UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2019

OR

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

For the transition period from ______________ to

Commission File Number: 001-38125

CHICKEN SOUP FOR THE SOUL ENTERTAINMENT, INC.

(Exact name of registrant as specified in its charter)

Delaware	**81-2560811**
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)
132 East Putman Avenue – Floor 2W, Cos Cob, CT	**06807**
(Address of Principal Executive Offices)	(Zip Code)

855-398-0443
(Registrant's Telephone Number, including Area Code)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Class A common stock, $.0001 par value per share	CSSE	Nasdaq Global Market
9.75% Series A Cumulative Redeemable Perpetual Preferred Stock, $0.0001 par value per share	CSSEP	Nasdaq Global Market

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

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

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

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

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

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

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

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

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

As of June 28, 2019, the aggregate market value of the shares of the registrant's common stock held by non-affiliates was approximately $31.4 million.

The number of shares of Common Stock outstanding as of March 30, 2020 totaled 11,999,623 as follows:

Title of Each Class	
Class A common stock, $.0001 par value per share	4,185,685
Class B common stock, $.0001 par value per share*	7,813,938

*Each share convertible into one share of Class A common stock at the direction of the holder at any time.

Documents Incorporated by Reference

Portions of the registrant's Proxy Statement for Registrant's 2020 Annual Meeting of Stockholders to be filed at a later date are incorporated by reference into Part III of this Annual Report on Form 10-K.

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K ("Annual Report") contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements regarding: our core strategy; operating income and margin; seasonality; liquidity, including cash flows from operations, available funds and access to financing sources; free cash flows; revenues; net income; profitability; stock price volatility; future regulatory changes; pricing changes; the impact of, and the company's response to new accounting standards; action by competitors; user growth; partnerships; user viewing patterns; payment of future dividends; obtaining additional capital, including use of the debt market; future obligations; our content and marketing investments, including investments in original programming; amortization; significance and timing of contractual obligations; tax expense; recognition of unrecognized tax benefits; and realization of deferred tax assets. These forward-looking statements are subject to risks and uncertainties that could cause actual results and events to differ. A detailed discussion of these and other risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included throughout this filing and particularly in Item 1A: "Risk Factors" section set forth in this Annual Report. 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 revise or publicly release any revision to any such forward-looking statement, except as may otherwise be required by law.

In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words "target," "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "possible," "potential," "predicts," "project," "should," "would" and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking.

The forward-looking statements contained in this Annual Report are based on current expectations and beliefs concerning future developments and their potential effects on our company and its subsidiaries. There can be no assurance that future developments will be those that have been anticipated. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. You should read this Annual Report and the documents we have filed as exhibits to this Annual Report completely and with the understanding our actual future results may be materially different from what we expect, or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

PART I

Our company, Chicken Soup for the Soul Entertainment, Inc., is referred to in this Annual Report on Form 10-K as "CSSE," the Company," or "we" or similar pronouns. References to:

- *"CSS Productions" means Chicken Soup for the Soul Productions, LLC, our immediate parent;*
- *"CSS" means Chicken Soup for the Soul, LLC, our intermediate parent company;*
- *"CSS Holdings" means Chicken Soup for the Soul Holdings, LLC the parent company of CSS and our ultimate parent company;*
- *"Screen Media" means Screen Media Ventures, LLC, a wholly owned subsidiary of CSSE;*
- *"A Plus" means A Sharp Inc. (d/b/a A Plus), a wholly owned subsidiary of CSSE;*
- *"Pivotshare" means Pivotshare, Inc., a wholly owned subsidiary of CSSE;*
- *"Crackle Plus" means Crackle Plus, LLC, a company formed by CSSE and CPE Holdings, Inc. (an affiliate of Sony Pictures Television Inc.); and*
- *"Landmark Studio Group" means Landmark Studio Group a majority owned subsidiary of CSSE.*

ITEM 1. Business

Overview

Chicken Soup for the Soul Entertainment, Inc. (Nasdaq:CSSE) operates streaming video-on-demand networks ("VOD"). The company owns a majority stake in Crackle Plus, a company formed with Sony Pictures Television ("SPT"), which owns and operates a variety of ad-supported and subscription-based VOD networks including Crackle, Popcornflix, Popcornflix Kids, Truli, Pivotshare, Españolflix and FrightPix. Our company also acquires and distributes video content through its Screen Media subsidiary and produces long and short-form original content through subsidiaries and outside partnerships. The content acquired or produced by our company is sometimes used exclusively on our networks and is generally also sold to others with the goal of providing our networks access to original and exclusive AVOD content at a lower cost and to generate additional revenue and operating cash flow for our company.

Our majority-owned Crackle Plus subsidiary was formed in partnership with SPT in May 2019. Crackle Plus is one of the largest, independent advertising-supported online video-on-demand ("AVOD") network groups in the United States, with viewers streaming an average of approximately 30 million programs per month. The popular network, Crackle®, is the largest Crackle Plus network and a top performer on the industry-leading Roku platform. Our VOD networks deliver popular and original new content covering a wide range of themes, including family, kids and faith, as well as proven genres, such as horror and comedy. We are differentiated among other VOD network operators by our ability to generate original content cost-effectively and by our access to more than 49,000 hours of programming. Our Screen Media subsidiary has one of the largest independently owned television and film libraries in the industry and provides content to the Crackle Plus networks and third-party networks. Our VOD networks also feature original content produced through our subsidiaries, Landmark Studio Group and APlus.com. Our exclusive, perpetual, sublicensable and worldwide license, to create and distribute video content under the Chicken Soup for the Soul® brand (the "Brand") also allows us to create new Brand-focused AVOD channels, which we expect to do in the future.

We believe CSSE is the only independent AVOD network operator with the proven capability to create and distribute original programming and access to an extensive amount of valuable company-owned and third-party library content. We believe this differentiation is important at a time of a major shift in consumer viewing habits, as the growth in both availability and quality of high-speed broadband enables consumers to consume video content at any time on any device.

According to industry projections, the global market for AVOD network revenue is expected to increase at a compound annual growth rate of 21% between 2018 and 2024, reaching $56 billion by the end of the period. At the same time, advertising spending on linear television networks is expected to decline as more viewers transition from pay television subscriptions to online video viewing. We believe AVOD networks will grow rapidly as consumers seek affordable programming alternatives to multiple SVOD offerings.

In this environment, our strategy is to build a leading VOD network featuring a range of mass-appeal and thematic programming options. We are executing on this strategy in three ways:

- **Increase content.** Our “originals and exclusives” focus, supported by our distribution and production business, is designed to distinguish our network brands among viewers. We are able to add to our existing broad base of content without the significant capital outlay of a traditional television or film studio by producing new originals at low cost through creative partnerships, such as our award-winning 2019 series Going from Broke. Through Screen Media, we are also acquiring the rights to additional exclusive content. Finally, we are expanding our production capacity through partnerships, the formation of our majority owned subsidiary Landmark Studio Group and acquiring additional content libraries, such as our recent acquisition of the Foresight Unlimited film library.

- **Grow and retain audience while adding new networks.** Our goal is to utilize our increasing, exclusive access to quality programming to grow and retain viewers on our existing networks. As we grow our content libraries, we are also continuously evaluating opportunities to create new thematic networks that feature certain genres and other types of programming that can deliver more targeted advertising opportunities to marketers such as a Chicken Soup for the Soul network for families. Finally, we are also actively evaluating opportunities to acquire additional AVOD networks that can accelerate our path to scale.

- **Build our advertising sales capability.** As we grow our stable of networks, we are investing in integration of advertising platform technology stacks and the growth of our sales force. As our advertising sales capability matures, we believe we will be positioned to increase both overall advertising sales and ad insertion rates.

Since our inception in January 2015, our business has grown rapidly. For the full year 2019, our net revenue was $55.3 million, as compared to the full year 2018 net revenue of $26.9 million. This increase was primarily due to the revenue impact of adding the Crackle network to our business in May 2019. We had net losses of approximately $35.0 million in 2019, as compared to net losses of $2.0 million in 2018. Our 2019 Adjusted EBITDA was approximately, $6.0 million, as compared to 2018 Adjusted EBITDA of $10.0 million.

Business

We are a media company operating Crackle Plus, our AVOD and SVOD networks group, supported by our distribution and production capabilities. Our goal is to grow our network platform organically and through consolidation to establish a leading AVOD business positioned to capture ad revenue as that revenue increasingly moves from linear TV to online video.

Our three main areas of operation for 2019 were:

Online VOD Networks. In this operations area, we distribute and exhibit VOD content directly to consumers across all digital platforms, such as connected TVs, smartphones, tablets, gaming consoles and the web through our owned and operated AVOD Crackle Plus networks. We also distribute our own and third-party owned content to consumers across various digital platforms through our SVOD network, Pivotshare.

Our acquisition of Screen Media in 2017 marked our entry into the direct-to-consumer online VOD market through Popcornflix, which has an extensive footprint with apps that have been downloaded more than 27 million times.

Popcornflix is one of the largest AVOD services. Under the Popcornflix brand, we operate a series of direct-to consumer advertising supported channels. As a “free-to-consumer” digital streaming channel, Popcornflix is an extremely popular online video platform that can be found on the web, iPhones and iPads, Android products, Roku, Xbox, Amazon Fire, Apple TV, Chromecast and Samsung and Panasonic internet connected televisions, among others. Popcornflix is currently available in 61 countries, including the United States, United Kingdom, Canada, Australia, Germany, France, and Singapore, with additional territories to be added.

In October 2018, we completed the acquisition of the assets of Truli Media Corp., which operates a nascent global family-friendly and faith-based online video channel (“Truli”). Truli’s content fits strategically in our thematic network plans and includes film, television, music videos, sports, comedy, and educational material.

In May 2019, we launched a new streaming video subsidiary known as Crackle Plus, through which we operate VOD networks including, Crackle and Popcornflix. Viewers are able to watch premium video content, such as films and TV shows on our networks. The networks are accessible through various internet connected digital devices such as mobile, tablet, smart TV and console. The networks primarily earn revenue from advertisements placed on the platform through direct and reseller channels. Our entry into subscription-based VOD was initiated by our acquisition of the Pivotshare VOD platform in August 2018. All of our VOD acquisitions are currently in our Crackle Plus subsidiary. As a result, Crackle Plus, is one of the largest AVOD companies in the United States as well as a targeted SVOD network provider. Within Crackle Plus we have been primarily focused on growing our AVOD networks and may turn more attention to our SVOD opportunities in the future.

Television and Film Distribution. In this operations area, we distribute movies and television series worldwide , through our Screen Media subsidiary, to consumers through license agreements across all media, including theatrical, home video, pay-per-view, free, cable, pay television, VOD, mobile and new digital media platforms worldwide. We own the copyright or long-term distribution rights to over 1,000 television series and feature films, representing one of the largest independently owned libraries of filmed entertainment in the world.

We have distribution licensing agreements with numerous VOD services across all major platforms, such as cable and satellite VOD and Internet VOD, which includes TVOD for rentals or purchases of films, AVOD for free-to-viewer streaming of films supported by advertisements and SVOD for unlimited access to films for a monthly fee.

Our cable and satellite VOD distribution agreements include those with DirecTV, Cablevision (Altice USA), Verizon and In Demand (owned by Comcast, Charter and Time Warner Cable). Our Internet VOD distribution agreements include those with Amazon, iTunes, Samsung, YouTube, Hulu, Xbox, Netflix, Sony, and Vudu, among others.

We have expanded our international distribution capabilities in connection with the acquisition of the Foresight library. We have also expanded our international digital distribution through agreements with iTunes, Sony PlayStation, Xbox, among others.

Screen Media’s distribution capabilities across all media give us the ability to monetize various rights to our produced and co-produced television series and films directly, including our content produced through Landmark Studio Group. The cost savings from Screen Media’s distribution capabilities enhance our revenue and profits from our produced or co-produced content. Furthermore, Screen Media supports the programming and content needs of our AVOD networks. The ability to monetize film and tv rights through Screen Media gives us the ability to retain exclusive AVOD rights for some of our acquired or produced films or television series on a cost advantaged basis.

Television and Short-Form Video Production. In this operations area, we produce content in two main ways. We work with sponsors and use highly regarded independent producers to develop and produce our television and short-form video content, including Brand-related content. We also derive revenue from our subsidiary A Plus, which develops and distributes high-quality, empathetic short-form videos to millions of people worldwide. A Plus enhances our ability to distribute short form versions of our video productions thereby meeting commitments to sponsors and provide us with content developed and distributed by A Plus that is complementary to the Brand.

We utilize the Chicken Soup for the Soul brand, together with our management's industry experience and expertise, to generate revenue through the production and distribution of video content with sponsors. Since we seek to secure both the committed funding and production capabilities for our video content prior to moving forward with a project, we have high visibility into the profitability of a particular project before committing to proceed with such project. In addition, we take limited financial risk on developing our projects.

As a result of launching Crackle Plus we decided to change our approach to content production, focusing primarily on co-production partnerships in order to build our AVOD networks, through Crackle Plus, and our worldwide distribution capabilities through Screen Media. By focusing this way, we believe that we will be able to grow our business more rapidly by entering into production agreements with a variety of production partners. In October 2019, we launched Landmark Studio Group ("Landmark"), our first production co-venture subsidiary. Landmark is a fully integrated entertainment company focused on ownership, development, and production of quality entertainment franchises.
Landmark develops, produces, distributes and owns all the intellectual property (IP) it creates, building a valuable library. The studio will be independent, having the ability to sell its content to any network or platform, while also developing and producing original content for Crackle Plus. Landmark controls all worldwide rights and distributes those rights exclusively through Screen Media.

We plan to enter into other similar co-production arrangements going forward. We will only occasionally produce programming internally. As a result, we plan to combine the activity of this area with our distribution area beginning in 2020.

Competition

We are in a highly competitive business. The market for streaming entertainment is rapidly changing. We face competition from companies within the entertainment business and from alternative forms of leisure entertainment, such as travel, sporting events, outdoor recreation, video games, the internet and other cultural and computer-related activities. We compete for viewers and programming with much larger companies which have significant resources and brand recognition, including dominant video on demand providers such as Netflix, HBO GO, Hulu, Amazon Prime Video, Disney Plus, Fubo TV, Sling TV, and major film and television studios. We also compete with numerous independent motion picture and television distribution and production companies, television networks, pay television systems and online media platforms for viewers, subscribers, and the services of performing artists, producers and other creative and technical personnel and production financing, all of which are essential to the success of our businesses.

In addition, our video content competes for media outlet and audience acceptance with video content produced and distributed by other companies. As a result, the success of any of our video content is dependent not only on the quality and acceptance of a particular production, but also on the quality and acceptance of other competing video content available in the marketplace at or near the same time.

Given such competition, and our stage of development, we emphasize a lower cost structure, risk mitigation, reliance on financial partnerships and innovative financial strategies. We rely on our flexibility and agility as well as the entrepreneurial spirit of our employees, partners and affiliates, in order to provide creative, desirable video content.

Intellectual Property

We are party to the CSS License Agreement (as defined) through which we have been granted the perpetual, exclusive, worldwide license by CSS to produce and distribute video content using the brand and related content, such as stories published in the Chicken Soup for the Soul books. Chicken Soup for the Soul and related names are trademarks owned by CSS. We have the proprietary rights (including copyrights) in all company-produced content. As a result of the acquisitions of Screen Media, Pivotshare, Crackle, and other smaller libraries and companies we now own copyrights or global long-term distribution rights to approximately 49,000 hours of content.

We rely on a combination of copyright, trademark, trade secret laws, confidentiality procedures, contractual provisions and other similar measures to protect our proprietary information and intellectual property rights. Our ability to protect and enforce our intellectual property rights is subject to certain risks and from time to time we encounter disputes over rights and obligations concerning intellectual property, which are described more fully in the section titled “Risk Factors”.

Employees

As of December 31, 2019, we had 85 direct employees. The services of certain personnel, including our chairman and chief executive officer, vice chairman and chief strategy officer, our senior brand advisor and director, and chief financial officer, among others, are provided to us under the CSS Management Agreement. We also utilize many consultants in the ordinary course of our business and hire additional personnel on a project-by-project basis. We believe that our employee and labor relations are good, and we are committed to inclusion and strict policies and procedures to maintain a safe work environment.

Corporate Information

We are a Delaware corporation formed on May 4, 2016. CSS Productions, our predecessor and immediate parent company, was formed in December 2014 by CSS, and initiated operations in January 2015. We were formed to create a discrete entity focused on video content opportunities using the Brand. On May 4, 2016, pursuant to the terms of the contribution agreement among CSS, CSS Productions and the Company (the “CSS Contribution Agreement”), all video content assets (the “Subject Assets”) owned by CSS, CSS Productions and their CSS subsidiaries were transferred to the Company in consideration for its issuance to CSS Productions of 8,600,568 shares of the Company’s Class B common stock. Concurrently with the consummation of the CSS Contribution Agreement, certain rights to receive payments under certain agreements comprising part of the Subject Assets owned by Trema, LLC (“Trema”), a company principally owned and controlled by William J. Rouhana, Jr., the Company’s chairman and chief executive officer, were assigned to the Company under a contribution agreement (the “Trema Contribution Agreement”) in consideration for the Company’s issuance to Trema of 159,432 shares or our Class B common stock. Thereafter, CSS Productions’ operating activities ceased, and the Company continued the business operations of producing and distributing the video content.

Internet Address and Availability of Filings

We maintain a website at www.cssentertainment.com. The contents of our website are not incorporated in, or otherwise to be regarded as part of, this Annual Report. The Company makes available, free of charge, on or through its website, the Company’s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (“Exchange Act”), as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the Securities and Exchange Commission.

Implications of Being an Emerging Growth Company

We are an “emerging growth company”, as defined in the Jumpstart our Business Startups Act (“JOBS Act”), and, for so long as we are an emerging growth company, we are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. These include, but are not limited to:

- Not being required to comply with the auditor attestation requirements in the assessment of our internal control over financial reporting;
- Not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditors’ report providing additional information about the audit and the financial statements;
- Reduced disclosure obligations regarding executive compensation; and
- Exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We may remain an "emerging growth company" until as late as December 31, 2022, the fiscal year-end following the fifth anniversary of the completion of our IPO, though we may cease to be an emerging growth company earlier under certain circumstances, including if (a) we have more than $1.07 billion in annual revenue in any fiscal year, (b) the market value of our common stock that is held by non-affiliates exceeds $700 million as of any June 30 or (c) we issue more than $1.0 billion of non-convertible debt over a three-year period.

In addition, Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended (the "Securities Act"), for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies.

ITEM 1A. Risk Factors

We are affected by risks specific to us as well as factors that affect all businesses operating in a global market. The significant factors known to us that could materially adversely affect our business, financial condition, or operating results are set forth below. You should carefully consider the risks and uncertainties described below, together with all the other information in this Annual Report, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the related notes. If any of the following risks occurs, our business, reputation, financial condition, results of operations, revenue, and prospects could be seriously harmed. Unless otherwise indicated, references to our business being harmed in these risk factors will include harm to our business, reputation, financial condition, results of operations, revenue, and prospects.

Risks Related to our Company:

We have incurred operating losses in the past, may incur operating losses in the future and may never achieve or maintain profitability.

As of December 31, 2019, we had an accumulated deficit of approximately $32.7 million and for the year ended December 31, 2019, we had a net loss of $34.9 million. We expect our operating expenses to increase in the future as we expand our operations. If our revenue and gross profit do not grow at a greater rate than our operating expenses, we will not be able to achieve and maintain profitability. Additionally, we may encounter unforeseen operating or legal expenses, difficulties, complications, delays and other factors that may result in losses in future periods. If our expenses exceed our revenue, we may never achieve or maintain profitability and some or all aspects of our business operations may need to be modified or curtailed.

We do not have a long operating history on which to evaluate our company.

Our predecessor, CSS Productions, was formed in December 2014 and we were formed in May 2016 to acquire CSS Productions' assets in order to create a discrete, focused entity to pursue video content opportunities using the Chicken Soup for the Soul brand. We focused our company in the area of video on demand in 2017 and have a limited history in operating commercial video on demand offerings. A significant portion of our video on demand operations assets was acquired by us from CPE Holdings, Inc in May 2019, and we have only a limited history in controlling and operating such assets. We face all the risks faced by newer companies in the media industry, including significant competition from existing and emerging media producers and distributors, many of which are significantly more established, larger and better financed than our company.

