,671,000, net of accumulated amortization of $1,196,000, and historically were included in intangible assets, net in the condensed consolidated balance sheet.

The Company recorded a receivable for the total estimated consideration totaling $619,000, of which $224,000 is included in prepaid expense and other current assets and $395,000 is included in other receivables in noncurrent assets, and recognized a gain on sale of the Minehut Assets totaling $144,000, which is included in other income in the condensed consolidated statement of operations. The Purchase Consideration in the GS Agreement is variable pursuant to the guidance set forth in ASC 606. Under ASC 606, purchase consideration is variable if the amount the Company will receive is contingent on future events occurring or not occurring, even though the amount itself is fixed. As such, the Company estimated the amount of consideration to which the Company will be entitled, in exchange for transferring the Minehut Assets to GamerSafer, utilizing the expected value method which is the sum of probability-weighted amounts in a range of possible consideration outcomes over the applicable contractual payment period, resulting in an estimated receivable of $619,000. Amounts collected over and above the estimated amount at contract inception, if any, will be recognized as additional gains on the sale of Minehut Assets when realized in future periods, up to the $1.0 million stated contractual amount of purchase consideration.

Change in Fair Value of Warrant Liability

The Placement Agent Warrants issued in connection with the Series A Preferred, and the Series AA Preferred and Series AAA Preferred (including the Exchange) described at Note 6, 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 480, and therefore, the fair value of the Placement Agent Warrants are recorded as a liability at fair value on the condensed consolidated balance sheet and re-valued at each reporting date, with changes in the fair value reported in the condensed consolidated statements of operations.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Beginning balance	$ 1,764,000	$ -	$ -	$ -
Initial fair value of warrant liability – grant date	-	-	2,804,000	-
Change in fair value(1)	(1,512,000)	-	(2,552,000)	-
Fair value of warrant liability at September 30, 2023	$ 252,000	$ -	$ 252,000	$ -

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

Benefit from Income Taxes

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 3. 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 which 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 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 condensed consolidated statement of operations for the nine months ended September 30, 2023. applicable period, was comprised of the following:

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	Three Months Ended March 31, 2024	2023
	(Unaudited)	
Beginning balance	$ 1,571	$ -
Change in fair value	761	-
Fair value of warrant liability	$ 2,332	$ -

Liquidity and Capital Resources

General

Cash and cash equivalents totaled approximately $1.1 million $3.3 million and $2.5 million $7.6 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, 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 condensed 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, including significant noncash charges, as reflected in the summary condensed consolidated results of operation above, and had an accumulated deficit of $227.8 million $254.3 million as of September 30, 2023 March 31, 2024. For the nine months ended September 30, 2023 Three Months Ended March 31, 2024 and 2022, 2023, net cash used in operating activities totaled $14.1 million $3.7 million and $16.0 million $3.0 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, 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 threats threat of other outbreaks or pandemics, 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. 205-40, "Going Concern," ("ASC 205").

Management's Plans

The Company experienced significant growth in fiscal year 2023, 2022 and 2021 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 the year 2023, ended December 31, 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 operating costs. Management continues to consider 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. Refer to "Cash Flows from Financing Activities" below for recent 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 We may 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 evaluate potential strategic acquisitions. To finance such strategic acquisitions, we may find it necessary to raise additional equity and / capital, incur debt, or both. Any efforts to seek additional funding could be made through issuances of equity or debt, financing on acceptable terms. If one or more of these factors do other external financing. However, additional funding may not occur as expected, it could cause a reduction or delay of its business activities, sales of material assets, default on its obligations, or forced insolvency. The accompanying 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 on favorable terms, or if available, that it will 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 terms that are satisfactory our financial condition, our ability to the Company. meet our obligations, and our ability to pursue our business strategies.

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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.

Cash Flows for the Nine Three Months Ended September 30, 2023 March 31, 2024 and 2022 2023

The following table summarizes the change in cash balances for the periods presented (dollars in thousands):

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
			(Unaudited)	
Net cash used in operating activities	$ (14,090)	$ (16,036)	$ (3,743)	$ (2,978)
Net cash used in investing activities	(658)	(1,514)	(125)	(294)
Net cash provided by financing activities	13,406	4,160		
Increase/(Decrease) in cash	(1,342)	(13,390)		
Net cash (used in) provided by financing activities			(430)	1,380
Decrease in cash			(4,298)	(1,892)
Cash and cash equivalents, at beginning of period	2,482	14,533	7,609	2,482
Cash and cash equivalents, at end of period	$ 1,140	$ 1,143	$ 3,311	$ 590

Cash Flows from Operating Activities.