We may not realize the advantages we expect from Crackle Plus

In May 2019, we consummated a contribution agreement with CPE Holdings, Inc. ("CPEH"), pursuant to which we and CPEH contributed certain assets relating to our respective VOD businesses to our newly formed majority owned subsidiary, Crackle Plus.

We may not realize the potential benefits of Crackle Plus as expected. Our inability to successfully integrate and manage Crackle Plus could delay us from pursuing other strategic opportunities, or otherwise adversely affect our business, financial results, and operations.

Our quarterly and annual operating results may fluctuate due to the costs and expenses of acquiring and integrating the Crackle Plus business. We may require additional debt or equity financing, resulting in additional leverage or dilution of ownership.

Additionally, CPEH has certain protective voting rights in Crackle Plus. Certain actions require supermajority approval of the board of managers of Crackle Plus, including the managers appointed by CPEH. As a result, our investment in Crackle Plus involves risks that are different from the risks involved in our independent operations. These risks include the possibility that CPEH has economic or business interests or goals that are or become inconsistent with our economic or business interests or goals.

The operating agreement between us and CPEH includes a put arrangement with respect to CPEH's membership interests in Crackle Plus. At certain times and on the terms specified in the operating agreement, CPEH has a put right to cause us to purchase all such membership interests. We may pay the purchase price for CPEH's membership interests in cash or in shares of our Series A Preferred Stock, at our option. If we are required to purchase CPEH's membership interests, we could choose to make significant cash payment, or the price of our Series A Preferred Stock held by our other preferred stockholders may be adversely affected.

All our tangible and intangible property is pledged to secure existing indebtedness.

All of our tangible and intangible property, including accounts receivable and intellectual property, is pledged under a first priority security interest to secure our repayment obligations under indebtedness owed to Patriot Bank, N.A. under our Commercial Loan, as described under "*Management's Discussion and Analysis of Operating and Financial Condition – Liquidity and Capital Resources* - "*Commercial Loan*." In the event the holder of such indebtedness takes action with respect to our assets in connection with any default under the Commercial Loan, we may not be able to continue our operations.

If our efforts to attract and retain VOD viewers are not successful, our business may be adversely affected.

Our success depends in part on attracting viewers, retaining them on our VOD service and ultimately monetizing our VOD services and content offerings. As such, we are seeking to expand our viewer base and increase the number of hours that are streamed across our platforms to create additional revenue opportunities. To attract and retain viewers, we need to be able to respond efficiently to changes in consumer tastes and preferences and to offer our viewers access to the content they enjoy on terms that they accept. Effective monetization may require us to continue to update the features and functionality of our VOD offerings for viewers and advertisers.

Our ability to attract viewers will depend in part on our ability to effectively market our services, as well as provide a quality experience for selecting and viewing TV series and movies. Furthermore, the relative service levels, content offerings, pricing and related features of competitors as compared to our service will determine our ability to attract and retain viewers. Competitors include other streaming entertainment providers, including those that provide AVOD and SVOD offerings, and other direct-to-consumer video distributors and more broadly other sources of entertainment that our viewers could choose in their moments of free time. If consumers do not perceive our service offerings to be of value, including if we introduce new or adjust existing features or service offerings, or change the mix of content in a manner that is not favorably received by them, we may not be able to attract and retain consumers. In addition, many of our consumers originate from word-of-mouth advertising from existing viewers. If we do not grow as expected, we may not be able to adjust our expenditures or increase our revenues commensurate with the lowered growth rate such that our margins, liquidity and results of operation may be adversely impacted. If we are unable to successfully compete with current and new competitors in both retaining our existing viewers and attracting new viewers, our business may be adversely affected.

Changes in competitive offerings for entertainment video could adversely impact our business.

The market for entertainment video is also subject to rapid change. Through new and existing distribution channels, consumers have increasing options to access entertainment video. The various economic models underlying these channels include subscription, transactional, and ad-supported models. All of these have the potential to capture meaningful segments of the entertainment video market. Traditional providers of entertainment video, including broadcasters and cable network operators, as well as internet-based e-commerce or entertainment video providers are increasing their streaming video offerings. Several of these competitors have long operating histories, large customer bases, strong brand recognition, exclusive rights to certain content and significant financial, marketing and other resources. They may secure better terms from content suppliers and devote more resources to product development, technology, infrastructure, content acquisitions and marketing. New entrants may enter the market or existing providers may adjust their services with unique offerings or approaches to providing entertainment video. Companies also may enter into business combinations or alliances that strengthen their competitive positions. If we are unable to successfully or profitably compete with current and new competitors, our business may be adversely affected, and we may not be able to increase or maintain market share, revenues or profitability.

Our long-term results of operations are difficult to predict and depend on the commercial success of our VOD platforms as well as successful monetization of our video content in other ways and the continued strength of the Chicken Soup for the Soul brand.

Video streaming is a rapidly evolving industry, making our business and prospects difficult to evaluate. The growth and profitability of this industry and the level of demand and market acceptance for our VOD platforms and content offerings are subject to a high degree of uncertainty. We believe that the continued growth of streaming as an entertainment alternative will depend on the availability and growth of cost-effective broadband internet access, the quality of broadband content delivery, the quality and reliability of new devices and technology, the cost for viewers relative to other sources of content, as well as the quality and breadth of content that is delivered across streaming platforms. These technologies, products and content offerings continue to emerge and evolve. In addition, many advertisers continue to devote a substantial portion of their advertising budgets to traditional advertising, such as linear TV, radio and print. The future growth of our business depends on the growth of digital advertising, and on advertisers increasing their spend on such advertising. We cannot be certain that they will do so. If advertisers do not perceive meaningful benefits of digital advertising, the market may develop more slowly than we expect, which could adversely impact our operating results and our ability to grow our business.

In addition, monetization of content that we produce and acquire from sources other than our AVOD network is an essential element of our strategy. Our ability in the long-term to obtain sponsorships, licensing arrangements, co-productions and tax credits and to distribute our original programming and acquired video content will depend, in part, upon the commercial success of the content that we initially produce and distribute and, in part, on the continued strength of the *Chicken Soup for the Soul* brand. We cannot ensure that we will produce, acquire, and distribute successful content. The continued strength of the brand will be affected in large part by the operations of CSS and its other business operations, none of which we control. CSS utilizes the brand through its other subsidiaries for various commercial purposes, including the sale of books (including educational curriculum products), pet foods and other consumer products. Negative publicity relating to CSS or its other subsidiaries or the brand, or any diminution in the perception of the brand could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects. We cannot assure you that we will manage the production and distribution of all of our video content successfully, that all or any portion of our video content will be met with critical acclaim or will be embraced by audiences on a one-time or repeated basis, or that the strength of the *Chicken Soup for the Soul* brand will not diminish over time.

We may not be successful in our efforts to further monetize our VOD services

Our AVOD platforms generate revenue primarily from digital advertising and audience development campaigns that run across our streaming platform and from content distribution services. Our ability to deliver more relevant advertisements to our viewers and to increase our platform’s value to advertisers and content publishers depends on the collection of user engagement data, which may be restricted or prevented by a number of factors. Viewers may decide to opt out or restrict our ability to collect personal viewing data or to provide them with more relevant advertisements. While we have experienced, and expect to continue to experience, growth in our revenue from advertising, our efforts to monetize our streaming platform through the distribution of AVOD content are still developing and our advertising revenue may not grow as we expect. This means of monetization will require us to continue to attract advertising dollars to our streaming platform as well as deliver AVOD content that appeals to viewers. Accordingly, there can be no assurance that we will be successful in monetizing our streaming platform through the distribution of ad-supported content.

In addition, with the recent spread of the coronavirus throughout the United States and the rest of the world, companies advertising plans and amounts available for advertising may be significantly restricted or discontinued which could also impact our ability to monetize our AVOD platform.

Our reliance on third parties for content, production and distribution could limit our control over the quality of the finished video content.

We currently have limited production capabilities and are reliant on relationships with third parties for much of these capabilities. Working with third parties is an integral part of our strategy to produce video content on a cost-efficient basis, and our reliance on such third parties could lessen the control we have over the projects. Should the third-party producers we rely upon not produce completed projects to the standards we expect and desire, critical and audience acceptance of such projects could suffer, which could have an adverse effect on our ability to produce and distribute future projects. Further, we cannot be assured of entering into favorable agreements with such third-party producers on economically favorable terms or on terms that provide us with satisfactory intellectual property rights in the completed projects.

A limited number of content publishers account for a significant portion of the hours streamed on our Crackle Plus and other streaming platforms. If, for any reason, our relationships with these publishers worsen, our streaming hours, active viewers, and advertising revenue may be adversely affected, and our business may be harmed. As of year-end 2019 Sony provides slightly over 50% of the content on our Crackle Plus network. If for any reason Sony did not provide such content in the future the business could be adversely affected.

An integral part of our strategy is to initially minimize our production, content acquisition and distribution costs by utilizing funding sources provided by others, however, such sources may not be readily available.

The production acquisition and distribution of video content can require a significant amount of capital. As part of our strategy, we seek to fund the production, content acquisition, and distribution of our video content through co-productions, tax credits, upfront fees from sponsors, licensors, broadcasters, cable and satellite outlets and other producers and distributors, as well as through other initiatives. Such funding from the aforementioned sources or other sources may not be available on attractive terms or at all, as and when we need such funding. To the extent we are not able to secure agreements of this sort, we may need to curtail the amount of video content being produced or acquired by us or use our operating or other funds to pay for such video content, which could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

Due to the effect of the coronavirus, the interest and ability of sponsors to enter into and invest in co-production agreements may not be attractive or considered at this time.

As we grow, we may seek to fund and produce more of our video content directly, subjecting us to significant additional risks.

Our current strategy of funding the production, acquisition, and distribution of our video content through the payment of upfront fees by third parties may limit the backend return to us. If we should determine to use our own funds to produce, acquire, and distribute more of our video content in order to capture greater backend returns, we would face significant additional risks, such as the need to internally advance funds ahead of revenue generation and cost recoupment and the need to divert some of our resources and efforts away from other operations. In order to reduce these risks, we may determine to raise additional equity or incur additional indebtedness. In such event, our stockholders and our company will be subjected to the risks associated with issuing more of our shares or increasing our debt obligations.

If studios, content providers or other rights holders refuse to license content or other rights upon terms acceptable to us, our business could be adversely affected.

Our ability to provide content depends on studios, content providers and other rights holders licensing rights to distribute such content and certain related elements thereof, such as the public performance of music contained within the content we distribute. If studios, content providers and other rights holders are not or are no longer willing or able to license us content upon terms acceptable to us, our ability to provide content will be adversely affected and/or our costs could increase.

Certain conflicts of interest may arise between us and our affiliated companies and we have waived certain rights with respect thereto.

Our certificate of incorporation includes a provision stating that we renounce any interest or expectancy in any business opportunities that are presented to us or our officers, directors or stockholders or affiliates thereof, including but not limited to CSS Productions and its affiliates (collectively, the "CSS Companies"), except as may be set forth in any written agreement between us and any of the CSS Companies (such as the CSS License Agreement under which CSS has agreed that all video content operations shall be conducted only through CSS Entertainment). This provision also states that, to the fullest extent permitted by Delaware law, our officers, directors and employees shall not be liable to us or our stockholders for monetary damages for breach of any fiduciary duty by reason of any of our activities or any activities of any of the CSS Companies. As a result of these provisions, there may be conflicts of interest among us and our officers, directors, stockholders or their affiliates, including the CSS Companies, relating to business opportunities, and we have waived our right to monetary damages in the event of any such conflict.

We are required to make continuing payments to our affiliates, which may reduce our cash flow and profits.

We are required to make significant payments to our affiliates as described under "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Affiliate Resources and Obligations — CSS Management Agreement*", "*CSS License Agreement*" and described under "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources*". Accordingly, in the aggregate, 10% of our net revenue will be paid to our affiliates on a continuous basis and will not be otherwise available to us.

If a project we are producing incurs substantial budget overruns, we may have to seek additional financing from outside sources to complete production or fund the overrun ourselves.

If a production we are funding incurs substantial budget overruns, we may have to seek additional financing from outside sources to complete production or fund the overrun ourselves. We cannot be certain that any required financing will be available to us on commercially reasonable terms or at all, or that we will be able to recoup the costs of overruns. Increased costs incurred with respect to a project may result in the production not being ready for release at the intended time, which could cause a decline in the commercial performance of the project. Budget overruns could also prevent a project from being completed or released at all.

We are subject to risks associated with possible acquisitions, business combinations, or joint ventures.

We are actively pursuing discussions and activities with respect to possible acquisitions, sale of assets, business combinations, or joint ventures intended to complement or expand our business, some of which may be significant transactions for us. We may not realize the anticipated benefit from any of the transactions we pursue. Regardless of whether we consummate any such transaction, the negotiation of a potential transaction could require us to incur significant costs and cause diversion of management's time and resources.

Integrating any business that we acquire may be distracting to our management and disruptive to our business and may result in significant costs to us. We could face several challenges in the consolidation and integration of information technology, accounting systems, personnel and operations. Any such transaction could also result in impairment of goodwill and other intangibles, development write-offs and other related expenses. Any of the foregoing could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

Our operating results may fluctuate.

Our operating results are dependent, in part, on management's estimates of revenue to be earned over the life of a project. We will regularly review and revise our revenue estimates. This review may result in a change in the rate of amortization and/or a write-down of the video content asset to its estimated realizable value. Results of operations in future years depend upon our amortization of our video content costs. Periodic adjustments in amortization rates may significantly affect these results. Further, as many of our third-party relationships will be on a project-by-project basis, the profits, if any, generated from various projects will fluctuate based on the terms of the agreements between us and our third-party producers and distributors.

Variations in our quarterly and year-end operating results are difficult to predict and our income and cash flows may fluctuate significantly from period to period, which may impact our board of directors' willingness or legal ability to declare a monthly dividend. If our operating results fall below the expectations of investors or securities analysts, the price of our Common Stock and our Series A preferred stock could decline substantially. Specific factors that may cause fluctuations in our operating results include:

- demand and pricing for our products and services;
- introduction of competing products;
- our operating expenses which fluctuate due to growth of our business;
- timing and popularity of new video content offerings and changes in viewing habits or the emergence of new content distribution platforms; and
- variable sales cycle and implementation periods for content and services.

As a result of the foregoing and other factors, our results of operations may fluctuate significantly from period to period, and the results of any one period may not be indicative of the results for any future period.

Distributors' failure to promote our video content could adversely affect our revenue and could adversely affect our business results.

We will not always control the timing and way in which our licensed distributors distribute our video content offerings. However, their decisions regarding the timing of release and promotional support are important in determining our success. Any decision by those distributors not to distribute or promote our video content or to promote our competitors' video content to a greater extent than they promote our content could adversely affect our business, financial condition, operating results, liquidity and prospects.

We are smaller and less diversified than many of our competitors.

Many of the producers and studios with which we compete are part of large diversified corporate groups with a variety of other operations, including television networks, cable channels and other diversified companies such as Amazon, which can provide both the means of distributing their products and stable sources of earnings that may allow them to better offset fluctuations in the financial performance of their operations. In addition, the major studios have more resources with which to compete for ideas, storylines and scripts created by third parties as well as for actors, and other personnel required for production. The resources of the major producers and studios may also give them an advantage in acquiring other businesses or assets, including video content libraries, that we might also be interested in acquiring.

We face risks from doing business internationally.

We intend to increase the distribution of our video content outside the U.S. and thereby derive significant revenue in foreign jurisdictions. As a result, our business is subject to certain risks inherent in international business, many of which are beyond our control. These risks include:

- laws and policies affecting trade, investment and taxes, including laws and policies relating to the repatriation of funds and withholding taxes, and changes in these laws;
- the Foreign Corrupt Practices Act and similar laws regulating interactions and dealings with foreign government officials;
- changes in local regulatory requirements, including restrictions on video content;
- differing cultural tastes and attitudes;
- differing and more stringent user protection, data protection, privacy and other laws;
- differing degrees of protection for intellectual property;
- financial instability and increased market concentration of buyers in foreign television markets;
- the instability of foreign economies and governments;
- fluctuating foreign exchange rates;
- the spread of communicable diseases in such jurisdictions, which may impact business in such jurisdictions; and
- war and acts of terrorism.

Events or developments related to these and other risks associated with international trade could adversely affect our revenue from non-U.S. sources, which could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

Protecting and defending against intellectual property claims may have a material adverse effect on our business.

Our ability to compete depends, in part, upon successful protection of our intellectual property relating to our video content and the protection of the *Chicken Soup for the Soul* brand. We protect proprietary and intellectual property rights to our productions through available copyright and trademark laws and licensing and distribution arrangements with reputable international companies in specific territories and media. Under the terms of the CSS License Agreement, CSS has the primary right to take actions to protect the brand, and, if it does not, and we reasonably deem any infringement thereof is materially harmful to our business, we may elect to seek action to protect the brand ourselves. Although in the former case, we would equitably share in any recovery, and in the latter case, we would retain the entirety of any recovery, should CSS determine not to prosecute infringement of the brand, we could be materially harmed and could incur substantial cost in prosecuting an infringement of the *Chicken Soup for the Soul* brand.

Others may assert intellectual property infringement claims against us.

It is possible that others may claim from time to time that our productions and production techniques misappropriate or infringe the intellectual property rights of third parties with respect to their previously developed content, stories, characters and other entertainment or intellectual property. Although CSS is obligated to indemnify us for claims related to our use of the *Chicken Soup for the Soul* brand in accordance with the CSS License Agreement, we could face lawsuits with respect to claims relating thereto. Irrespective of the validity or the successful assertion of any such claims, we could incur significant costs and diversion of resources in defending against them, which could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

Our business involves risks of liability claims for video content, which could adversely affect our results of operations and financial condition.

As a producer and distributor of video content, we may face potential liability for defamation, invasion of privacy, negligence and other claims based on the nature and content of the materials distributed. These types of claims have been brought, sometimes successfully, against producers and distributors of video content. Any imposition of liability that is not covered by insurance or is in excess of insurance coverage could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

Piracy of video content may harm our business.

Video content piracy is extensive in many parts of the world, including South America, Asia, and certain Eastern European countries, and is made easier by technological advances and the conversion of video content into digital formats. This trend facilitates the creation, transmission and sharing of high-quality unauthorized copies of video content on DVDs, Blu-ray discs, from pay-per-view through set-top boxes and other devices and through unlicensed broadcasts on free television and the internet. The proliferation of unauthorized copies of our video content could have an adverse effect on our business.

Any significant disruption in the computer systems of third parties that we utilize in our operations could result in a loss or degradation of service and could adversely impact our business.

Our reputation and ability to attract, retain and serve our viewers is dependent upon the reliable performance of the computer systems of third parties that we utilize in our operations. These systems may be subject to damage or interruption from earthquakes, adverse weather conditions, other natural disasters, terrorist attacks, power loss, telecommunications failures, computer viruses, computer denial of service attacks or other attempts to harm these systems. Interruptions in these systems or to the internet in general, could make our content unavailable or impair our ability to deliver such content.

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

In addition to our websites, we use third-party applications, websites, and social media platforms to promote our video content offerings and engage consumers, as well as monitor and collect certain information about consumers. There are a variety of laws and regulations governing individual privacy and the protection and use of information collected from such individuals, particularly in relation to an individual's personally identifiable information. The United States is seeing the adoption of state-level laws governing individual privacy. This includes the California Consumer Protection Act ("CCPA"). Many foreign countries have adopted similar laws governing individual privacy, such as the recent adoption of the EU's General Data Protection Regulation ("GDPR") and some of which are more restrictive than similar United States laws. If our online activities were to violate any applicable current or future laws and regulations that limit our ability to collect, transfer, and use data, we could be subject to litigation from both private rights of action, class action lawsuits, and regulatory actions, including fines and other penalties. Internationally, we may become subject to evolving, additional and/or more stringent legal obligations concerning our treatment of customer and other personal information, such as laws regarding data localization and/or restrictions on data export. Failure to comply with these obligations could subject us to liability, and to the extent that we need to alter our business model or practices to adapt to these obligations, we could incur additional expenses.

If government regulations relating to the internet or other areas of our business change, we may need to alter the way we conduct our business or incur greater operating expenses.

The adoption or modification of laws or regulations relating to the internet or other areas of our business could limit or otherwise adversely affect the way we currently conduct our business. In addition, the continued growth and development of the market for online commerce may lead to more stringent consumer protection laws, which may impose additional burdens on us such as recent adoption of the EU's GDPR. If we are required to comply with new regulations or legislation or new interpretations of existing regulations or legislation, this compliance could cause us to incur additional expenses or alter our operations.

If we experience rapid growth, we may not manage our growth effectively, execute our business plan as proposed or adequately address competitive challenges.

We anticipate continuing to grow our business and operations rapidly. Our growth strategy includes organic initiatives and acquisitions. Such growth could place a significant strain on the management, administrative, operational and financial infrastructure we utilize, a portion of which is made available to us by our affiliates under the CSS Management Agreement. Our long-term success will depend, in part, on our ability to manage this growth effectively, obtain the necessary support and resources under the CSS Management Agreement and grow our own internal resources as required, including internal management and staff personnel. To manage the expected growth of our operations and personnel, we also will need to increase our internal operational, financial and management controls, and our reporting systems and procedures. Failure to effectively manage growth could result in difficulty or delays in producing our video content, declines in overall project quality and increases in costs. Any of these difficulties could adversely impact our business financial condition, operating results, liquidity and prospects.

Our exclusive license to use the Chicken Soup for the Soul brand could be terminated in certain circumstances.

We do not own the Chicken Soup for the Soul brand or any other Chicken Soup for the Soul-related assets (including books), other than those assets transferred to us under the CSS Contribution Agreement. The Brand is licensed to us by CSS under the terms of the CSS License Agreement. CSS controls the Brand, and the continued integrity and strength of the Chicken Soup for the Soul brand will depend in large part on the efforts and businesses of CSS and how the brand is used, promoted and protected by CSS, which will be outside of the immediate control of our company. Although the license granted to us under the CSS License Agreement is perpetual, there are certain circumstances in which it may be terminated by CSS, including our breach of the CSS License Agreement.

We may not be able to realize the entire book value of goodwill and other intangible assets from the formation of Crackle Plus and other acquisitions.

As of December 31, 2019, we have $21.4 million of goodwill and $47.6 million of net intangible assets, primarily related to the formation of Crackle Plus and other acquisitions. We assess goodwill and other intangible assets for impairment at least annually and more frequently if certain events or circumstances warrant. If the book value of goodwill or other intangible assets is impaired, any such impairment would be charged to earnings in the period of impairment. If we determine that goodwill and other intangible assets are impaired in the future, it could have a material adverse effect on our business, financial condition and results of operations.

Claims against us relating to any acquisition or business combination may necessitate our seeking claims against the seller for which the seller may not indemnify us or that may exceed the seller's indemnification obligations.

There may be liabilities assumed in any acquisition or business combination that we did not discover or that we underestimated in the course of performing our due diligence. Although a seller generally may have indemnification obligations to us under an acquisition or merger agreement, these obligations usually will be subject to financial limitations, such as general deductibles and maximum recovery amounts, as well as time limitations. We cannot assure you that our right to indemnification from any seller will be enforceable, collectible or sufficient in amount, scope or duration to fully offset the amount of any undiscovered or underestimated liabilities that we may incur. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

We may require and not be able to obtain additional funding to meet increased capital needs after an acquisition.

Our ability to grow through acquisitions, business combinations and joint ventures and our ability to fund our operating expenses after one or more acquisitions may depend upon our ability to obtain funds through equity financing, debt financing (including credit facilities) or the sale or syndication of some or all of our interests in certain projects or other assets or businesses. If we do not have access to such financing arrangements, and if other funds do not become available on terms acceptable to us, there could be a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

Our success depends on our management and relationships with our affiliated companies.

Our success depends to a significant extent on the performance of our management personnel and key employees, including production and creative personnel, made available to us through the CSS Management Agreement. The loss of the services of such persons or the resources supplied to us by our affiliated companies could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

To be successful, we need to attract and retain qualified personnel.

Our success will depend to a significant extent on our ability to identify, attract, hire, train and retain qualified professional, creative, technical and managerial personnel. Competition for the caliber of talent required to produce and distribute our video content continues to increase. We cannot assure you that we will be successful in identifying, attracting, hiring, training and retaining such personnel in the future. If we were unable to hire, assimilate and retain qualified personnel in the future, such inability could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

We are an "emerging growth company" under the JOBS Act of 2012 and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our Class A common stock less attractive to investors.

We are an "emerging growth company", as defined in the Jumpstart Our Business Startups Act of 2012 ("JOBS Act"), and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public 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, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our Class A common stock less attractive because we may rely on these exemptions. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock and our stock price may be more volatile.

In addition, Section 107 of the JOBS Act also provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We are choosing to take advantage of the extended transition period for complying with new or revised accounting standards.

We will remain an "emerging growth company" for up to five years, although we will lose that status sooner if our revenue exceeds $1.07 billion, if we issue more than $1 billion in non-convertible debt in a three-year period, or if the market value of our common stock that is held by non-affiliates exceeds $700 million as of June 30 of any year.

Our status as an "emerging growth company" under the JOBS Act of 2012 may make it more difficult to raise capital as and when we need it.

Because of the exemptions from various reporting requirements provided to us as an "emerging growth company" and because we will have an extended transition period for complying with new or revised financial accounting standards, we may be less attractive to investors and it may be difficult for us to raise additional capital as and when we need it. Investors may be unable to compare our business with other companies in our industry if they believe that our financial accounting is not as transparent as other companies in our industry. Any inability to raise additional capital as and when we need it, could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

Since our content is digitally stored and distributed online, and we accept online payments for various subscription services, we face numerous cybersecurity risks.

We utilize information technology systems, including third-party hosted servers and cloud-based servers, to host our digital content, as well as to keep business, financial, and corporate records, communicate internally and externally, and operate other critical functions. If any of our internal systems or the systems of our third-party providers are compromised due to computer virus, unauthorized access, malware, and the like, then sensitive documents could be exposed or deleted, and our ability to conduct business could be impaired.

Cyber incidents can result from deliberate attacks or unintentional events. These incidents can include, but are not limited to, unauthorized access to our systems, computer viruses or other malicious code, denial of service attacks, malware, ransomware, phishing, SQL injection attacks, human error, or other events that result in security breaches or give rise to the manipulation or loss of sensitive information or assets. Cyber incidents can be caused by various persons or groups, including disgruntled employees and vendors, activists, organized crime groups, and state-sponsored and individual hackers. Cyber incidents can also be caused or aggravated by natural events, such as earthquakes, floods, fires, power loss, and telecommunications failures.

To date, we have not experienced any material losses relating to cyber-attacks, computer viruses, or other systems failures. Although we have taken steps to protect the security of data maintained in our information systems, it is possible that our security measures will not be able to prevent the systems' improper functioning or the improper disclosure of personally identifiable information, such as in the event of cyber-attacks. In addition to operational and business consequences, if our cybersecurity is breached, we could be held liable to our customers or other parties in regulatory or other actions, and we may be exposed to reputation damages and loss of trust and business. This could result in costly investigations and litigation, civil or criminal penalties, fines, and negative publicity.

Certain information relating to our customers, including personally identifiable information and credit card numbers, is collected and maintained by us, or by third parties that do business with us or facilitate our business activities. This information is maintained for a period of time for various business purposes, including maintaining records of customer preferences to enhance our customer service and for billing, marketing, and promotional purposes. We also maintain personally identifiable information about our employees. The integrity and protection of our customer, employee and company data is critical to our business. Our customers and our employees expect that we will adequately protect their personal information, and the regulations applicable to security and privacy are increasingly demanding. Privacy regulation is an evolving area and compliance with applicable privacy regulations may increase our operating costs or adversely impact our ability to service our customers and market our properties and services.

The occurrence of natural or man-made disasters could result in declines in business that could adversely affect our financial condition, results of operations and cash flows.

We are exposed to various risks arising out of natural disasters, including earthquakes, hurricanes, fires, floods, landslides, tornadoes, typhoons, tsunamis, hailstorms, explosions, climate events or weather patterns and pandemic health events (such as the recent pandemic spread of the novel corona virus known as COVID-19 virus, duration and full effects of which ae still uncertain), as well as man-made disasters, including acts of terrorism, military actions, cyber-terrorism, explosions and biological, chemical or radiological events. The continued threat of terrorism and ongoing military actions may cause significant volatility in global financial markets, and a natural or man-made disaster could trigger an economic downturn in the areas directly or indirectly affected by the disaster. These consequences could, among other things, result in a decline in business. Disasters also could disrupt public and private infrastructure, including communications and financial services, which could disrupt our normal business operations. A natural or man-made disaster also could disrupt the operations of our partners and counterparties or result in increased prices for the products and services they provide to us.

Our business, results of operations, and financial condition may be impacted by the recent coronavirus (COVID-19) outbreak.

The global and national impact of COVID-19 could be immense and the length of the pandemic and its ultimate economic and human toll cannot yet be determined. There is significant uncertainty relating to the potential impact of COVID-19 on our business. COVID-19 could cause increases in the viewership of our advertising-based VODs as consumers stay home more and look for cost-efficient sources of entertainment. Conversely, viewership could be drawn away from our VOD offerings as people address larger concerns in their lives or spend more of their viewing time watching news sources or if we begin to experience any unexpected broadband outages or other issues that adversely affect viewers' ability to gain access to the platform from time to time. While our employees currently have the ability and are encouraged to work remotely, such measures may have a substantial impact on employee attendance or productivity, which, along with the possibility of employees' illness, may adversely affect our operations. The global spread of COVID-19 also has created significant volatility and uncertainty in financial markets. If such volatility and uncertainty persist, and we need to access additional banking sources or other sources of financing or capital, we may be unable to do so on terms that are acceptable to us, or at all. Additionally, in response to the pandemic, governments and the private sector have taken (and may take additional) drastic measures to contain the spread of the coronavirus, any of which could ultimately hamper the economy generally or business specifically.

Risks Related to our Capital Stock:

Our chairman and chief executive officer effectively controls our company.

We have two classes of common stock — Class A common stock, each share of which entitles the holder thereof to one vote on any matter submitted to our stockholders, and Class B common stock, each share of which entitles the holder thereof to ten votes on any matter submitted to our stockholders. Our chairman and chief executive officer, William J. Rouhana, Jr., has control over the vast majority of all the outstanding voting power as represented by our outstanding Class B and Class A common stock and effectively controls CSS Holdings and CSS, which controls CSS Productions, and, in turn, our company. Further, our bylaws provide that any member of our board may be removed with or without cause by the majority of our outstanding voting power, thus Mr. Rouhana exerts significant control over our board. This concentration of ownership and decision making may make it more difficult for other stockholders to effect substantial changes in our company and may also have the effect of delaying, preventing or expediting, as the case may be, a change in control of our company.

We may issue shares of our capital stock or debt securities in the future, whether to complete any acquisition, a business combination or to raise additional funds, which would reduce the equity interest of our stockholders and might cause a change in control of our ownership.

Our certificate of incorporation authorizes the issuance of up to 70 million shares of Class A common stock, par value $.0001 per share, 20 million shares of Class B common stock, par value $.0001 per share, and 10,000,000 shares of preferred stock, par value $.0001 per share, of which 4,300,000 shares have been designated 9.75% Series A Cumulative Redeemable Perpetual Preferred Stock ("Series A preferred stock"). As of the date of this Annual Report, we have 65,814,315 authorized but unissued shares of our Class A common stock remaining available for issuance, 12,186,062 authorized but unissued shares of our Class B common stock remaining available for issuance and 8,400,998 authorized but unissued shares of our preferred stock remaining available for issuance immediately after the offering. We also may issue a substantial number of additional shares of our common stock or preferred stock, or a combination of common and preferred stock, to raise additional funds or in connection with any acquisition or business combination in the future.

Additionally, under the terms of the Contribution Agreement, we issued to CPEH warrants to purchase an aggregate of 4 million shares of our Class A common stock, and we may be required to issue to up to 200,000 shares of Series A preferred stock as reimbursement for expenses in connection with the creation of the joint venture and up to an aggregate of 1,600,000 shares of Series A preferred stock in the event that Crackle elects to exchange Crackle's membership interest in the joint venture in 12 to 18 months.

Our outstanding warrants may have an adverse effect on the market price of our common stock.

We have outstanding Class W warrants to purchase an aggregate of 678,822 shares of Class A common stock, Class Z warrants to purchase an aggregate of 130,618 shares of Class A common stock, and we issued warrants to CPEH to purchase an aggregate of 4,000,000 shares of Class A common stock. The sale, or even the possibility of sale, of warrants or the shares underlying the warrants could have an adverse effect on the market price for our securities or on our ability to obtain future public financing. Furthermore, we might issue warrants or other securities convertible or exchangeable for shares of common stock in the future in order to raise funds or to effect acquisitions or business combinations. If and to the extent our warrants are exercised, or we issue additional securities to raise funds or consummate any acquisition or business combination, you may experience dilution to your holdings.

We currently do not plan to pay any dividends on our common stock.

The payment of cash dividends on our common stock in the future will be dependent upon our revenue and earnings, if any, capital requirements and general financial condition, our obligation to pay dividends on our Series A preferred stock, as well as the limitations on dividends and distributions that exist under our lending agreement, the laws and regulations of the State of Delaware and will be within the discretion of our board of directors. As a result, any gain you may realize on our common stock (including shares of common stock obtained upon exercise of our warrants) may result solely from the appreciation of such shares.

We may not be able to pay dividends on the Series A preferred stock if we fall out of compliance with our loan covenants and are prohibited by our bank lender from paying dividends.

Our Commercial Loan with Patriot Bank, N.A. requires us to maintain a minimum debt service coverage ratio. Related to this obligation, the Commercial Loan contains a negative covenant that restricts our ability to make dividend payments and other distributions and payments to stockholders and certain other people if such payments, distributions or expenditures would result in an event of default under the Commercial Loan or any other indebtedness, or would exceed our net earnings in excess of its debt service obligations. In particular, the Commercial Loan requires us to maintain a minimum debt service coverage ratio of 1.25 to 1.0. In the event we do not meet the covenant in any period we have a 90 day cure period. The Company was in compliance with this covenant as of December 31, 2019 and 2018, respectively.

We must adhere to prescribed legal requirements and have sufficient cash in order to be able to pay dividends on our Series A preferred stock.

In accordance with Section 170 of the Delaware General Corporation Law, we may only declare and pay cash dividends on the Series A preferred stock if we have either net profits during the fiscal year in which the dividend is declared and/or the preceding fiscal year, or a “surplus”, meaning the excess, if any, of our net assets (total assets less total liabilities) over our capital. We can provide no assurance that we will satisfy such requirements in any given year. Further, even if we have the legal ability to declare a dividend, we may not have sufficient cash to pay dividends on the Series A preferred stock. Our ability to pay dividends may be impaired if any of the risks described herein actually occur. Also, payment of our dividends depends upon our financial condition and other factors as our board of directors may deem relevant from time to time. We cannot assure you that our businesses will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to pay dividends on the Series A preferred stock. As of December 31, 2019, our outstanding obligation is $324,757. For the period ending December 31, 2019, our scheduled dividend payments totaled $3,304,947.

If our securities become subject to the SEC’s penny stock rules, broker-dealers may have trouble in completing customer transactions and trading activity in our securities may be adversely affected.

If at any time our securities become subject to the “penny stock” rules promulgated under the Exchange Act our securities could be adversely affected. Typically, securities trading under a market price of $5.00 per share and that do not meet certain exceptions, such as national market listing or annual revenue criteria, are subject to the penny stock rules. Under these rules, broker-dealers who recommend such securities to persons other than institutional accredited investors must:

- make a special written suitability determination for the purchaser;
- receive the purchaser's written agreement to the transaction prior to sale;
- provide the purchaser with risk disclosure documents which identify certain risks associated with investing in "penny stocks" and which describe the market for these "penny stocks" as well as a purchaser's legal remedies; and
- obtain a signed and dated acknowledgment from the purchaser demonstrating that the purchaser has received the required risk disclosure document before a transaction in a "penny stock" can be completed.

If our securities become subject to these rules, broker-dealers may find it difficult to effectuate customer transactions and trading activity in our securities may be adversely affected. As a result, the market price of our securities may be depressed, and you may find it more difficult to sell our securities.

Nasdaq could delist our Class A common stock from quotation on its exchange, which could limit investors' ability to sell and purchase our shares and subject us to additional trading restrictions.

Our Class A common stock is currently listed on Nasdaq, a national securities exchange. If our Class A common stock is not listed on Nasdaq or another national securities exchange at any time after the date hereof, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our Class A common stock;
- reduced liquidity with respect to our Class A common stock;
- our Series A preferred stock would be required to meet more stringent listing requirements as a "primary equity security";
- a determination that our Class A common stock is "penny stock" which will require brokers trading in our shares to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for our common stock;
- a limited amount of news and analyst coverage for our company; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

If Nasdaq delists the Series A preferred stock, investors' ability to make trades in the Series A preferred stock could be limited.

Our Series A preferred stock is currently listed on the Nasdaq Global Market under the symbol "CSSEP." We cannot assure you that the Series A preferred stock will continue to be listed on the Nasdaq Global Market in the future. In order to continue listing the Series A preferred stock on the Nasdaq Global Market, we must maintain certain financial, distribution, and share price levels. Generally, this means having a minimum number of publicly held shares of Series A preferred stock (generally 100,000 shares), a minimum market value (generally $1,000,000) and a minimum number of holders (generally 100 public holders). If our Class A common stock is delisted from the Nasdaq Global Market, the Series A preferred stock would be required to meet the more stringent initial listing standards of the Nasdaq Global Market for a Primary Equity Security, including a minimum number of publicly held shares of Series A preferred stock (generally 1,100,000 shares) and a minimum number of holders (generally 400 public holders). If we are unable to meet these standards and the Series A preferred stock is delisted from the Nasdaq Global Market, we may apply to list our Series A preferred stock on the Nasdaq Capital Market. If we are also unable to meet the listing standards for the Nasdaq Capital Market, we may apply to have our Series A preferred stock quoted by OTC Markets. If we are unable to maintain listing for the Series A preferred stock, the ability to transfer or sell shares of the Series A preferred stock will be limited and the market value of the Series A preferred stock will likely be materially adversely affected. Moreover, since the Series A preferred stock has no stated maturity date, investors may be forced to hold shares of the Series A preferred stock indefinitely while receiving stated dividends thereon when, as and if authorized by our board of directors and paid by us with no assurance as to ever receiving the liquidation value thereof.

The Series A preferred stock ranks junior to all our indebtedness and other liabilities.

In the event of our bankruptcy, liquidation, dissolution or winding-up of our affairs, our assets will be available to pay obligations on the Series A preferred stock only after all our indebtedness and other liabilities have been paid. The rights of holders of the Series A preferred stock to participate in the distribution of our assets will rank junior to the prior claims of our current and future creditors and any future series or class of preferred stock we may issue that ranks senior to the Series A preferred stock. Also, the Series A preferred stock effectively ranks junior to all existing and future indebtedness and to the indebtedness and other liabilities of our existing subsidiaries and any future subsidiaries. Our existing subsidiaries are, and future subsidiaries would be, separate legal entities and have no legal obligation to pay any amounts to us in respect of dividends due on the Series A preferred stock.

We have incurred and may in the future incur substantial amounts of debt and other obligations that will rank senior to the Series A preferred stock. As of the date of this Annual Report, our total liabilities (excluding contingent consideration) equaled approximately $76.6 million, including approximately $15 million owed under our Commercial Loan and $5 million owed under our Revolving Credit Facility. If we are forced to liquidate our assets to pay our creditors, we may not have sufficient assets to pay amounts due on any or all the Series A preferred stock then outstanding.

The market for our Series A preferred stock may not provide investors with adequate liquidity.

Liquidity of the market for the Series A preferred stock depends on a number of factors, including prevailing interest rates, our financial condition and operating results, the number of holders of the Series A preferred stock, the market for similar securities and the interest of securities dealers in making a market in the Series A preferred stock. We cannot predict the extent to which investor interest in our Company will maintain a trading market in our Series A preferred stock, or how liquid that market will be. If an active market is not maintained, investors may have difficulty selling shares of our Series A preferred stock.

We are generally restricted from issuing shares of other series of preferred stock that rank senior the Series A preferred stock as to dividend rights, rights upon liquidation or voting rights, but may do so with the requisite consent of the holders of the Series A preferred stock and, further, no such consent is required for the issuance of additional series of preferred stock ranking pari passu with the Series A preferred stock.