Net cash used in operating activities during the nine three months ended September 30, 2023 March 31, 2024, primarily reflected our GAAP net loss, net of adjustments to reconcile net GAAP loss to net cash used in operating activities, which included noncash stock compensation charges of $2,175,000, $332,000, depreciation and amortization charges of $3,929,000, $700,000, gain on disposal of intangible asset charges assets of $2,284,000, $(144,000), net changes in fair value of certain liabilities of ($3,079,000) $1,041,000 and net changes in working capital of ($2,383,000) $(412,000). 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. course.

Net cash used in operating activities during the nine three months ended September 30, 2022 March 31, 2023, primarily reflected our GAAP net GAAP loss, for the nine months ended September 30, 2022, net of adjustments to reconcile net GAAP loss to net cash used in operating activities, which included $42,000,000 of goodwill impairment charges, $3,284,000 of noncash stock compensation charges and of $783,000, depreciation and amortization charges of $4,478,000 $1,377,000 and net changes in working capital of $3,035,000. $2,098,000. 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 (dollars in thousands):

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
Cash paid in connection with Melon Acquisition, net	$ (150)	$ -		
			(Unaudited)	
Purchase of property and equipment	(8)	(149)	$ -	$ (6)
Purchase of third-party game properties	-	(500)		
Capitalization of software development costs	(483)	(766)	(125)	(281)
Other intangible assets	(17)	(99)	-	(7)
Net cash used in investing activities	$ (658)	$ (1,514)	$ (125)	$ (294)

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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 the form of the forgiveness of certain working capital advances paid to Melon in the equivalent amount, 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.

Anime Battlegrounds X. During the three months ended June 30, 2022, the Company purchased Anime Battlegrounds X, one of the highest rated games on Roblox, from a third-party game developer. Total purchase price of $500,000 was capitalized and amortized to cost of revenue over the applicable useful life of 5 years.

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

Cash Flows from Financing Activities.

Cash flows from financing activities were comprised of the following for the periods presented (dollars in thousands):

	Nine Months Ended September 30,	
	2023	**2022**
Proceeds from issuance of preferred stock, net of issuance costs	$ 12,060	$ -
Proceeds from convertible notes, net of issuance costs	-	4,000
Payments on convertible notes	(539)	(160)
Proceeds from issuance of common stock, net of issuance costs	1,885	320
Net cash provided by financing activities	$ 13,406	$ 4,160

	Three Months Ended March 31,	
	2024	**2023**
	(Unaudited)	
Proceeds from issuance of preferred stock, net of issuance costs	$ -	$ 1,919
Payments on convertible notes	-	(539)
Advances from accounts receivable facility	371	-
Payments on accounts receivable facility	(801)	-
Net cash (used) provided by financing activities	$ (430)	$ 1,380

Equity Account Receivable Financing Facility

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, par value $0.001 per share, 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.

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

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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, Company and sold pursuant 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 prospectus supplement 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 accompanying prospectus filed 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 Securities and Exchange Commission 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 "SEC" "Outstanding Amount") pursuant to an effective shelf registration statement filed with for the SEC applicable month, on Form S-3 (File No. 333-259347) (the "Registration Statement") the last day of each calendar month during the Term (or so long as any obligations arising under the Securities Act SLR Agreement are outstanding); (iii) be charged a monthly financing fee (the "Financing Fee"), due upon receipt of 1933, as amended full payment of a Financed Account by Lender, equal to 1/12 of (a) the prime rate plus 2% (the "Securities Act" "Facility Rate"), as supplemented multiplied by a prospectus supplement, dated August 23, 2023, relating to (b) the Securities (together with the accompanying base prospectus, dated September 7, 2021, the "Prospectus Supplement"), filed with the SEC pursuant to Rule 424(b) amount of the Securities Act on August 23, 2023 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.

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 for the three months ended March 31, 2024 totaled $371,000. Total repayments of advances under the AR Facility for the three months ended March 31, 2024 totaled $801,000. Interest expense and commitment fee expense for the three months ended March 31, 2024 totaled $19,000 and $10,000, respectively.