Under the Certificate of Designations of our Series A preferred stock, we are allowed to issue shares of other series of preferred stock that rank above the Series A preferred stock as to dividend payments and rights upon our liquidation, dissolution or winding up of our affairs, only with the approval of the holders of at least 66.67% of the outstanding Series A preferred stock. Additionally, agreements that we have entered into with CPE Holdings, Inc. limit our ability to issue shares of other series of preferred stock that rank above the Series A preferred stock as to payments, distributions, or rights on liquidation, and we are not permitted to issue any shares of Series A preferred stock at a per share price below the stated value of the Series A preferred stock, which is $25.00 per share. However, we are allowed to issue additional shares of Series A preferred stock and/or additional series of preferred stock that would rank equally to the Series A preferred stock as to dividend payments and rights upon our liquidation or winding up of our affairs without first obtaining the approval of the holders of our Series A preferred stock or obtaining the approval of CPE Holdings, Inc. The issuance of additional shares of Series A preferred stock and/or additional series of preferred stock could have the effect of reducing the amounts available to the Series A preferred stock upon our liquidation or dissolution or the winding up of our affairs. It also may reduce dividend payments on the Series A preferred stock if we do not have sufficient funds to pay dividends on all Series A preferred stock outstanding and other classes or series of stock with equal or senior priority with respect to dividends. Future issuances and sales of senior or pari passu preferred stock, or the perception that such issuances and sales could occur, may cause prevailing market prices for the Series A preferred stock and our Class A common stock to decline and may adversely affect our ability to raise additional capital in the financial markets at times and prices favorable to us.

Market interest rates may materially and adversely affect the value of the Series A preferred stock.

One of the factors that will influence the price of the Series A preferred stock is the dividend yield on the Series A preferred stock (as a percentage of the market price of the Series A preferred stock) relative to market interest rates. Increases in market interest rates may lead prospective purchasers of the Series A preferred stock to expect a higher dividend yield (and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for dividend payments). Thus, higher market interest rates could cause the market price of the Series A preferred stock to materially decrease.

Holders of the Series A preferred stock may be unable to use the dividends-received deduction and may not be eligible for the preferential tax rates applicable to "qualified dividend income."

Distributions paid to corporate U.S. holders of the Series A preferred stock may be eligible for the dividends-received deduction, and distributions paid to non-corporate U.S. holders of the Series A preferred stock may be subject to tax at the preferential tax rates applicable to "qualified dividend income," only if we have current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. Additionally, we may not have sufficient current earnings and profits during future fiscal years for the distributions on the Series A preferred stock to qualify as dividends for U.S. federal income tax purposes. If the distributions fail to qualify as dividends, U.S. holders would be unable to use the dividends-received deduction and may not be eligible for the preferential tax rates applicable to "qualified dividend income." If any distributions on the Series A preferred stock with respect to any fiscal year are not eligible for the dividends-received deduction or preferential tax rates applicable to "qualified dividend income" because of insufficient current or accumulated earnings and profits, it is possible that the market value of the Series A preferred stock might decline.

A reduction in the credit rating of our Series A preferred stock could adversely affect the pricing and liquidity of such stock.

Any downward revision or withdrawal of the credit rating on our Series A preferred stock could materially adversely affect market confidence in such stock and could cause material decreases in the market price of such stock and could diminish market liquidity. Egan-Jones has initially rated our Series A preferred stock as BBB(-). Neither Egan-Jones nor any other agency is under any obligation to maintain any rating assigned to our Series A preferred stock and such rating could be revised downward or withdrawn at any time for reasons of general market changes or changes in our financial condition or for no reason at all.

A reduction in the credit rating of our Series A preferred stock could adversely affect our ability to borrow from other sources.

Our borrowing costs and our access to sources of debt financing could be significantly affected by any public credit rating applicable to us or our securities. Ratings, such as that initially assigned by Egan-Jones to our Series A preferred stock, can be reduced or withdrawn at any time, giving rise to negative credit implications with respect to our company. A reduction in our credit ratings could increase our borrowing costs and limit our access to the capital markets. This, in turn, could reduce our earnings and adversely affect our liquidity.

We may redeem the Series A preferred stock.

Commencing on June 27, 2023, we may, at our option, redeem the Series A preferred stock, in whole or in part, at any time or from time to time. Also, upon the occurrence of a change of control prior to June 27, 2023, we may, at our option, redeem the Series A preferred stock, in whole or in part, within 120 days after the first date on which such change of control occurred. We may have an incentive to redeem the Series A preferred stock voluntarily if market conditions allow us to issue other preferred stock or debt securities at a rate that is lower than the dividend rate on the Series A preferred stock. If we redeem the Series A preferred stock, then from and after the redemption date, dividends will cease to accrue on shares of Series A preferred stock, the shares of Series A preferred stock shall no longer be deemed outstanding and all rights as a holder of those shares will terminate, except the right to receive the redemption price plus accumulated and unpaid dividends, if any, payable upon redemption.

A holder of Series A preferred stock has extremely limited voting rights.

The voting rights for a holder of Series A preferred stock are limited. Our shares of Class A common stock and Class B common stock vote together as a single class and are the only class of our securities that carry full voting rights. Mr. Rouhana, our chairman of the board and chief executive officer, beneficially owns the vast majority of the voting power of our outstanding common stock. As a result, Mr. Rouhana exercises a significant level of control over all matters requiring stockholder approval, including the election of directors, amendment of our certificate of incorporation, and approval of significant corporate transactions. This control could have the effect of delaying or preventing a change of control of our company or changes in management and will make the approval of certain transactions difficult or impossible without his support, which in turn could reduce the price of our Series A preferred stock.

Voting rights for holders of the Series A preferred stock exist primarily with respect to the ability to elect, voting together with the holders of any other series of our preferred stock having similar voting rights, two additional directors to our board of directors, subject to certain limitations in the event that eighteen monthly dividends (whether or not consecutive) payable on the Series A preferred stock are in arrears, and with respect to voting on amendments to our certificate of incorporation, including the certificate of designations relating to the Series A preferred stock, that materially and adversely affect the rights of the holders of Series A preferred stock or authorize, increase or create additional classes or series of our capital stock that are senior to the Series A preferred stock.

The Series A preferred stock is not convertible into Class A common stock, including in the event of a change of control, and investors will not realize a corresponding upside if the price of the Class A common stock increases.

The Series A preferred stock is not convertible into shares of Class A common stock and earns dividends at a fixed rate. Accordingly, an increase in market price of our Class A common stock will not necessarily result in an increase in the market price of our Series A preferred stock. The market value of the Series A preferred stock may depend more on dividend and interest rates for other preferred stock, commercial paper and other investment alternatives and our actual and perceived ability to pay dividends on, and in the event of dissolution satisfy the liquidation preference with respect to, the Series A preferred stock.

ITEM 1B. Unresolved Staff Comments

Not applicable.

ITEM 2. Properties

We are party to the CSS Management Agreement under which the Company receives from CSS and affiliate companies' various integral operational services, including accounting, legal, marketing, management, data access and back office systems, and requires CSS to provide office space and equipment usage in the Company's headquarters. See Item 7 – "*Management's Discussions and Analysis of Financial Condition and Results of Operations – Affiliate Resources and Obligations – CSS Management Agreement*".

CSS' headquarters are located in an approximately 6,000 square foot leased facility in Cos Cob, Connecticut, the usage of which is provided to the Company under the terms of the CSS Management Agreement. The CSS headquarters lease expires in 2024. In addition, the Company leases office space of approximately 8,500 square feet in New York City, New York, under a lease that expires in 2020.

ITEM 3. Legal Proceedings

In the normal course of business, from time-to-time, we may become subject to claims in legal proceedings.

Legal proceedings are subject to inherent uncertainties, and an unfavorable outcome could include monetary damages, and in such event, could result in a material adverse impact on our business, financial position, results of operations, or cash flows.

We are not currently, and have not been since inception, subject to any material legal claims or actions. Further, we have no knowledge of any material pending legal actions and we do not believe we are currently a party to any pending material legal claims or actions.

ITEM 4. Mine Safety Disclosures

Not applicable.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our Class A common stock is listed on the Nasdaq Global Market ("Nasdaq") under the symbol "CSSE" and our Series A preferred stock is listed on Nasdaq under the symbol "CSSEP."

Holders

We had approximately 43 holders of record of Class A common stock as of March 30, 2020. This does not reflect persons or entities that hold our Class A common stock in nominee or "street" name through various brokerage firms. We had 2 holders of record of Class B common stock as of March 30, 2020, including Chicken Soup for the Soul Productions, LLC ("CSS Productions"), our immediate parent company.

Dividends

Series A Preferred Stock Dividends

We declared monthly cash dividends of $0.2031 per share on its Series A preferred stock to holders of record as of each month end. The monthly dividends for each month were paid on approximately the 15th day subsequent to each respective month end. The total amount of dividends declared and paid were $3.3 and $3.2 million, respectively, as of December 31, 2019. The total amount of dividends declared and paid were $1.1 and $0.9 million, respectively, as of December 31, 2018. The total amount of dividends declared and paid January 1, 2020 to March 30, 2020 was approximately $1.0 million.

Common Stock Dividends

We did not pay any dividends on our common stock during the year ended December 31, 2019. Any payment of dividends in the future is within the discretion of our board of directors (subject to the limitation on dividends contained in the Commercial Loan and our obligation to pay dividends on our Series A preferred stock) and will depend on our earnings, if any, our capital requirements and financial condition and other relevant factors.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

On March 27, 2018, our board of directors approved a stock repurchase program (the "Repurchase Program") that will enable the Company to repurchase up to $5 million of our Class A common stock prior to April 30, 2020. All open market repurchases under the Repurchase Program shall be made in compliance with Rule 10b-18 promulgated under the Exchange Act. Under the Repurchase Program, we may purchase shares of our Class A common stock through various means, including open market transactions, privately negotiated transactions, tender offers or any combination thereof. The number of shares repurchased and the timing of repurchases will depend on a number of factors, including, but not limited to, stock price, trading volume and general market conditions, along with our working capital requirements, general business conditions and other factors. The Repurchase Program may be modified, suspended or terminated at any time by our board of directors. Repurchases under the Repurchase Program will be funded from our existing cash and cash equivalents or future cash flow and equity or debt financings.

Any repurchase activity will depend on many factors such as our working capital needs, cash requirements for investments, debt repayment obligations, economic and market conditions at the time, including the price of our common stock, and other factors that we consider relevant. Our stock repurchase program may be accelerated, suspended, delayed or discontinued at any time.

The Company did not repurchase shares of Class A common stock during the year ended December 31, 2019 or through the date of this report.

ITEM 6. Selected Financial Data

Not applicable.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our consolidated financial condition and results of operations should be read together with our consolidated financial statements and related notes appearing elsewhere in this Annual Report. Some of the information contained in this discussion and analysis or set forth elsewhere in this Annual Report, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements involving risks and uncertainties and should be read together with the "Risk Factors" section of this Annual Report. Such risks and uncertainties could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Recent Developments

Landmark Studio Group Launch

On October 11, 2019, we consummated the creation of our majority owned subsidiary, Landmark Studio Group for the development and production of original scripted content. Landmark Studio Group is governed by the terms of an operating agreement entered into by Landmark Studio Group and the Company, David Ozer, Legend Capital Management, LLC ("Legend"), Kevin Duncan, and Cole Investments VII, LLC ("Cole"), an affiliate of Cole Strategic Partners, each as members of Landmark Studio Group.

In connection with the creation of Landmark Studio Group, (a) Mr. Ozer contributed certain original television series and feature films to Landmark Studio Group in exchange for 21,000 units of common equity ("Common Units") of Landmark Studio Group, (b) Legend contributed an original television series to Landmark Studio Group in exchange for 2,000 Common Units, (c) our company and its affiliates agreed to provide promotion and distribution support to Landmark Studio Group pursuant to a distribution agreement which provides for a revolving $5 million minimum guarantee facility ("Landmark Distribution Agreement"), in exchange for 51,000 Common Units, (d) Cole made available to Landmark Studio Group a $5 million revolving credit facility in exchange for 25,000 Common Units, and (e) Mr. Duncan received 1,000 Common Units in consideration for introducing the parties and assisting in the negotiation of the transaction.

We provide management services to Landmark Studio Group, including the services of certain of our officers, office space, back office support, accounting, and financial services support, and technology resources and support for a quarterly fee equal to 5% of the fees that Landmark Studio Group receives during the production of any series, film, or special, including all executive producer fees, producer fees, overhead, and similar fees retained by Landmark Studio Group. We will also arrange sponsorship for Landmark Studio Group's content and will be entitled to commissions equal to 20% of certain specified revenue generated by such sponsorship.

Our company, as majority owner of the Common Units of Landmark Studio Group, manages the day to day operations of Landmark Studio Group through its officers that are also serving as officers of Landmark Studio Group. Landmark Studio Group maintains a board of five managers, with three managers designated by the Company, one manager designated by Cole, and, so long as Mr. Ozer is employed by Landmark, Mr. Ozer shall be the fifth manager.

Ceased Operations of PlayStation Vue

In October 2019, Sony Interactive Entertainment ("SIE") announced that it was ceasing operations of its PlayStation Vue platform as of January 30, 2020. In 2019 we placed a significant portion of our advertising impressions on the PlayStation Vue platform at a low margin pursuant to an agreement that predated our takeover of Crackle. We have signed a number of new agreements allowing us to monetize ad inventory at better margins from third party partners at economically favorable rates but there can be no assurance that we will successfully replace all the advertising impressions currently placed on PlayStation Vue.

Formation of Crackle Plus, LLC

On May 14, 2019, Crackle Plus, was formed, and we launched our new streaming video company. CPEH, and its affiliates, and CSS Entertainment and its subsidiaries, each contributed assets to establish Crackle Plus. CPEH's and its affiliates' contributions included its U.S. and Canadian assets including the rights to exploit the Crackle brand in those territories, its monthly active viewers and its ad rep business. Sony Pictures Television ("SPT") and Crackle Plus also entered into a license agreement for rights to popular TV series and movies from the Sony Pictures Entertainment library, including Crackle's original content library. In addition, New Media Services, a wholly-owned subsidiary of Sony Electronics Inc., contracted to provide the technology back-end services for Crackle Plus. CSS Entertainment's contributions to Crackle Plus included the rights to six owned and operated AVOD networks (Popcornflix, Truli, Popcornflix Kids, Popcornflix Comedy, Frightpix, and Espanolflix) and subscription video-on-demand (SVOD) platform Pivotshare.

We own a majority interest and CPEH owns a minority interest in Crackle Plus. Additionally, we issued to CPEH five-year warrants to purchase up to 4,000,000 shares of our Class A common stock at various prices.

We believe that Crackle Plus is one of the largest providers of free AVOD services in the United States. Crackle Plus has approximately 30 million monthly viewer streams on its owned and operated networks with an audience of millions more served through its advertising representation network. Crackle Plus has 26 million registered viewers. Crackle Plus is highly competitive in the growing VOD space with over 100 VOD networks and more than 90 content partnerships.

Overview

We operate streaming video-on-demand networks (VOD). The company owns a majority stake in Crackle Plus, a company formed with Sony Pictures Television, which owns and operates a variety of ad-supported and subscription-based VOD networks including Crackle, Popcornflix, Popcornflix Kids, Truli, Pivotshare, Españolflix and FrightPix. The company also acquires and distributes video content through its Screen Media subsidiary and produces long and short-form original content through subsidiaries and outside partnerships. The content acquired or produced by the Company is sometimes used exclusively on the Company's networks and is generally also sold to others with the goal of providing our networks access to original and exclusive AVOD content at a lower cost and to generate additional revenue and operating cash flow for the Company.

Our 3 main areas of operation for 2019 were:

- *Online Networks:* In this operations area, we distribute and exhibit VOD content through Crackle Plus directly to consumers across all digital platforms, such as connected TV's, smartphones, tablets, gaming consoles and the web through our owned and operated AVOD networks. We also distribute our own and third-party owned content to end viewers across various digital platforms through our SVOD network. We generate advertising revenues primarily by serving video advertisements to our streaming viewers and subscription revenue from consumers.

- *Television and Film Distribution:* In this operations area, we distribute movies and television series worldwide to consumers through license agreements across all media, including theatrical, home video, pay-per-view, free, cable, pay television, VOD, mobile and new digital media platforms worldwide. We own the copyright or long-term distribution rights to over 1,000 television series and feature films.

- *Television and Short-Form Video Production:* In this operations area, we work with sponsors and use highly regarded independent producers to develop and produce our television and short-form video content, including Brand-related content. We also derive revenue from our subsidiary A Plus, which develops and distributes high-quality, empathetic short-form videos to millions of people worldwide. A Plus enhances our ability to distribute short form versions of our video productions and video library and provide us with content developed and distributed by A Plus that is complementary to the Brand. As a result of launching Crackle Plus we decided to change our approach to content production, focusing primarily on co-production partnerships in order to build our AVOD networks, through Crackle Plus, and our worldwide distribution capabilities through Screen Media. By focusing this way, we believe that we will be able to grow our business more rapidly by entering into production agreements with a variety of production partners. In October 2019, we launched Landmark Studio Group ("Landmark"), our first production co-venture subsidiary. We plan to enter into other similar co-production arrangements going forward. We will only occasionally produce programming internally. As a result, we plan to combine the activity of this area with our distribution area beginning in 2020.

JOBS Act Accounting Election

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have irrevocably elected to avail ourselves of this exemption from new or revised accounting standards, and, therefore, will not be subject to the same new or revised accounting standards as public companies that are not emerging growth companies.

Reporting Segment

We operate in one reportable segment, the production, distribution and exhibition of TV and film content for sale to others and for use on our owned and operated video on demand platforms. We have a presence in over 56 countries and territories worldwide and intend to continue to sell our video content internationally.

Seasonality

Our operating results are not materially affected by seasonal factors; however, we may distribute rights to certain films which result in increased revenues and expenses during the period of distribution and revenues from our AVOD networks vary from period to period and will generally be higher in the second half of each year.

Financial Results of Operations:

Revenue

The following table presents net revenue line items for the years ended December 31, 2019 and 2018 and the year-over-year dollar and percentage changes for those line items:

	Year Ended December 31,				Change	
	2019	% of revenue	2018	% of revenue	Period over Period	
Revenue:						
Online networks	$40,027,289	72 %	$ 4,411,427	16 %	$35,615,862	807 %
Television and film distribution	15,967,507	29 %	13,188,560	49 %	2,778,947	21 %
Television and short-form video production	610,356	1 %	10,152,020	38 %	(9,541,664)	(94)%
Total revenue	56,605,152	102 %	27,752,007	103 %	28,853,145	104 %
Less: returns and allowances	(1,241,246)	(2)%	(892,488)	(3)%	(348,758)	39 %
Net revenue	$55,363,906	100 %	$26,859,519	100 %	$28,504,387	106 %

Our net revenue increased by $28.5 million for the year ended December 31, 2019 compared to 2018. This increase in net revenue was primarily due to the $35.6 million increase in Online Networks revenue as a result of the Crackle Plus acquisition and $2.8 million increase in Film Distribution revenues resulting from an increase in international revenues, offset by decreased production revenues. 2019 has been a transformative year for our Company led by the launch of our new streaming video on demand service Crackle Plus which amalgamated each of our video on demand platforms. This strategic shift in our business has made us one of the largest providers of free AVOD service in the United States and shifted our business focus. As a result, we decided to focus on our online networks and television and distribution areas and we reduced the number of television and short-form productions we launched in 2019 thereby decreasing revenue in that area.

Online network revenue

Our online network revenue is derived from content generated by online streaming of films and television programs on our seven advertising-supported video on demand (AVOD) networks including Crackle, Popcornflix® and our subscription-based video on demand (SVOD) network Pivotshare, all of which collectively form Crackle Plus.

Our online networks revenue increased by $35.6 million for the year ended December 31, 2019 compared to 2018. The increase of $35.6 million was primarily due to the acquisition of the Crackle network which accounted for 94% of our online networks revenues, driven by the delivery of advertisements during the viewing of films and programs on our platform.

Television and film distribution revenue

Our television and film distribution revenues are derived primarily from our distribution of television series and films in all media, including theatrical, home video, pay-per-view, free, cable television, video on demand (VOD) and new digital media platforms worldwide as well as owned and operated networks, (i.e., Crackle, Popcornflix® and A Plus).

Television and film distribution revenue increased by $2.8 million for the year ended December 31, 2019 compared to 2018, primarily due to a $3.2 million increase in international distribution revenue and a $1.7 million increase in AVOD distribution revenue, offset by a $1.0 million decrease in video and theatrical revenue, a $0.7 million decrease in syndication revenues and a $0.4 million cumulative decrease in various other distribution revenue streams. We continue to acquire new film and television series, invest in premium content libraries and grow our distribution business. In the current year, we've broadened our reach increasing our revenues internationally and on AVOD platforms (including Crackle Plus).

Television and short-form video production revenue

Historically our television and short-form video production revenue was derived primarily from corporate and charitable sponsors that compensate us for the production of half-hour or one-hour episodic television programs as well as short-form video content. In 2019 we shifted our strategy to focus on our online networks business. In connection with this change we decided to decrease in-house production and increase our work with outside production entities to facilitate the productions of content that we could make available to an online network on an advantageous basis.

Our television and short-form video production revenue decreased by $9.5 million for the year ended December 31, 2019 compared to 2018, primarily due to the number of episodes that became available for delivery or became available for broadcast during the respective periods and licensing revenue earned on previously produced series.

The majority of this revenue in 2019 related to the completed production of four episodes of our original episodic series *Animal Tales* season one and licensing revenue related to *Hidden Heroes* seasons 1, 2 and 3. For the year ended December 31, 2018, the majority of our revenue recognized related to the original productions of *Going From Broke*, *Vacation Rental Potential* season one and two and six episodes of *Animal Tales* season one.

Cost of Revenue

Our cost of revenue for our online networks includes the various expenses incurred by the Company to support and maintain our AVOD and SVOD networks. These costs are comprised of hosting and bandwidth costs, website traffic costs, royalty fees, and music costs. Also included in cost of revenue are advertisement representation fees earned by our advertising representation partners (“Ad Rep Partners”), license fees payable to third parties for content exhibited on our networks and the related amortization associated with programming rights and film library costs.

Cost of revenue for our television and film distribution includes distribution costs for television series and films and amortization of film library costs.

We record cost of revenue for our production and content acquisitions based on the individual-film-forecast method. This method requires costs to be amortized in the proportion that the current period’s revenue bears to management’s estimate of ultimate revenue expected to be recognized from each production or content acquisition.

The following table presents cost of revenue line items for the years ended December 31, 2019 and 2018 and the year-over-year dollar and percentage changes for those line items:

	Year Ended December 31,				Change	
	2019	% of revenue	2018	% of revenue	Period over Period	
Cost of revenue:						
Programming costs amortization	$ 710,689	1 %	$ 2,752,446	10 %	$ (2,041,757)	(74)%
Film library amortization	10,182,166	18 %	6,459,431	24 %	3,722,735	58 %
Revenue share and partner fees	17,202,481	31 %	—	— %	17,202,481	*
Distribution and platform costs	12,328,214	22 %	3,133,713	12 %	9,194,501	293 %
Total cost of revenue	$40,423,550	72 %	$12,345,590	46 %	$28,077,960	227 %
Gross profit	$14,940,356		$14,513,929			
Gross profit margin	*27 %*		*54 %*			

*Not meaningful

Our cost of revenue increased by $28.1 million for the year ended December 31, 2019 compared to 2018. This increase was primarily due to our overall increase in revenue resulting from Crackle Plus. $17.2 million of the increase related to content revenue share and partner fees. $9.2 million of the increase related to distribution and platform costs.

Operating Expenses

The following table presents operating expense line items for the years ended December 31, 2019 and 2018 and the year-over-year dollar and percentage changes for those line items:

	Year Ended December 31,				Change	
	2019	% of revenue	2018	% of revenue	Period over Period	
Operating expenses:						
Selling, general and administrative	$ 22,242,032	40 %	$ 10,745,235	40 %	$ 11,496,797	107 %
Amortization	13,293,279	24 %	326,988	1 %	12,966,291	3,965 %
Management and license fees	5,536,390	10 %	2,666,907	10 %	2,869,483	108 %
Total operating expenses	$ 41,071,701	74 %	$ 13,739,130	51 %	$ 27,332,571	199 %

Our total operating expenses were 74% of net revenue for the year ended December 31, 2019 compared to 51% in the same period in 2018 and increased in absolute dollars by $27.3 million. Excluding amortization expense driven by acquired intangibles resulting from the formation of the Crackle Plus Network and the 2018 acquisition of Pivotshare, total operating expenses were 50% of net revenue for the year ended December 31, 2019 and 2018, respectively.

The following table presents selling, general and administrative expense line items for the years ended December 31, 2019 and 2018 and the year-over-year dollar and percentage changes for those line items:

	Year Ended December 31,		Change	
	2019	2018	Period over Period	
Payroll, benefits and commissions	$ 12,680,626	$ 4,629,115	$ 8,051,511	174 %
Share-based compensation	1,061,926	953,688	108,238	11 %
Outside professional services	1,569,715	2,529,630	(959,915)	(38)%
Public company costs and expenses	366,378	421,791	(55,413)	(13)%
Bad debt expense	1,428,453	329,544	1,098,909	333 %
Other costs and expenses	5,134,934	1,881,467	3,253,467	173 %
	$ 22,242,032	$ 10,745,235	$ 11,496,797	107 %

Our selling, general and administrative expenses include salaries and benefits, non-cash share-based compensation, public and investor relations fees, outside director fees, professional fees and other overhead. A portion of selling, general and administrative expenses are covered by our management agreement with CSS, as noted below. Our selling, general and administrative expenses increased by $11.5 million for the year ended December 31, 2019 compared to 2018. This increase is primarily due to a $8.1 million increase in payroll, benefits and commissions expense, which is primarily due to a headcount increase of approximately 113% compared to 2018, a $3.3 million increase in other costs and expenses, which is primarily related to marketing, travel and entertainment and other expenses incurred as a result of Crackle Plus and a $1.1 million increase in bad debt expense primarily due to reserving certain aged customer balances, offset by a $1.0 million decrease in outside professional services.

Share-based compensation increased $0.1 million for the year ended December 31, 2019 compared to 2018 due to additional stock option grants awarded in 2019.

Management and License Fees

We incurred management fees to CSS equal to 5% of total net revenue reported for the year ended December 31, 2019 and 2018. We also incurred license fees to CSS for use of the brand equal to 5% of total net revenue reported for the year ended December 31, 2019 and 2018.

Interest Expense

For the year ended December 31, 2019 and 2018, our interest expense was comprised primarily of interest paid on the Commercial Loan and a revolving line of credit with an entity controlled by our chief executive officer, respectively.

The following table presents cash-based and non-cash-based interest expense for the years ended December 31, 2019 and 2018:

	Year Ended December 31,	
	2019	2018
Cash Based:		
Commercial Loan	$ 638,617	$ 300,607
Revolving credit facility	90,000	—
Revolving line of credit - related party	—	30,268
	728,617	330,875
Non-Cash Based:		
Amortization of deferred financing costs	82,400	57,161
	82,400	57,161
	$ 811,017	$ 388,036

Interest expense increased $0.4 million for the year ended December 31, 2019 compared to 2018. The increase is primarily due to amending the commercial loan on August 22, 2019, pursuant to which our existing commercial loan of $5.0 million and line of credit of $3.5 million were consolidated and combined into a term loan of $16.0 million, bearing an interest rate of 5.75%.

Acquisition Related Costs

For the years ended December 31, 2019 and 2018 aggregate transaction-related costs, including legal, accounting and investment advisory fees totaled $4.0 and $0.4 million, respectively. The $3.6 million increase in acquisition expenses is primarily related to professional service costs incurred in the formation of Crackle Plus.

Provision from Income Taxes

The Company’s benefit from, or provision for income taxes, consists of federal and state taxes in amounts necessary to align our tax provision to the effective rate that we expect for the full year.

For the years ended December 31, 2019 and 2018, we reported income tax expenses of approximately $0.6 million and income tax expense of approximately $0.9 million, respectively, consisting of federal and state taxes currently payable and deferred. The effective tax rate for the years ended December 31, 2019 and 2018 was 3% and 510%, respectively. The effective rate for the year ended December 31, 2018 was significantly impacted by temporary differences as described below.

Temporary timing differences consist primarily of net programming costs for released USA produced shows being deductible for tax purposes in the period incurred (under Internal Revenue Code Section 168(k)) as contrasted to the capitalization and amortization for financial reporting purposes under the guidance of ASC 926 — Entertainment — Films. Additionally, the Company amortized, for tax purposes, intangible assets under Section 197 of the Internal Revenue Code, the amounts of which differ substantially from charges on related assets that are either not amortized in the consolidated financial statements or amortized at different rates.

Affiliate Resources and Obligations

CSS License Agreement

We have a trademark and intellectual property license agreement with CSS, which we refer to as the ‘‘CSS License Agreement.’’ Under the terms of the CSS License Agreement, we have been granted a perpetual, exclusive, worldwide license to produce and distribute video content using the *Chicken Soup for the Soul* brand and related content, such as stories published in the *Chicken Soup for the Soul* books.

We pay CSS an incremental recurring license fee equal to 4% of our net revenue for each calendar quarter, and a marketing fee of 1% of our net revenue

For the years ended December 31, 2019 and 2018, we recorded $2.8 million and $1.3 million, respectively, of license fee expense under this agreement. We believe that the terms and conditions of the CSS License Agreement, which provides us with the rights to use the trademark and intellectual property in connection with our video content, are more favorable to us than any similar agreement we could have negotiated with an independent third party.

CSS Management Agreement

We have a management services agreement, ‘‘CSS Management Agreement’’, in which we pay CSS a management fee equal to 5% of our net revenue. Under the terms of the CSS Management Agreement, we are provided with the broad operational expertise of CSS and its subsidiaries and personnel, including the services of our chairman and chief executive officer, Mr. Rouhana, our vice chairman and chief strategy officer, Mr. Seaton, our senior brand advisor and director, Ms. Newmark, and our chief financial officer, Mr. Mitchell. The CSS Management Agreement also provides for services, such as accounting, legal, marketing, management, data access and back-office systems, and provides us with office space and equipment usage. On August 1, 2019, we entered into an amendment to the CSS Management Agreement which removed our obligation to pay sales commissions to CSS in connection with sponsorships for our video content or other revenue generating transactions arranged by CSS or its affiliates.

For the years ended December 31, 2019 and 2018, we recorded $2.8 million and $1.3 million, respectively, of management fee expense under this agreement. We believe that the terms and conditions of the CSS Management Agreement, as amended, are more favorable and cost effective to us than if we hired the full staff to operate the Company.

Use of Non-GAAP Financial Measure

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”). We use a non-GAAP financial measure to evaluate our results of operations and as a supplemental indicator of our operating performance. The non-GAAP financial measure that we use is Adjusted EBITDA. Adjusted EBITDA (as defined below) is considered a non-GAAP financial measure as defined by Regulation G promulgated by the SEC under the Securities Act of 1933, as amended. Due to the significance of non-cash, non-recurring, and acquisition related expenses recognized for the year ended December 31, 2019 and 2018, and the likelihood of material non-cash, non-recurring, and acquisition related expenses to occur in future periods, we believe that this non-GAAP financial measure enhances the understanding of our historical and current financial results as well as provides investors with measures used by management for the planning and forecasting of future periods, as well as for measuring performance for compensation of executives and other members of management. Further, we believe that Adjusted EBITDA enables our board of directors and management to analyze and evaluate financial and strategic planning decisions that will directly affect operating decisions and investments. We believe this measure is an important indicator of our operational strength and performance of our business because it provides a link between operational performance and operating income. It is also a primary measure used by management in evaluating companies as potential acquisition targets. We believe the presentation of this measure is relevant and useful for investors because it allows investors to view performance in a manner similar to the method used by management. We believe it helps improve investors' ability to understand our operating performance and makes it easier to compare our results with other companies that have different capital structures or tax rates. In addition, we believe this measure is also among the primary measures used externally by our investors, analysts and peers in our industry for purposes of valuation and comparing our operating performance to other companies in our industry.

The presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual, infrequent or non-recurring items or by non-cash items. This non-GAAP financial measure should be considered in addition to, rather than as a substitute for, our actual operating results included in our condensed consolidated financial statements.

We define Adjusted EBITDA as consolidated operating income adjusted to exclude interest, taxes, depreciation, amortization (including tangible and intangible assets), acquisition-related costs, consulting fees related to acquisitions, dividend payments, non-cash share-based compensation expense, and adjustments for other unusual and infrequent in nature identified charges. Adjusted EBITDA is not an earnings measure recognized by US GAAP and does not have a standardized meaning prescribed by GAAP; accordingly, Adjusted EBITDA may not be comparable to similar measures presented by other companies. We believe Adjusted EBITDA to be a meaningful indicator of our performance that provides useful information to investors regarding our financial condition and results of operations. The most comparable GAAP measure is operating income.

Adjusted EBITDA has important limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;

- Adjusted EBITDA does not reflect changes in, or cash requirements for our working capital needs;

- Adjusted EBITDA does not reflect the effects of preferred dividend payments, or the cash requirements necessary to fund;

- Although amortization and depreciation is a non-cash charge, the assets being depreciated will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;

- Adjusted EBITDA does not reflect the effects of the amortization of our film library, which include cash and non-cash amortization of our initial film library investments, participation costs and theatrical release costs;

- Adjusted EBITDA does not reflect the impact of stock-based compensation upon our results of operations;

- Adjusted EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments on our debt;

- Adjusted EBITDA does not reflect our income tax (benefit) expense or the cash requirements to pay our income taxes;

- Adjusted EBITDA does not reflect the impact of acquisition related expenses; and the cash requirements necessary;

- Adjusted EBITDA does not reflect the impact of other non-recurring, infrequent in nature and unusual expenses; and

- Other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses similar to those eliminated in this presentation.

Reconciliation of Historical GAAP Net Income as reported to Adjusted EBITDA

The following table presents a reconciliation of Adjusted EBITDA to net income, the most directly comparable GAAP measure, for the periods presented:

	Year Ended December 31,	
	2019	2018
Net loss available to common stockholders, as reported	$ (34,976,816)	$ (1,957,882)
Preferred dividends	3,304,947	1,112,910
Provision for income taxes	585,000	874,000
Other Taxes	460,205	—
Interest expense, net of interest income[(a)]	770,826	348,978
Film library amortization, included in cost of revenue[(b)]	10,683,227	6,459,431
Share-based compensation expense[(c)]	1,061,926	953,688
Acquisition-related costs and other one-time consulting fees[(d)]	3,968,289	666,793
Reserve for bad debt and video returns	2,669,699	646,289
Amortization	13,293,279	326,988
Loss on extinguishment on debt[(e)]	350,691	—
Transitional Expenses[(f)]	3,505,855	—
All other nonrecurring costs	276,400	589,679
Adjusted EBITDA	$ 5,953,528	$ 10,020,874

(a). Includes non-cash amortization of deferred financing costs of $82,400 and $57,161 for the years ended December 31, 2019 and 2018, respectively.

(b). Represents amortization of our film library, which include cash and non-cash amortization of our initial film library investments, participation costs and theatrical release costs as well as amortization for our acquired licensed program obligations.

(c). Represents expense related to common stock equivalents issued to certain employees and officers under the Long-Term Incentive Plan. In addition to common stock grants issued to employees and non-employee directors.

(d). Represents aggregate transaction-related costs, including legal fees, accounting fees, investment advisory fees and various consulting fees.

(e). Represents loss on extinguishment of debt that consists primarily of write-offs of unamortized deferred financing costs.

(f). Represents transitional acquisition related expenses primarily associated with the Crackle Plus business combination and our Company strategic shift related to our production business. Costs include primarily non-recurring payroll and related expenses and redundant non-recurring technology costs incurred to transition the acquired business.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity are our existing cash and cash equivalents, cash inflows from operating activities and financing activities. As of December 31, 2019, we had cash and cash equivalents of $6.4 million. Our total commercial loan principal outstanding was $15.2 million as of December 31, 2019. In addition, the Company has an outstanding revolving credit facility in the amount of $5.0 million as of December 31, 2019.

Preferred Stock Offering

During the year ended December 31, 2019, the Company completed the sale of an aggregate of 680,505 shares of its Series A Preferred Stock at an offering price of $25.00 per share. The Company's net proceeds from the sale of Series A Preferred Stock, after deducting offering expenses, was approximately $15.5 million. The Company used the net proceeds from the sale of Series A Preferred Stock for working capital and other general corporate purposes.

We have declared monthly dividends of $0.2031 per share on our Series A Preferred Stock to holders of record as of each month end January through December 2019. Total dividends paid and declared during the year ended December 31, 2019 were $3.2 million and $3.3 million, respectively.

Commercial Loan

On August 22, 2019, the Company and Screen Media, as co-borrowers, and certain of its and their direct and indirect subsidiaries as guarantors, entered into an amended and restated loan and security agreement ("Amended and Restated Loan Agreement") with Patriot Bank N.A. as lender. Under the Amended and Restated Loan Agreement, the Company's outstanding $5,000,000 term loan and $3,500,000 line of credit were consolidated and combined into a term loan in the original principal amount of $16,000,000 (the "Commercial Loan"). The Commercial Loan is evidenced by a consolidated, amended and restated term promissory note. Pursuant to the Amended and Restated Loan Agreement, at closing the Company paid to Patriot Bank an aggregate of approximately $178,000, representing (i) a commitment fee of $85,000, (ii) a payment of approximately $25,555 of interest due on the Loan for the 9 days of the month of August 2019, and (iii) fees of Patriot Bank's counsel.

Subject to the terms of the Note, the Commercial Loan bears interest, payable monthly in arrears, at a fixed rate of 5.75% per annum. The outstanding principal amount of the Commercial Loan is repayable in consecutive monthly installments in equal amounts of $266,667, plus interest, commencing on October 1, 2019 and continuing on the same date of each subsequent month thereafter during the term of the Commercial Loan. The Commercial Loan matures on September 1, 2024.

Revolving Credit Facility

On October 11, 2019, the Company consummated the creation of the majority owned subsidiary Landmark Studio Group. Through and in connection with the created subsidiary, Landmark Studio Group, the Company entered into the Revolving Credit Facility ("Revolving Credit Facility") with Cole Investments VII, LLC. The Revolving Credit Facility consists of a revolving line of credit in the amount of $5,000,000 and bears interest of 8% per annum. The outstanding principal is repayable in full on October 10, 2022, the maturity date. At the option of the lender, the loan is repayable in cash or additional equity in the subsidiary. The loan is not collateralized by any assets of the Company except for the agreed upon security interest in the Landmark subsidiary.

Cash Flows

Our cash and cash equivalents balance was $6.4 million and $7.2 million as of December 31, 2019 and 2018, respectively.

Cash flow information for the years ended December 31, 2019 and 2018 is as follows:

	Year Ended December 31,		Change in	
	2019	2018	Dollars	Percentage
Cash provided by (used in):				
Operating activities	$(18,698,763)	$ (7,760,712)	$(10,938,051)	141 %
Investing activities	(6,428,996)	(4,149,871)	(2,279,125)	55 %
Financing activities	24,373,403	16,939,356	7,434,047	44 %
Net (decrease) increase in cash and cash equivalents	$ (754,356)	$ 5,028,773	$ (5,783,129)	(115)%

Operating Activities

Net cash used in operating activities was $18.7 million and $7.8 million for the years ended December 31, 2019 and 2018, respectively. The increase of $10.9 million in cash used in operating activities for the year ended December 31, 2019 compared to 2018 was primarily due to a $14.4 million increase in net loss adjusted for the exclusion of non-cash expenses, offset by approximately a $3.4 million increase related to the effect of changes in operating assets and liabilities.

The net loss adjusted for the exclusion of non-cash expenses was approximately $3.5 million for the year ended December 31, 2019 compared to net income adjusted for the exclusion of non-cash expenses of $10.9 million for the year ended December 31, 2018. The decrease was primarily due to acquisition related expenses, selling, general and administrative expenses due to the growth and transformation of the business, increase in the management and license fee and an increase in interest expense.

The deferred tax asset decreased $0.5 million for year ended December 31, 2019 compared to a decrease of $0.4 million for the year ended December 31, 2018, see note 13 to our consolidated financial statements for further detail.