Series A Convertible Preferred Financing Stock

On During the dates set forth in the table below, fourth quarter of 2022 and first quarter of 2023, 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	Series Design-ation	Conversion Price	Shares	Gross Proceeds	Fees	Net Proceeds	Conversion Shares

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November 22, 2022	Series A	$ 12.40	5,359	$ 5,359,000	$ 752,000	$ 4,607,000	Series A	$ 12.40	5,359	$ 5,359,000	$ 752,000	$ 4,607,000	432,000
November 28, 2022	Series A-2	$ 13.29	1,297	1,297,000	169,000	1,128,000	Series A-2	$ 13.29	1,297	1,297,000	169,000	1,128,000	98,000
November 30, 2022	Series A-3	$ 13.41	1,733	1,733,000	225,000	1,508,000	Series A-3	$ 13.41	1,733	1,733,000	225,000	1,508,000	129,000
December 22, 2022	Series A-4	$ 7.60	1,934	1,934,000	251,000	1,683,000	Series A-4	$ 7.60	1,934	1,934,000	251,000	1,683,000	254,000
January 31, 2023	Series A-5	$ 11.09	2,299	2,299,000	299,000	2,000,000	Series A-5	$ 11.09	2,299	2,299,000	299,000	2,000,000	207,000
Total – as of September 30, 2023			12,622	$ 12,622,000	$ 1,696,000	$ 10,926,000							
Total							Total		12,622	$ 12,622,000	$ 1,696,000	$ 10,926,000	1,120,000

(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 Offering include the repayment of certain indebtedness and working capital and general corporate purposes, including sales and marketing activities and product development. Refer to As disclosed at Note 6 to the condensed consolidated financial statements for additional information.

Series AA Convertible Preferred Financing

On the dates set forth 5, in the table below, we entered into subscription agreements with accredited investors in connection with 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 an aggregate the Notes outstanding upon closing 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 such equity financing. For the individual offerings of Series AA Preferred stock hereinafter collectively referred to as the Series AA Offerings, as follows:

Date	Series Design-ation	Conversion Price – At Issuance(1)	Shares	Gross Proceeds	Fees	Net Proceeds
April 19, 2023	Series AA	$ 9.43	7,680	$ 7,680,000	$ 966,000	$ 6,714,000
April 20, 2023	Series AA-2	$ 10.43	1,500	1,500,000	130,000	1,370,000
April 28, 2023	Series AA-3	$ 9.50	1,025	1,025,000	133,000	892,000
May 5, 2023	Series AA-4	$ 9.28	1,026	1,026,000	133,000	893,000
May 26, 2023	Series AA-5	$ 10.60	550	550,000	72,000	479,000
Total			11,781	$ 11,781,000	$ 1,434,000	$ 10,348,000

(1) *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 three months ended March 31, 2023 $719,000 of the Down Round Feature described at Note 6 to the condensed consolidated financial statements elsewhere herein. Refer to Note 6 to the condensed consolidated financial statements for additional information.*

Use of net proceeds from the Series AA A Offerings include working capital and general corporate purposes, including sales and marketing activities and product development. Refer to Note 6 to were utilized in connection with the condensed consolidated financial statements for additional information. redemption of the Notes.

Convertible Debt. On May 16, 2022, as summarized above and further described at Note 5, 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. As of December 31, 2022, the outstanding balance of the Notes and related accrued interest totaled $719,000, which was subsequently paid in full during the three months ended March 31, 2023.

Contractual Obligations and Off-Balance Sheet Commitments and Arrangements

As of September 30, 2023 March 31, 2024, 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 September 30, 2023 March 31, 2024 we maintain approximately 3,200 square feet of office space, 1,650 square feet of which is on a

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

Critical Accounting Estimates

Our unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Preparation of these condensed consolidated statements requires management to make judgments and estimates. Some accounting policies have a significant impact on amounts reported in these condensed consolidated 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 in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, filed with the SEC on March 31, 2023, as amended. In addition, refer to Note 2 to the condensed consolidated financial statements included in this Report. The following accounting policies were identified during the current period, based on activities occurring during the current period, as critical and requiring significant judgments and estimates.

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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 we transfer the Company transfers promised goods or services to customers in an amount that reflects the consideration to which we expect the Company expects to be entitled in exchange for those goods and services. 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.

We report revenue on a gross or net basis based on management's assessment of whether we act as a principal or agent in the transaction and is evaluated on a transaction-by-transaction basis. To the extent we act as the principal, revenue is reported on a gross basis net of any sales tax from customers, when applicable. The determination of whether we act as a principal or an agent in a transaction is based on an evaluation of whether we control the good or service prior to transfer to the customer. Where applicable, we have

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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 direct advertising sales arrangements.

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

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

Media and Advertising

Media and advertising revenue primarily consists of direct and reseller sales of our in-game media and analytics products, influencer marketing sales and sales of programmatic display and video advertising units to third-party advertisers and exchanges. Media and advertising arrangements typically include contract terms for time periods ranging from several days to several weeks in length.

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

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. We distribute three primary types of content for syndication and licensing, including: (1) our own original programming content, (2) user generated content ("UGC"), including online gameplay and gameplay highlights, and (3) the creation of content for third parties utilizing our remote production and broadcast technology.

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

Direct to Consumer:

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

Platform Generated Sales Transactions. We also 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.

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

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

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

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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 condensed consolidated statements of operations. Contingent consideration, if any, is recognized and measured at fair value as of the acquisition date.

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.

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 3. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS*

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.

ITEM 4. *CONTROLS AND PROCEDURES*

Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Exchange Act, our Chief Executive Officer (“CEO”) and our Chief Financial Officer (“CFO”) conducted an evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on that evaluation, our CEO and our CFO each concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act, (i) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) is accumulated and communicated to our management, including our CEO and our CFO, as appropriate to allow timely decisions regarding required disclosure.

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Changes in Internal Control Over Financial Reporting

As disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023, we identified a material weakness in our internal control over financial reporting as of December 31, 2023, related to the accounting for the triggering of a down round feature related to preferred stock, in connection with the preparation of our consolidated interim financial statements for the three and nine months ended September 30, 2023. Subsequently, we executed our remediation plan for such material weakness, as disclosed in our 2023 Annual Report on Form 10-K, by, among other things, ensuring 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. As a result, we believe that the material weakness described above was remediated as of May 15, 2024, the filing date of our first quarter 2024 Quarterly Report on Form 10-Q.

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Report that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. reporting, other than completion of the actions taken to remediate the material weakness which existed as of December 31, 2023, as described above.

PART II

OTHER INFORMATION

ITEM 1. *LEGAL PROCEEDINGS*

None.

ITEM 1A. *RISK FACTORS*

Except as set forth below, management Management is not aware of any material changes to the risk factors discussed in Part 1, Item 1A, of the Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. In addition to the following risk factors and other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors discussed in Part 1, Item 1A, of the Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, as amended, and subsequent reports filed pursuant to the Exchange Act which could materially and adversely affect the Company's business, financial condition, results of operations, and stock price. The risks described in the Annual Report on Form 10-K and subsequent reports filed pursuant to the Exchange Act are not the only risks facing the Company. Additional risks and uncertainties not presently known to management, or that management presently believes not to be material, may also result in material and adverse effects on our business, financial condition, and results of operations.

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

The success of the 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 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 Acquisition, and our business, results of operations and financial condition could be materially and adversely affected.

The 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 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 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

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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 Acquisition will subject the Company to contractual or other obligations and liabilities of 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 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 Acquisition.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

No unregistered securities were issued during the three months ended September 30, 2023 March 31, 2024 that were not previously reported.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. *EXHIBITS*

(b) Exhibits

Exhibit No.	Description	Incorporation by Reference
1.1 10.1	Underwriting Mutual General Release and Settlement Agreement dated August 21, 2023, by and between 3i, LP, Nomis Bay Ltd. and BPY Limited and Super League Gaming, Enterprise, Inc. and Aegis Capital Corp. , dated March 12, 2024.	Exhibit 1.1 10.1 to the Current Report on Form 8-K, filed on August 24, 2023 March 15, 2024.
3.6 10.2	Certificate of Amendment to Asset Purchase Agreement by and between Super League Gaming, Enterprise, Inc.'s Second Amended and Restated Certificate of Incorporation, as amendedGamerSafer, Inc.	Exhibit 3.1 10.55 to the Current Annual Report on Form 8-K, 10-K, filed on September 8, 2023
4.1 April 15, 2024	Form of Pre-Funded Warrant	Exhibit 4.1 to the Current on Form 8-K, filed on August 24, 2023
4.2	Warrant Agency Agreement, dated August 23, 2023, between Super League Gaming, Inc and Direct Transfer, LLC	Exhibit 4.2 to the Current Report on Form 8-K, filed on August 24, 2023
31.1	Certification of the Principal Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	
31.2	Certification of the Principal Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	
32.1	Certification of the Principal Executive Officer and Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	

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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)*

*** 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.*

SIGNATURES

Pursuant to the requirements 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.

By /s/ Ann Hand
Ann Hand
Chief Executive Officer
(Principal Executive Officer)

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

Date: November 14, 2023 May 15, 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, Chief Executive Officer of Super League Enterprise, Inc., certify that:

1. *I have reviewed this Quarterly Report on Form 10-Q 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:*

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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/ Ann Hand

Date: November 14, 2023 May 15, 2024

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 Quarterly Report on Form 10-Q 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;*

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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: November 14, 2023 May 15, 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 Quarterly Report of Super League Enterprise, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023 March 31, 2024 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: November 14, 2023 May 15, 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)

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