The effect of changes in operating assets and liabilities was a decrease of $15.7 million for the year ended December 31, 2019 compared to a decrease of $19.1 million for the year ended December 31, 2018. The most significant drivers contributing to this decrease relate to the following:

- Changes in accounts receivable primarily driven by increased revenue and timing of collections. Accounts receivable increased $24.5 million during the year ended December 31, 2019 as compared to an increase of $6.0 million during the year ended December 31, 2018.

- Changes in film library primarily due to increased investment in our distribution line of business. Film library increased $18.1 million for the year ended December 31, 2019 compared to a $9.1 million increase for the year ended December 31, 2018.

- Changes in accounts payable and accrued expenses primarily driven by growth of the business and timing of accruals. Accounts payable and accrued expenses increased $24.2 million during the year ended December 31, 2019 compared to $3.4 million during year ended December 31, 2018, this increase was largely driven by non-recurring acquisition related costs driven by our growth and M&A activity.

Investing Activities

For the year ended December 31, 2019 and 2018, our investing activities required a net use of cash totaling $6.4 million and $4.1 million, respectively. This resulted primarily from an increase in our due-from affiliated companies' balance driven by our parent company's central cash management system which from time to time funds are transferred to fulfill joint business needs and liquidity requirements settled on an ongoing basis. Settlements fluctuate period over period due to timing of liquidity needs.

Financing Activities

For the year ended December 31, 2019, our financing activities provided net cash totaling $24.4 million. This resulted primarily from proceeds from the sale of our preferred stock of $17.0 million, proceeds of $8.7 million related to the commercial loan and proceeds of $5.0 million related to the revolving credit facility. Such proceeds were offset by the scheduled dividends payments to preferred stockholders in the amount of $3.3 million, payment of stock issuance costs of $1.5 million and scheduled debt principal payments of $1.5 million.

For the year ended December 31, 2018, our financing activities provided net cash totaling $16.9 million primarily consisting of proceeds from the commercial loan and the preferred stock offering, offset by dividends paid to preferred stockholders.

Anticipated Cash Requirements

We believe that cash flow from operations, cash on hand, and the monetization of trade accounts receivable, together with equity and debt offerings, will be adequate to meet our known operational cash and debt service (i.e., principal and interest payments) requirements for the foreseeable future. We monitor our cash flow liquidity, availability, capital base, operational spending and leverage ratios with the long-term goal of maintaining our credit worthiness. If we are required to access debt or equity financing for our operating needs, we may incur additional debt and/or issue preferred stock or common equity, which could serve to materially increase our liabilities and/or cause dilution to existing holders. There can be no assurance that we would be able to access debt or equity financing if required on a timely basis or at all or on terms that are commercially reasonable to our company. If we should be required to obtain debt or equity financing and are unable to do so on the required terms, our operations and financial performance could be materially adversely affected.

Critical Accounting Policies and Significant Judgments and Estimates

This discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States of America, or U.S. GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported periods. In accordance with U.S. GAAP, we base our estimates on historical experience and on various other assumptions we believe are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Our significant accounting policies are described in more detail in the notes to our consolidated financial statements appearing elsewhere in this Report and should be read in conjunction with the audited consolidated financial statements and accompanying notes included herein. There have been no significant changes in our critical accounting policies, judgments and estimates since December 31, 2019.

Recent Accounting Pronouncements

See Item 8, Financial Statements and Supplementary Data - Note 3 "*Recent Accounting Pronouncements*".

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

ITEM 8. Financial Statements and Supplementary Data

The consolidated financial statements and accompanying notes are presented within Part IV of this Report.

Index to Consolidated Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of
Chicken Soup for the Soul Entertainment, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Chicken Soup for the Soul Entertainment, Inc. and subsidiaries (the “Company”) as of , the related consolidated statements of operations, stockholders’ equity, and cash flows for each of the two years in the period ended , and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of , and the results of their operations and their cash flows for each of the two years in the period ended , in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

/s/ Rosenfield and Company, PLLC

We have served as Chicken Soup for the Soul Entertainment, Inc.’s auditor since 2017.

New York, New York

March 27, 2020

FLORIDA NEW JERSEY NEW YORK

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RSM

Chicken Soup for the Soul Entertainment, Inc.
Consolidated Balance Sheets

	December 31, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	$ 6,447,402	$ 6,451,758
Restricted cash	—	750,000
Accounts receivable, net	34,661,119	12,841,099
Prepaid expenses	861,190	218,736
Inventory, net	312,033	262,068
Goodwill	21,448,106	2,537,079
Indefinite lived intangible assets	12,163,943	12,163,943
Intangible assets, net	35,451,951	2,971,637
Film library, net	33,250,149	25,338,502
Due from affiliated companies	7,642,432	1,213,436
Programming costs, net	14,459,271	12,790,489
Program rights, net	654,303	—
Deferred tax asset, net	—	452,000
Other assets, net	313,585	356,221
Total assets	$ 167,665,484	$ 78,346,968
LIABILITIES AND EQUITY		
Current maturities of commercial loan	$ 3,200,000	$ 1,000,000
Commercial loan and revolving line of credit, net of unamortized deferred finance cost of $189,525 and $334,554, respectively	11,810,475	6,582,113
Notes payable under revolving credit facility	5,000,000	—
Accounts payable and accrued expenses	26,646,390	5,078,805
Ad representation fees payable	12,429,838	—
Film library acquisition obligations	5,020,600	2,715,600
Programming obligations	7,300,861	—
Accrued participation costs	5,066,512	1,539,139
Other liabilities	170,106	414,506
Deferred revenue	—	6,469
Total liabilities	76,644,782	17,336,632
Commitments and contingencies (Note 15)		
Equity		
Stockholders' Equity:		
Series A cumulative redeemable perpetual preferred stock, $.0001 par value, liquidation preference of $25.00 per share, 10,000,000 shares authorized; 1,599,002 and 918,497 shares issued and outstanding, respectively, redemption value of $39,975,050 and $22,962,425, respectively	160	92
Class A common stock, $.0001 par value, 70,000,000 shares authorized; 4,259,920 and 4,227,740 shares issued, 4,185,685 and 4,153,505 shares outstanding, respectively	425	421
Class B common stock, $.0001 par value, 20,000,000 shares authorized; 7,813,938 and 7,817,238 shares issued and outstanding, respectively	782	782
Additional paid-in capital	87,610,030	59,360,583
Retained (deficit) earnings	(32,695,629)	2,281,187
Class A common stock held in treasury, at cost (74,235 shares)	(632,729)	(632,729)
Total stockholders' equity	54,283,039	61,010,336
Subsidiary convertible preferred stock (Note 12)	36,350,000	—
Noncontrolling interests (Note 12)	387,663	—
Total Equity	91,020,702	61,010,336
Total liabilities and equity	$ 167,665,484	$ 78,346,968

See accompanying notes to consolidated financial statements.

Chicken Soup for the Soul Entertainment, Inc.
Consolidated Statements of Operations

	Year Ended December 31, 2019	2018
Revenue:		
Online networks	$ 40,027,289	$ 4,411,427
Television and film distribution	15,967,507	13,188,560
Television and short-form video production	610,356	10,152,020
Total revenue	56,605,152	27,752,007
Less: Television & film distribution returns and allowances	(1,241,246)	(892,488)
Net revenue	55,363,906	26,859,519
Cost of revenue	40,423,550	12,345,590
Gross profit	14,940,356	14,513,929
Operating expenses:		
Selling, general and administrative	22,242,032	10,745,235
Amortization	13,293,279	326,988
Management and license fees	5,536,390	2,666,907
Total operating expenses	41,071,701	13,739,130
Operating (loss) income	(26,131,345)	774,799
Interest income	(40,191)	(39,058)
Interest expense	811,017	388,036
Loss on extinguishment of debt	350,691	—
Acquisition-related costs	3,968,289	396,793
(Loss) income before income taxes and preferred dividends	(31,221,151)	29,028
Provision for income taxes	585,000	874,000
Net loss before noncontrolling interests and preferred dividends	(31,806,151)	(844,972)
Net loss attributable to noncontrolling interests	(134,282)	—
Net loss attributable to Chicken Soup for the Soul Entertainment, Inc.	(31,671,869)	(844,972)
Less: Preferred dividends	3,304,947	1,112,910
Net loss available to common stockholders	$ (34,976,816)	$ (1,957,882)
Net loss per common share:		
Basic and diluted	$ (2.92)	$ (0.16)

See accompanying notes to consolidated financial statements.

Chicken Soup for the Soul Entertainment, Inc
Consolidated Statements of Stockholders' Equity

	Preferred Stock		Common Stock				Additional Paid-In Capital	Retained (Deficit) Earnings	Treasury Stock	Subsidiary convertible Preferred Stock	Noncontrolling Interests	Total
			Class A		Class B							
	Shares	Par Value	Shares	Par Value	Shares	Par Value						
Balance, December 31, 2017	**-**	**$ -**	**4,096,353**	**$409**	**7,863,938**	**$786**	**$36,584,575**	**$ 9,421,619**	**$ -**	**$ -**	**$ -**	**$ 46,007,389**
Conversion of Class B shares to Class A shares			46,700	4	(46,700)	(4)						-
Shares issued to directors			10,452	1			96,614					96,615
Share based compensation - stock options							857,073					857,073
Issuance of preferred stock	784,497	79					19,612,346					19,612,425
Preferred Stock Issuance Costs							(1,894,792)					(1,894,792)
Dividends on preferred stock								(6,295,460)				(6,295,460)
Preferred shares issued as part purchase consideration paid for Pivotshare acquisition	134,000	13					3,434,407					3,434,420
Shares issued as part purchase consideration Class A shares paid for Pivotshare acquisition			74,235	7			731,949					731,956
Common Stock Issuance Costs							(61,589)					(61,589)
Purchase of treasury stock									(632,729)			(632,729)
Net loss								(844,972)				(844,972)
Balance, December 31, 2018	**918,497**	**$ 92**	**4,227,740**	**$421**	**7,817,238**	**$782**	**$59,360,583**	**$ 2,281,187**	**$(632,729)**	**$ —**	**$ —**	**$ 61,010,336**
Share based compensation - stock options							907,572					907,572
Share based compensation - common stock							87,500					87,500
Issuance of preferred stock	680,505	68					17,012,557					17,012,625
Preferred stock issuance costs							(1,489,706)					(1,489,706)
Stock options exercised			16,666	2			160,159					160,161
Shares issued to directors			6,956	1			25,000					25,001
Employee stock grant			5,258	1			41,854					41,855
Conversion of Class B shares to Class A shares			3,300	—	(3,300)	—						—
Dividends on preferred stock								(3,304,947)				(3,304,947)
Crackle business combination							11,504,511			36,350,000	521,945	48,376,456
Net loss attributable to noncontrolling interest											(134,282)	(134,282)
Net loss								(31,671,869)				(31,671,869)
Balance, December 31, 2019	**1,599,002**	**$160**	**4,259,920**	**$425**	**7,813,938**	**$782**	**$87,610,030**	**$(32,695,629)**	**$(632,729)**	**$36,350,000**	**$ 387,663**	**$ 91,020,702**

See accompanying notes to consolidated financial statements

Chicken Soup for the Soul Entertainment, Inc
Consolidated Statements of Cash Flows

	Year ended December 31, 2019	2018
Cash flows from Operating Activities:		
Net loss	$ (31,806,151)	$ (844,972)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based compensation	1,061,926	953,688
Amortization of programming costs and rights	710,689	2,752,446
Amortization of deferred financing costs	82,400	57,161
Amortization of fixed assets and acquired intangibles	13,293,279	326,986
Amortization of film library	10,182,166	6,459,431
Bad debt and video return expense	2,669,699	1,222,032
Loss on debt extinguishment	350,691	—
Deferred income taxes	452,000	373,000
Changes in operating assets and liabilities:		
Trade accounts receivable	(24,489,719)	(5,989,864)
Prepaid expenses and other current assets	(657,778)	133,815
Inventory	(49,965)	106,896
Programming costs and rights	(2,151,669)	(8,267,551)
Film library	(18,093,813)	(9,142,288)
Accounts payable, accrued expenses and other payables	24,165,978	3,366,143
Film library acquisition obligations	2,305,000	2,052,200
Accrued participation costs	3,527,373	(1,081,278)
Other liabilities	(244,400)	269,974
Deferred revenue	(6,469)	(508,531)
Net cash used in operating activities	(18,698,763)	(7,760,712)
Cash flows from Investing Activities:		
Payment for business acquisition, net of cash acquired	—	190,587
Increase in due from affiliated companies	(6,428,996)	(4,340,458)
Net cash used in investing activities	(6,428,996)	(4,149,871)

(continued on next page)

Chicken Soup for the Soul Entertainment, Inc
Consolidated Statements of Cash Flows
Cont'd

	Year ended December 31, 2019	2018
Cash flows from Financing Activities:		
Proceeds from revolving credit facility from related party	—	200,000
Repayments of revolving credit facility from related party	—	(1,700,000)
Proceeds from commercial loan	8,665,000	8,500,000
Repayments of commercial loan	(1,466,667)	(583,334)
Proceeds from revolving credit facility	5,000,000	—
Payment of preferred stock issuance costs	(1,489,706)	(1,956,393)
Proceeds from issuance of common stock under equity plans	160,161	—
Payment of deferred financing costs	(203,063)	(391,714)
Proceeds from issuance of Series A preferred stock	17,012,625	19,612,438
Common stock repurchases held in treasury	—	(632,729)
Dividends paid to common stockholders	—	(5,182,549)
Dividends paid to preferred stockholders	(3,304,947)	(926,363)
Net cash provided by financing activities	24,373,403	16,939,356
Net (decrease) increase in cash and cash equivalents	(754,356)	5,028,773
Cash and cash equivalents at beginning of period	7,201,758	2,172,985
Cash and cash equivalents at end of the period	$ 6,447,402	$ 7,201,758
Supplemental data:		
Interest paid	$ 605,561	$ 267,064
Non-cash investing activities:		
Noncash investing activities (Crackle Plus business combination)	$ 51,672,531	$ —
Affiliated balances settled as a part of the A Sharp acquisition consideration	—	8,711,109
Fair value of Preferred shares issued as a part of business acquisition - Pivotshare	—	3,434,486
Fair value of Common A shares issued as a part of business acquisition - Pivotshare	—	732,028
Reconciliation of cash and cash equivalents and restricted cash per consolidated balance sheets to statements of cash flows		
Per consolidated balance sheets:		
Cash and cash equivalents	$ 6,447,402	$ 6,451,758
Restricted cash	—	750,000
Total cash, cash equivalents and restricted cash per statements of cash flows	$ 6,447,402	$ 7,201,758

See accompanying notes to consolidated financial statements.

Chicken Soup for the Soul Entertainment, Inc.
Notes to Consolidated Financial Statements

Note 1 – Description of the Business

Chicken Soup for the Soul Entertainment, Inc. (the "Company") is a Delaware corporation formed on May 4, 2016. We operate video-on-demand networks and are a leading global independent television and film distribution company with one of the largest independently owned television and film libraries.

The Company operates and is managed by the Company CEO Mr. William J. Rouhana, Jr, as one reportable segment, the production and distribution of video content. The Company currently operates in the United States and internationally and derives its revenue primarily in the United States. The Company has a presence in over 56 countries and territories worldwide.

Financial Condition and Liquidity

As of December 31, 2019, we had an accumulated deficit of $32.7 million and for the year ended December 31, 2019, we had a net loss of $35.0 million. We do not expect to continue to incur net losses at this level in the foreseeable future. We have evaluated our current financial condition and have determined that the losses incurred in the current year are not indicative of our ongoing operations. 2019 has been a transformative year for our Company led by the launch of our new streaming video on demand service Crackle Plus which amalgamated each of our video on demand platforms. This strategic shift in our business has made us one of the largest providers of free AVOD services in the United States and shifted our business focus. With this shift and growth, we realized significant non-recurring acquisition and transitional related expenses to integrate our Crackle Plus Network in the 2019 operating year. In addition, the Company realized a significant portion of expenses related to non-cash items including intangible amortization expenses related to our acquired business and stock compensation. These expenses accounted for 64% of our total loss for the fiscal year. The Company does not expect operating expenses will remain at this level in future periods.

We believe that cash flow from operations, cash on hand, and the monetization of trade accounts receivable, together with equity and debt offerings, if necessary, should be adequate to meet our operational cash and debt service requirements (i.e., principal and interest payments) for the foreseeable future. We monitor our cash flow liquidity, availability, capital base, operational spending and leverage ratios with the long-term goal of maintaining our credit worthiness.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly and majority owned subsidiaries. The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (''GAAP''). All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The Company's significant estimates include those related to revenue recognition and estimated ultimate revenues, allowance for doubtful accounts, intangible assets, share-based compensation expense, valuation allowance for income taxes, and amortization of programming and film library costs. Actual results could differ from those estimates.

Chicken Soup for the Soul Entertainment, Inc.
Notes to Consolidated Financial Statements

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less and consist primarily of money market funds. Such investments are stated at cost, which approximates fair value.

Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Level 1—Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2—Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3—Valuations based on unobservable inputs reflecting our own assumptions. These valuations require significant judgment and estimates.

At December 31, 2019 and 2018, the fair value of the Company's financial instruments including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, accrued participation costs, film library acquisition costs and accrued programming costs, approximated their carrying value due primarily to the relative short-term nature of these instruments.

Accounts Receivable

Accounts receivable are stated at the amounts management expects to collect and are subsequently stated net of allowance for uncollectible accounts and video returns. An allowance for doubtful accounts is recorded based on a combination of historical experience, aging analysis and information on specific accounts. Account balances are written off against the allowance after all means of collections have been exhausted and the potential for recovery is considered remote. Accounts are considered past due or delinquent based on contractual terms and how recently payments have been received. Estimated losses resulting from uncollectible accounts are reported as bad debt expense in the consolidated statements of income. At December 31, 2019 and 2018, accounts receivable is presented net of allowance for doubtful accounts and video returns of $1,889,147 and $601,500, respectively. Bad debt expense of $1,428,453 and $329,544 was recorded in the consolidated statements of operations for the year ended December 31, 2019 and 2018, respectively. Provision for returns and allowances of $1,241,246 and $892,488 was recorded in the consolidated statements of operations for the year ended December 31, 2019 and 2018, respectively.

Inventory

Inventory consists of DVD films held for resale to wholesale and retail customers. Inventory is stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out (FIFO) method. When the net realizable value falls below its cost, a provision for write-downs is recorded.

Programming Costs

Programming costs include the unamortized costs of completed, in-process, or in-development long-form and short-form video content produced by the Company. For video content, the Company's capitalized costs include all direct production and financing costs, capitalized interest when applicable, and production overhead.

Chicken Soup for the Soul Entertainment, Inc.
Notes to Consolidated Financial Statements

The costs of producing video content are amortized using the individual-film-forecast method. These costs are amortized in the proportion that current period's revenue bears to management's estimate of ultimate revenue expected to be recognized from each production.

For an episodic television series, the period over which ultimate revenue is estimated cannot exceed ten years following the date of delivery of the first episode, or, if still in production, five years from the date of delivery of the most recent episode, if later.

Programming costs are stated at the lower of amortized cost or estimated fair value. The valuation of programming costs is reviewed on a title-by-title basis, when an event or change in circumstances indicates that the fair value may be less than its unamortized cost and the valuation is based on a discounted cash flows ("DCF") methodology with assumptions for cash flows. Key inputs employed in the DCF methodology include estimates of a program's ultimate revenue and costs as well as a discount rate. The discount rate utilized in the DCF is based on the weighted average cost of capital of the Company plus a risk premium representing the risk associated with producing a program. The Company performs an annual impairment analysis for unamortized programming costs. An impairment charge is recorded in the amount by which the unamortized costs exceed the estimated fair value. Estimates of future revenue involve measurement uncertainties and it is therefore possible that reductions in the carrying value of programming costs may be required because of changes in management's future revenue estimates.

Included in cost of revenue in the consolidated statements of operations for the years ended December 31, 2019 and 2018, is amortization of programming costs related to our original productions totaling $209,627 and $2,752,446, respectively. For the years ended December 31, 2019 and 2018, there were no impairment charges recorded.

Film Library

The film library represents the cost of acquiring film distribution rights and related acquisition and accrued participation costs. The film library is amortized using the individual-film-forecast-computation method. The film library is stated at the lower of unamortized cost or fair value. Amortization is based upon management's best estimate of total future, or ultimate revenue. Amortization is adjusted when necessary to reflect increases or decreases in forecasted ultimate revenues. The ultimate revenue time frame is determined based on the term of the acquisition agreement, which in most cases is ten years or more. The Company generally acquires distribution rights covering periods of ten or more years.

Film library costs are stated at the lower of amortized cost or estimated fair value. The valuation of film library costs is reviewed at the film acquisition year level ('vintage'), when an event or change in circumstances indicates that the fair value may be less than its unamortized cost and the valuation is based on a discounted cash flows ("DCF") methodology with assumptions for cash flows. Key inputs employed in the DCF methodology include estimates of a film vintage ultimate revenue and costs as well as a discount rate. The discount rate utilized in the DCF is based on the weighted average cost of capital of the Company plus a risk premium representing the risk associated with acquiring a film. The Company performs an annual impairment analysis for unamortized film library costs. An impairment charge is recorded in the amount by which the unamortized costs exceed the estimated fair value. Estimates of future revenue involve measurement uncertainties and it is therefore possible that reductions in the carrying value of film library costs may be required because of changes in management's future revenue estimates.

Included in cost of revenues in the consolidated statements of operations for the years ended December 31, 2019 and 2018 is amortization of film library costs totaling $10,182,166 and $6,459,431, respectively. For the years ended December 31, 2019 and 2018, there was no impairment charge recorded.

Programming rights and obligations

Programming rights acquired under license agreements are recorded as an asset and a corresponding liability upon commencement of the license period. The programming rights are presented at the lower of unamortized cost or estimated net realizable value on a program by program basis and amortized over the license period using the straight-line method beginning with the first month of availability. Programming obligations represent the gross commitment amounts to be paid to program suppliers over the life of the contracts.

Included in the cost of revenues in the consolidated statements of operations for the years ended December 31, 2019 and 2018 were program rights amortization totaling $501,061 and $0, respectively.

Acquisitions, Goodwill & Acquired Intangible Asset

We have made and expect to continue to make selective acquisitions. The valuation of potential acquisitions is based on various factors, including specialized know-how resulting in future synergies, reputation, competitive position and service offerings of the target businesses, as well as our experience and judgment.

The Company accounts for business combinations using the acquisition accounting method, in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Section 805 "Business Combinations," which requires the determination of the fair value of the net assets acquired including tangible assets, identified intangible assets, liabilities assumed and any noncontrolling interest in the acquired business are recorded at their acquisition date fair values. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and involves the use of significant estimates, including projections of future cash inflows and outflows, discount rates, asset lives and market multiples. The Company continually evaluates its estimates, including the assumptions, risks, and uncertainties inherent in estimates; however, the Company cannot ensure that these estimates will be accurate. If the Company subsequently determines that the estimates are not accurate, it will be required to record an impairment charge. Considering the characteristics of AVOD and film distribution companies, the Company's acquisitions to date did not have significant amounts of tangible assets, as the principal assets typically acquired are brands and customer relationships. As a result, a substantial portion of the purchase price is allocated to other intangible assets including goodwill where appropriate.

Changes to the original estimates may be required during the life of an asset. The Company reviews goodwill and other intangible assets with indefinite lives not subject to amortization at least annually and whenever events or significant changes in circumstances indicate that the carrying value may not be recoverable, and if so, an impairment charge is recorded. As of December 31, 2019 no indicators of impairment have been identified and thus no impairment charge has been recorded.

Goodwill and Acquired Intangible Assets consist of the following,

Video Content License

The Company has been granted a perpetual, exclusive license from CSS to utilize the Brand and related content, for visual exploitation on a worldwide basis pursuant to the CSS License Agreement. In granting the license, CSS required an initial purchase price of $5,000,000, which approximated its costs to CSS, and was paid by the Company during 2016. The Company has recorded the initial purchase price of the license at the estimated cost to CSS.

Popcornflix Film Rights and Other Assets

Popcornflix film rights and other assets represents the direct-to-consumer online video service and application platform comprised of five ad-supported networks with rights to over 3,000 films and approximately 60 television series. Popcornflix is an indefinite-lived intangible and is not subject to amortization but annual impairment analysis.

Chicken Soup for the Soul Entertainment, Inc.
Notes to Consolidated Financial Statements

Pivotshare

Acquired intangible assets of Pivotshare represent the fair value of its installed customer base, the non-compete obligation of the former chief executive officer and goodwill.

The installed customer base and the non-compete are stated at the lower of unamortized cost or fair value. Amortization is based upon management's best estimate of useful lives, which is five years for the installed customer base and three years for the non-compete, which is the period it is in effect.

A Plus

The Company recorded goodwill from the acquisition of A Plus which resulted from the portion of the purchase price in excess of the net assets purchased as of the initial acquisition date.

Crackle

The Company recorded goodwill and intangible assets in connection with the formation of Crackle Plus. The customer user base, content rights, brand value and partner agreements are presented net of accumulated amortization and have useful lives between one and seven years.

We review goodwill and other intangible assets with indefinite lives not subject to amortization as of December 31st each year and whenever events or significant changes in circumstances indicate that the carrying value may not be recoverable. In performing our annual impairment review, we would first assess qualitative factors to determine whether it is "more likely than not" that the goodwill or indefinite-lived intangible assets are impaired. Qualitative factors to consider may include macroeconomic conditions, industry and market considerations, cost factors that may have a negative effect on earnings, financial performance, and other relevant entity-specific events such as changes in management, key personnel, strategy or clients, as well as pending litigation. If, after assessing the totality of events or circumstances such as those described above, we determine that it is "more likely than not" that the goodwill or indefinite-lived intangible asset is impaired, then we would be required to determine the fair value and perform the quantitative impairment test by comparing the fair value with the carrying value. Otherwise, no additional testing is required.

For our 2019 and 2018 annual impairment tests, we performed a qualitative impairment assessment for our assets goodwill and other intangible assets with indefinite lives. For the qualitative analysis we took into consideration all the relevant events and circumstances, including financial performance, macroeconomic conditions and entity-specific factors such as client wins and losses. Based on this assessment, we have concluded that for each of our assets subject to the qualitative assessment, it is not "more likely than not" that their fair value was less than their carrying value; therefore, no additional testing was required.

For the years ended December 31, 2019 and 2018, there was no impairment charge recorded to our goodwill and acquired intangible assets with indefinite lives.

Income Taxes

The Company records income taxes under the asset and liability method in accordance with FASB ASC Section 740. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred taxes are also recognized for operating losses that are available to offset future taxable income. A valuation allowance is established, when necessary, to reduce net deferred tax assets to the amount expected to be realized.

Chicken Soup for the Soul Entertainment, Inc.
Notes to Consolidated Financial Statements

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company accounts for uncertain tax positions in accordance with the authoritative guidance issued by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 740: *Income Taxes*, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return, should be recorded in the financial statements. Pursuant to the authoritative guidance, the Company may recognize the tax benefit from an uncertain tax position only if it meets the “more likely than not” threshold that the position will be sustained on examination by the taxing authority, based on the technical merits of the position or expiration of statutes. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. In addition, the authoritative guidance addresses de-recognition, classification, interest and penalties on income taxes, accounting in interim periods, and also requires increased disclosures.

The Company includes interest and penalties related to its uncertain tax positions as part of income tax expense within its consolidated statements of operations. At December 31, 2019 and 2018, the Company did not have any unrecognized tax benefits or liabilities.

Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the sum of the expected future cash flows, undiscounted and without interest, is less than the carrying amount of the asset, an impairment loss is recognized as the amount by which the carrying amount of the asset exceeds its fair value.

Film Library Acquisition Obligations

Film library acquisition obligations represent amounts due in connection with the Company acquiring film distribution rights. Pursuant to the film distribution rights agreements, the Company’s right to distribute films may revert to the licensor if the Company is unable to satisfy its financial obligations with respect to the acquisition of the related distribution rights.

Ad Representation Fees Payable

Included in cost of revenue are fees earned by the Ad Rep Partners.

Accrued Participation Costs

The Company accrues for participation costs due to production companies and producers based on the respective agreements. Amounts due to production companies and producers are calculated based on gross revenue for each film after exceeding certain minimum targets. In addition, the Company must recoup its original investment in each film before such payments are due. Accrued participation costs are capitalized and amortized as part of the film library.

Chicken Soup for the Soul Entertainment, Inc.
Notes to Consolidated Financial Statements

Related Party Transactions - Due from / to affiliated Companies

The Company follows subtopic 850-10 of the FASB ASC for the identification of related parties and disclosure of related party transactions. Pursuant to Section 850-10-20 the related parties include subsidiaries and affiliates of the Company. The financial statements and accompanying notes include disclosures of material related party agreements and transactions, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business.

Revenue Recognition

The Company recognizes revenue in accordance with ASC Topic, 606: Revenue from contracts with customers.

Online Networks

Revenue from AVOD and online digital distribution platforms are recorded and invoiced when monthly activity is reported by advertisers or third-party agencies. The Company earns revenues on a cost per thousand, also called on a cost-per-mille basis (“CPM basis”) as ad impressions are run on the inventory sold to ad agencies and as ad impressions are run on the ad inventory made available to resellers. The Company considers ad agencies and resellers as customers in these transactions and therefore revenue is presented as gross receipts from the agencies and resellers. In addition, advertising representation revenues are fees that the Company earns for selling ad inventory on behalf of third-party over-the-top platforms. The Company earns revenues as placed advertisements are run on the available ad inventory of its Ad Rep Partners. Advertising representation revenues are presented as the gross receipts from advertisers and the amount remitted to the Ad Rep Partners are recorded as cost of sales.

Revenue earned on the distribution of third parties’ streaming content by Pivotshare is reported on a net basis as the Company’s performance obligation is to facilitate a transaction between third party content producers and customers, for which we earn a commission based on revenue share (see Note 5). Revenue from digital online media distribution is included in online networks in the accompanying consolidated statements of operations.

The Company generally invoices customers in arrears on a monthly basis in accordance with the number of advertisements placed or impressions delivered during the month. The Company generally invoices customers when the right to consideration becomes unconditional and the Company has no remaining performance obligations, and as such, the only contract balances the Company recognizes are accounts receivable.

Television and film distribution

The Company licenses and distributes individual and multi-film packages to its customers. Revenue from multi-film sales is allocated on a per title basis and recognized upon initial availability for exploitation by customers. In addition, the Company distributes DVDs and similar media to its customers. The Company recognizes revenue upon shipment of DVD units or similar media units to its customers. Provision for future returns and other allowances are established based upon historical experience. For theatrical releases, revenue is recorded after the theatrical release date and when box office proceeds reports are received. Revenue from the distribution of multi-film packages and DVDs and similar media is included in television and film distribution in the accompanying consolidated statements of operations.

Television and short-form video production

The Company recognizes revenue from the production and distribution of television programs and short-form video content in accordance with FASB ASC 606: Revenue from contracts with customers and ASC 926: Entertainment – Films as amended. For episodic television programs, revenue is recognized as each episode becomes available for delivery or becomes available for broadcast, and for short-form online videos, revenue is recognized when the videos are posted to a website for viewing. Revenue from the distribution of short-form online media content is included in television and short-form video production revenue in the accompanying consolidated statements of operations.

Cash advances received by the Company are recorded as deferred revenue until all the conditions of revenue recognition have been met.

Share-Based Payments

The Company accounts for share-based payments in accordance with FASB ASC 718: Share-based compensation, which establishes the accounting for transactions in which an entity exchanges its equity instruments for goods or services. Under the provisions of the authoritative guidance, share-based compensation expense is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the requisite service period, net of estimated forfeitures. Shares issued for services are based upon current selling prices of the Company's Class A common stock or independent third-party valuations.

The Company estimates the fair value of share-based instruments using the Black-Scholes option-pricing model. All share-based awards are fulfilled with new shares of Class A common stock. For the years ended December 31, 2019 and 2018, share-based awards were issued to employees, non-employee directors and were recorded at fair value.

Advertising Costs

Generally, advertising costs are expensed as incurred except for the advertising costs associated with the Company's theatrically released titles. Total advertising costs related to theatrically released titles for the year ended December 31, 2019 and 2018 were $2,474,099 and $1,281,278, respectively. These costs are capitalized as part of the film library acquisition costs and are amortized as such.

Acquisition-Related Costs

The Company accounts for acquisition related costs in accordance with FASB ASC 805 Business combinations and expenses these costs as incurred. Acquisition-related costs primarily consists of legal, accounting, investment advisory and other consulting fees related to a transaction.

Total acquisition-related costs expensed for the years ending December 31, 2019 and 2018 were $3,968,289 and $396,793, respectively.

.Earnings (Loss) Per Share

Basic earnings (loss) per common share is computed based on the weighted average number of shares of all classes of common stock outstanding during the period. Diluted earnings per common share is computed based on the weighted average number of common shares outstanding during the period increased, when applicable, by dilutive common stock equivalents, comprised of Class W warrants, Class Z warrants, Class I warrants, Class II warrants, Class III-A warrants, Class III-B warrants and stock options outstanding. When the Company has a net loss, dilutive common stock equivalents are not included as they would be anti-dilutive.

In computing the effect of dilutive common stock equivalents, the Company uses the treasury stock method to calculate the related incremental shares.

Client Concentration

For the year ended December 31, 2019, we did not have any customers, which accounted for 10% or more of our total net revenue. For the year ended December 31, 2018, we had one customer, which accounted for 15% of our total net revenue.

Chicken Soup for the Soul Entertainment, Inc.
Notes to Consolidated Financial Statements

As of December 31, 2019, the Company had two customers that when combined accounted for 21% of gross accounts receivable. As of December 31, 2018, the Company had two customers that when combined accounted for 46% of gross accounts receivable.

Note 3 – Recent Accounting Pronouncements

Recently Issued Accounting Standards

In March 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2019-02, "Improvements to Accounting for Costs of Films and License Agreements for Program Materials." The amendments in this ASU align the accounting for production costs of an episodic television series with the accounting for production costs of films. In addition, the ASU modifies certain aspects of the capitalization, impairment, presentation and disclosure requirements under the current film and broadcaster entertainment industry guidance. The new guidance is effective for interim and annual reporting periods starting in fiscal year 2020, with early adoption permitted. The new guidance will be applied on a prospective basis. The Company does not expect the adoption of the amendments to have a material impact on its consolidated financial statements.

In November 2018, the FASB issued ASU No. 2018-18, "Collaborative Arrangements (Topic 808) – Clarifying the Interaction between Topic 808 and Topic 606." The amendments in this ASU clarify that certain transactions between collaborative arrangement participants should be accounted for as revenue under Topic 606, Revenue from Contracts with Customers, when the collaborative arrangement participant is a customer in the context of a unit of account and precludes recognizing as revenue consideration received from a collaborative arrangement participant if the participant is not a customer. The new guidance is effective for interim and annual reporting periods starting in fiscal year 2020 for the Company, with early adoption permitted. The new guidance should be applied retrospectively to the date of initial application of the new revenue guidance in Topic 606 (January 1, 2018 for the Company). The Company does not expect the adoption of the amendments to have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract." The new guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the amendments in this update. The new guidance is effective for interim and annual reporting periods starting in fiscal year 2020 for the Company, with early adoption permitted. The new guidance should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company does not expect the adoption of the amendments to have a material impact on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"), which requires an entity to assess impairment of its financial instruments based on its estimate of expected credit losses. Since the issuance of ASU 2016-13, the FASB released several amendments to improve and clarify the implementation guidance. The provisions of ASU 2016-13 and the related amendments are effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2022. Entities are required to apply these changes through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The Company does not expect the adoption of the amendments to have a material impact on its consolidated financial statements.

Chicken Soup for the Soul Entertainment, Inc.
Notes to Consolidated Financial Statements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under current GAAP. ASU 2016-02 requires that a lessee should recognize a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term on the balance sheet. ASU 2016-02 was effective for public companies' fiscal years beginning after December 15, 2018 (including interim periods within those periods) using a modified retrospective approach. Because the Company is an emerging growth company, adoption is not required until fiscal years beginning after December 15, 2020. The Company is currently assessing the potential impact ASU 2016-02 will have on its consolidated financial statements. The Company is currently evaluating the impact of implementation on its disclosures and consolidated financial statements.

The Company does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the consolidated financial statements.

Recently Adopted Accounting Standards

In June 2018, the FASB issued ("ASU") 2018-07, Compensation - Stock Compensation Topic 718: Improvements to Nonemployee Share-Based Payment Accounting, which is intended to reduce cost and complexity and to improve financial reporting for share-based payments issued to nonemployees. Under the new guidance, equity-classified nonemployee awards are to be measured on the grant date, rather than on the earlier of (1) the performance commitment date or (2) the date at which the nonemployee's performance is complete. ASU 2018-07 is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2018 for public entities and after December 15, 2019 for all other entities. Early adoption is permitted but not before an entity adopts ASC 606. The Company has adopted ASC 606 on January 1, 2019 and the impact of implementation was not material.

In May 2014, the FASB issued ASU 2014 09, Revenue from Contracts with Customers (Topic 606) which amended the existing accounting standards for revenue recognition. ASU 2014 09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. For public entities, this standard is effective for annual reporting periods beginning after December 15, 2017 (including interim reporting periods within those periods). For all other entities, this standard is effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The amendments may be applied retrospectively to each prior period (full retrospective) or retrospectively with the cumulative effect recognized as of the date of initial application (modified retrospective). The Company has adopted ASU 2014 09 in the first quarter of 2019 and has applied the modified retrospective method. No adjustment was recorded to opening retained earnings given the lack of change to the Company's accounting for revenue with contracts with customers.

Refer to "Note 5 Revenue Recognition" for details of the impact and required disclosures.

Note 4 – Business Combination

Crackle

The Company consummated the creation of its Crackle Plus subsidiary on May 14, 2019. In consideration for assets contributed to Crackle Plus by CPE Holdings, Inc. ("CPEH"), a Delaware corporation and affiliate of Sony Pictures Television Inc. ("Sony"), and Crackle, Inc., a Delaware corporation and wholly owned subsidiary of CPEH ("Crackle"), Crackle Plus issued to Crackle 37,000 units of preferred equity ("Preferred Units") and 1,000 units of common equity ("Common Units"), which are now held by CPEH. In consideration for assets contributed to Crackle Plus by the Company, Crackle Plus issued to the Company 99,000 Common Units. From May 2020 to October 2020 ("Exercise Period"), CPEH will have the right to either convert its Preferred Units into Common Units of Crackle Plus or require us to purchase all, but not less than all, of its interest in Crackle Plus ("Put Option"). We may elect to pay the put option in cash or through

Chicken Soup for the Soul Entertainment, Inc.
Notes to Consolidated Financial Statements

the issuance of Series A Preferred Stock using a price per share of $25. Subject to certain limitations, in the event that CPEH hasn't converted its Preferred Units into Common Units of Crackle Plus or exercised its Put Option, Crackle shall be deemed to have automatically exercised the Put Option on the last day of the Exercise Period.

As additional consideration to CPEH, the Company issued to CPEH warrants to purchase (a) Eight Hundred Thousand (800,000) shares of the Class A common stock of the Company at an exercise price of $8.13 per share (the "CSSE Class I Warrants"), (b) warrants to purchase One Million Two Hundred Thousand (1,200,000) shares of the Class A common stock of the Company at an exercise price of $9.67 per share, (the "CSSE Class II Warrants"); (c) warrants to purchase Three Hundred Eighty Thousand (380,000) shares of the Class A common stock of the Company at an exercise price of $11.61 per share, (the "CSSE Class III-A Warrants"); and (d) warrants to purchase One Million Six Hundred Twenty Thousand (1,620,000) shares of the Class A common stock of the Company at an exercise price of $11.61 per share, (the "CSSE Class III-B Warrants"). All the CSSE Warrants have a five-year term commencing on the closing and are exercisable at any time and from time to time during such term.

The Crackle Plus transaction was accounted for as a purchase of a business in accordance with FASB ASC 805, Business Combinations and the aggregate purchase price consideration of $51,672,531 has been allocated to assets acquired and liabilities assumed, based on management's analysis and information received from an independent third-party appraisal. The results are as follows:

Purchase price consideration allocated to fair value of net assets acquired:

Accounts receivable, net	$ 5,360,667
Prepaid expenses	892,200
Programming Rights	1,155,363
Goodwill	18,911,027
Brand Value	18,807,004
Customer User Base	21,194,641
Content Rights	1,708,270
Partner Agreements	4,005,714
Assets acquired	**72,034,886**
Accounts payable and accrued expenses	(13,061,494)
Programming Obligations	(7,300,861)
Liabilities assumed	**(20,362,355)**
Total purchase consideration	**$ 51,672,531**

In estimating the fair value of the acquired assets and assumed liabilities, the fair value estimates are based on, but not limited to, expected future revenue and cash flows, expected growth rates, and estimated discount rates.

The amount related to other intangible assets represents the estimated fair values of the brand (trademark), customer user base, content rights, and partner agreements. These long-lived assets are being amortized on a straight-line basis over their estimated useful lives of 16-84 months.

Goodwill is calculated as the excess of the consideration transferred over the fair value of the identifiable net assets acquired and liabilities assumed, and represents the future economic benefits expected to arise from the intangible assets acquired that do not qualify for separate recognition. The Company recorded $18.9 million of goodwill in connection with the Crackle Plus transaction.

The fair values of assets acquired, and liabilities assumed were based upon preliminary valuations performed for the preparation of the pro forma financial information and are subject to the final valuations. These estimates and assumptions

Chicken Soup for the Soul Entertainment, Inc.
Notes to Consolidated Financial Statements

are subject to change within the measurement period as additional information is obtained. A decrease in the fair value of the assets acquired or liabilities assumed in the Crackle Plus transaction from the preliminary valuations presented would result in dollar for dollar corresponding increase or decrease, as applicable, in the amount of goodwill resulting from the transaction. In addition, if the value of the other intangible assets is higher than the amount included in these unaudited condensed consolidated financial statements, it may result in higher amortization expense than is presented herein. Any such increases could be material and could result in the Company's actual future financial condition or results of operations differing materially from that presented herein. As permitted, the final determination of these estimated fair values will be completed as soon as possible but no later than one year from the acquisition date when the Company has completed the detailed valuations and calculations.

Purchase Price Consideration Allocation:

Fair Value of Crackle Preferred Units	$	36,350,000
Fair Value of Warrants in CSSE		10,899,204
Fair Value of Put Option		4,423,327
Total Estimated Purchase Price	**$**	**51,672,531**

The purchase price paid by the Company reflects the total consideration given in return for the ownership share available to CPEH in the entity. Consideration given has been calculated at the fair market value of the Crackle Plus Preferred Units; the four CSSE tranches of warrants and the Put Option. The Company valued the securities based on the terms of the Contribution Agreement and the use of the Black Scholes model valuation technique on each of the respective components as follows,

1. The Preferred Units have a stated value at the time of the acquisition of $36.35 million, as set forth in the Crackle Plus Operating Agreement;

2. The four (4) tranches of CSSE warrants were individually valued based on the Black Sholes valuation model using their respective terms and strike prices (ranging from a 5% to 50% premium over the initial market price of $7.74). Each tranche used a volatility of 58% and a 5-year risk free rate of 2.2%;

3. The Put Option was valued via the Black-Sholes valuation model assuming an initial price of $36.35 million, strike price of $40M, volatility of 17% and term of 1.5 years reflecting the latest time the Put Option could be exercised or triggered.

All consideration transferred has been determined to represent equity-classified contingent consideration and has been measured at fair value as of the acquisition date. Equity-classified contingent consideration is not remeasured following the acquisition date, and its subsequent settlement is accounted for within equity. The equity classification has been determined based on the terms of the transaction.

The Company's consolidated statement of operations include gross revenue of approximately $38.5 million, gross profit of $10.9 million and net loss of $12 million, from Crackle's operations from the date of acquisition on May 15, 2019 through December 31, 2019.

On a combined proforma basis (unaudited), assuming the acquisition of Crackle occurred on January 1, 2018, proforma combined consolidated gross revenue, gross profit, and net (loss)/income for the years ending 2019 and 2018 would have resulted in approximately $79.3 million, $24.0 million and $(26.5) million and $92.6 million, 44.4 million and $0.2 million, respectively. Proforma results exclude the effects of non-recurring acquisition related expenses and any future integration costs or savings. Unaudited proforma combined information is not necessarily indicative of results that would have been achieved had the Company controlled Crackle's operations during the periods presented or the results that the Company will experience going forward.

Chicken Soup for the Soul Entertainment, Inc.
Notes to Consolidated Financial Statements

A Plus

Effective December 28, 2018, we completed the acquisition of 100% of the outstanding capital stock of A Sharp Inc. (d/b/a "A Plus"). A Plus is a digital media company that develops and distributes high-quality, empathetic short-form videos and articles to millions of people worldwide, with an emphasis on positive journalism and social change. A Plus was founded by and is chaired by renowned actor and investor, Ashton Kutcher. Pursuant to the SPA, we acquired all of the outstanding capital stock of A Plus, an affiliate of ours, for an aggregate purchase price of $15 million, which was paid as follows: (a) an aggregate of 350,299 shares of Class A common stock, (b) an offset of $8.7 million to amounts due pursuant to the intercompany cash management system and (c) reduction of approximately $3.3 million of advances owed by A Plus to the Company.

Prior to the acquisition, A Plus was majority owned by an affiliate of our parent company, Chicken Soup for the Soul, LLC ("CSS"). In September 2016, we entered into a distribution agreement with A Plus (the "A Plus Distribution Agreement"), pursuant to which we received the exclusive worldwide rights to distribute all video content (in any and all formats) and all editorial content (including articles, photos and still images) created, produced, edited or delivered by A Plus. Under the terms of the Distribution Agreement, we received a net distribution fee equal to 40% of gross revenue generated by the distribution of the A Plus video content.

As a result of the acquisition, A Plus is now a wholly owned subsidiary of our Company, and the A Plus Distribution Agreement has been terminated, resulting in our retention of 100% of the revenues generated by A Plus and projected cost savings. The acquisition of A Plus is expected to have a material positive impact on the Company's consolidated financial position, results of operations and cash flows.

The Purchase Price otherwise payable by the Company was reduced by approximately $3.3 million of advances owed by A Plus to the Company. The balance of the cash portion of the purchase price was used to reduce all open amounts under the intercompany cash management account. Any excess amount that may be due to CSS will be deferred and will be carried in the intercompany cash management system until amortized in accordance with prior practice.

The Company accounted for its acquisition of A Plus in accordance with ASC Subtopic 805-50, "Transactions between entities under common control". All net assets have been transferred at their carrying amounts at the date of transfer and financial statements of the have been restated to reflect the transaction from the date of common ownership. The consolidated financial statements have been restated as though the transfer of net assets or exchange of equity interests had occurred at the beginning of the period. Thus, the consolidated results of operations for the period comprise those of the previously separate entities combined from the beginning of the earliest period presented. Financial statements and financial information presented for prior years have been retrospectively adjusted to furnish comparative information as required. All comparative information in prior years have been adjusted for periods during which the entities were under common control.

The effects of intra-entity transactions on current assets, current liabilities, revenue, and cost of sales for periods presented and on retained earnings at the beginning of the periods presented have been eliminated where applicable.

Pivotshare

Effective August 22, 2018, the Company completed the acquisition of all the outstanding capital stock of Pivotshare for approximately $258,000 in cash, the issuance of 134,000 shares of Series A preferred stock valued at $3.4 million and the issuance of 74,235 shares of Class A common stock valued at $731,957. A portion of the Series A preferred stock and the Class A common stock included in the Purchase Price were held in escrow for noncompete and indemnification obligations of Pivotshare and its stockholders.

Chicken Soup for the Soul Entertainment, Inc.
Notes to Consolidated Financial Statements

Pivotshare is the developer and owner of a global subscription-based video on-demand service ("SVOD") offering channels online across a variety of categories including music, sports, religion, arts and culture, lifestyle and family. Content on most of those channels is owned and provided by third-party content publishers in accordance with terms of the Pivotshare Publishers Agreements.

The acquisition was accounted for as a purchase of a business in accordance with ASC 805 Business Combinations, and the aggregate purchase price consideration of $4.3 million has been allocated to the assets acquired and liabilities assumed, based on management's analysis and information received from an independent third-party appraisal. The results are as follows:

Purchase price consideration allocated to fair value of net assets acquired:

Accounts receivable, net	$	5,239
Other current assets		11,917
Property and equipment, net		7,771
Deferred tax asset		407,000
Other assets		29,138
Intangibles		2,820,410
Goodwill		1,300,319
Assets acquired		**4,581,794**
Accounts payable and accrued expenses		(98,325)
other current liabilities		(472,693)
Liabilities assumed		**(571,018)**
Total purchase consideration, less cash acquired	**$**	**4,010,776**
Purchase Price Consideration Allocation:		
Cash consideration	$	257,758
Equity consideration - Class A common stock		731,957
Equity consideration - Series A Preferred Stock		3,350,000
Purchase price consideration		**4,339,715**
Less: cash acquired		(328,939)
Total Estimated Purchase Price	**$**	**4,010,776**

The fair value of Pivotshare's installed customer base as well as its former chief executive officers non-compete agreement, were the most significant assets recorded from the acquisition of Pivotshare. In determining the fair value of the installed customer base, the independent third-party appraiser utilized a traditional Customer Life Value (CLV) model. This model took into account average revenue per customer, margins and customer churn rate. In determining the fair value of the former chief executive officers noncompete agreement, the appraiser calculated the value of the securities held in escrow to secure the non-compete.

Aggregate acquisition-related costs related to the Purchase, including legal fees, accounting fees and investment advisory fees were approximately $267,305 and were recognized as expenses in the consolidated statements of operations for the year ended December 31, 2018.

Note 5 – Revenue Recognition

Revenue from contracts with customers is recognized as an unsatisfied performance obligation until the terms of a customer contract are satisfied; generally, this occurs with the transfer of control as we satisfy contractual performance obligations at a point in time or over time. Our contractual performance obligations include licensing of content and

Chicken Soup for the Soul Entertainment, Inc.
Notes to Consolidated Financial Statements

delivery of online advertisements on our owned and operated VOD platforms, the distribution of film content and production of episodic television series. Revenue is measured at contract inception as the amount of consideration we expect to receive in exchange for transferring goods or providing services. Our contracts are valued at a fixed price at inception and do not include any variable consideration or financing components in our normal course of business. Sales tax, value added tax, and other taxes that are collected concurrently with revenue producing activities are excluded from revenue.

The following tables disaggregates our revenue by major operating area (Line of Business):

	Year Ended December 31,			
	2019	**% of revenue**	**2018**	**% of revenue**
Revenue:				
Online networks	$ 40,027,289	72 %	$ 4,411,427	16 %
Television and film distribution	15,967,507	29 %	13,188,560	49 %
Television and short-form video production	610,356	1 %	10,152,020	38 %
Total revenue	56,605,152	102 %	27,752,007	103 %
Less: returns and allowances	(1,241,246)	(2)%	(892,488)	(3)%
Net revenue	$ 55,363,906	100 %	$ 26,859,519	100 %

Online Networks

In this business area, we distribute and exhibit VOD content directly to consumers across all digital platforms, such as connected TV's, smartphones, tablets, smart TVs, gaming consoles and the web through our subsidiaries and operate AVOD networks including Crackle, Popcornflix® and others. We generate advertising revenues primarily by delivering video advertisements to our streaming viewers. We also distribute our own and third-party owned content to end viewers on our SVOD network Pivotshare.

Revenue from online digital distribution and VOD platforms in our Online Networks business area are recorded over time as advertisements are delivered and when monthly activity is reported by advertisers.

Television and Film Distribution

In this business area, we distribute movies and television series worldwide to consumers through license agreements across all media, including theatrical, home video, pay-per-view, free, cable, pay television, VOD, mobile and new digital media platforms worldwide.

The Company licenses and distributes individual and multi-film packages to its customers. Revenue from multi-film sales is allocated on a per title basis and recognized upon initial availability for exploitation by customers. In addition, the Company distributes DVDs and similar media to its customers. The Company recognizes revenue upon shipment of DVD units or similar media units to its customers. Provision for future returns and other allowances are established based upon historical experience. Revenue from the distribution of multi-film packages and DVDs and similar media is included in television and film distribution in the accompanying consolidated statements of operations.

Television and Short-Form Video Production

In this business area, we work with sponsors and use highly regarded independent producers to develop and produce our television and short-form video content, including Brand-related content. We also derive revenue from our subsidiary A Plus, which develops and distributes high-quality, empathetic short-form videos to millions of people worldwide. A Plus enhances our ability to distribute short form versions of our video productions and video library and provides us with content developed and distributed by A Plus that is complementary to the Brand.

The Company recognizes revenue from the production and distribution of television programs and short-form video content as each episode becomes available for delivery or becomes available for broadcast, and for short-form online videos, revenue is recognized when the videos are posted to a website for viewing. Revenue from the distribution of short-form online media content is included in television and short-form video production revenue in the accompanying consolidated statements of operations. Cash advances received by the Company are recorded as deferred revenue until all performance obligations have been satisfied.

For all customer contracts, we evaluate whether we are the principal (i.e., report revenue on a gross basis) or the agent (i.e., report revenue on a net basis). Generally, we report revenue for advertisements placed on CSSE properties, films distributed and show productions on a gross basis (the amount billed to our customers is recorded as revenue, and the amount paid to our publishers is recorded as a cost of revenue). We are the principal because we control the advertising inventory before it is transferred to our customers. Our control is evidenced by our sole ability to monetize the advertising inventory, being primarily responsible to our customers, having discretion in establishing pricing, or a combination of these factors. We also generate revenue through agency relationships in which revenue is reported net of agency commissions and publisher payments in arrangements where we do not own the content or the ad inventory.

No impairment losses have arisen from any CSSE contracts with customers during year ended December 31, 2019 and 2018, respectively.

Performance obligations

The unit of measure under ASC 606 is a performance obligation, which is a promise in a contract to transfer a distinct or series of distinct goods or services to a customer. A contract’s transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Our contracts have either a single performance obligation as the promise to transfer services is not separately identifiable from other promises in the contracts and is, therefore, not distinct, or have multiple performance obligations, most commonly due to the contract covering multiple service offerings. For contracts with multiple performance obligations, the contract’s transaction price can generally be readily allocated to each performance obligation based upon the selling price of each distinct service in the contract. In cases where estimates are needed to allocate the transaction price, we use historical experience and projections based on currently available information.

Contract Assets and Contract Liabilities (Deferred Revenues)

The following table provides information about receivables, contract assets, and contract liabilities from contracts with customers:

	December 31, 2019	December 31, 2018
Contract Assets	$ 34,661,119	$ 12,841,099
Contract Liabilities	$ —	$ 6,469

Contract assets are primarily comprised of contract obligations that are generally satisfied annually under the terms of our contracts and are transferred to accounts receivable when the right to payment becomes unconditional. Contract liabilities relate to advance consideration received from customers under the terms of our contracts primarily related to cash payments received in advance of satisfaction of the contractual performance obligation. We receive payments from customers based upon contractual billing schedules. Contract receivables are recognized in the period the Company provides services when the Company’s right to consideration is unconditional. Payment terms vary by the type and location of our customer and the products or services offered. Payment terms for amounts invoiced are typically net 30 or 60 days. The term between invoicing and when payment is due is not significant.

Chicken Soup for the Soul Entertainment, Inc.
Notes to Consolidated Financial Statements

A contract asset results when goods or services have been transferred to the customer, but payment is contingent upon a future event, other than the passage of time (i.e. type of unbilled receivable). Given the nature of our business from time to time we engage with customers for terms that include minimum guarantees which are contractual obligations for payment over a period of time that may extend past one year at a variable rate of payment – based on sales or collections. These minimum guarantees are generally collectible via royalty payments at an agreed rate which are collected on a monthly basis. Contractual arrangements containing minimum guarantees are evaluated on a contract by contract basis for the need for present value treatment. As of the financial statement no material arrangements requiring financing treatment have been identified.

We record deferred revenues (also referred to as contract liabilities under Topic 606) when cash payments are received or due in advance of our satisfying our performance obligations. Our deferred revenue balance primarily relates to advance payments received related to our content distribution rights agreements and our production sponsorship arrangements. The Company's deferred revenue (i.e. contract liabilities) as of December 31, 2019 and 2018, was $0 and $6,469, respectively. These contract liabilities are recognized as revenue as the related performance obligations are satisfied. No significant changes in the timeframe of the satisfaction of contract liabilities have occurred during the year ended December 31, 2019.

Arrangements with multiple performance obligations

In contracts with multiple performance obligations, we identify each performance obligation and evaluate whether the performance obligations are distinct within the context of the contract at contract inception. When multiple performance obligations are identified, we identify how control transfers to the customer for each distinct contract obligation and determine the period when the obligations are satisfied. If obligations are satisfied in the same period, no allocation of revenue is deemed to be necessary. In the event performance obligations within a bundled contract do not run concurrently, we allocate revenue to each performance obligation based on its relative standalone selling price. We generally determine standalone selling prices based on the prices charged to customers or by using expected cost-plus margins. Performance obligations that are not distinct at contract inception are combined.

Practical expedients

The Company has elected to use the practical expedient under the relevant accounting guidance to omit disclosure of remaining (or partially unsatisfied) performance obligations as the related contracts have an original expected duration of one year or less.

The Company has elected to use the practical expedient under the relevant accounting guidance to expense sales commissions as incurred because the amortization period is generally one year or less. These commission costs are recorded within Selling, general and administrative expenses.

Note 6 – Share-Based Compensation

Effective January 1, 2017, the Company adopted the 2017 Long Term Incentive Plan (the "Plan") to attract and retain certain employees. The Plan provides for the issuance of up to one million common stock equivalents subject to the terms

Chicken Soup for the Soul Entertainment, Inc.
Notes to Consolidated Financial Statements

and conditions of the Plan. The Plan generally provides for quarterly and bi-annual vesting over terms ranging from two to three years. The Company accounts for the Plan as an equity plan.

The Company recognized these stock options at fair value determined by applying the Black Scholes options pricing model to the grant date market value of the underlying common shares of the Company.

The compensation expense associated with these stock options is amortized on a straight-line basis over their respective vesting periods. For the year ended December 31, 2019 and 2018, the Company recognized $907,572 and $857,073, respectively, of non-cash share-based compensation expense in selling, general and administrative expense in the condensed consolidated statement of operations.

Stock options activity as of December 31, 2019 is as follows:

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (Yrs.)	Aggregate Intrinsic Value
Total outstanding at December 31, 2018	662,500	$ 7.52	3.34	$ 332,100
Granted	490,000	8.30	4.15	—
Forfeited	(103,334)	9.66	3.47	—
Exercised	(16,666)	9.61	2.99	—
Expired	—	—	—	—
Outstanding at December 31, 2019	1,032,500	$ 7.73	3.33	$ 576,000
Vested and exercisable at December 31, 2019	687,917	$ 7.37	2.59	$ 561,375

As of December 31, 2019, the Company had unrecognized pre-tax compensation expense of $1,430,101 related to non-vested stock options under the Plan of which $788,468, $582,347 and $59,286 will be recognized in 2020, 2021 and 2022, respectively.

We used the following weighted average assumptions to estimate the fair value of stock options granted for the periods presented as follows:

Weighted Average Assumptions:	Year Ended December 31, 2019	Year Ended December 31, 2018
Expected dividend yield	0.0 %	0.0 %
Expected equity volatility	56.1 %	57.1 %
Expected term (years)	5	5
Risk-free interest rate	2.22 %	2.10 %
Exercise price per stock option	$ 7.73	$ 7.52
Market price per share	$ 7.27	$ 6.80
Weighted average fair value per stock option	$ 3.51	$ 3.26

The risk-free rates are based on the implied yield available on US Treasury constant maturities with remaining terms equivalent to the respective expected terms of the options. The Company estimates expected terms for stock options awarded to employees using the simplified method in accordance with FASB ASC 718, *Stock Compensation* because the Company does not have sufficient relevant information to develop reasonable expectations about future exercise patterns. The Company estimates the expected term for stock options using the contractual term. Expected volatility is calculated based on the Company’s peer group because the Company does not have sufficient historical data and will continue to use peer group volatility information until historical volatility of the Company is available to measure expected volatility for future grants.

The Company also awards common stock grants to directors, employees and non-employee executive producers that provide services to the Company. The value is based on the market price of the stock on the date granted and amortized over the vesting period. For the year end ended December 31, 2019 and 2018, the Company recognized in selling, general and administrative expense, non-cash share-based compensation expense relating to stock grants of $154,354 and $96,615, respectively.

Note 7 – Earnings (Loss) Per Share

A reconciliation of shares used in calculating basic and diluted per share data is as follows:

	Year Ended December 31, 2019	Year Ended December 31, 2018
Net loss available to common stockholders	$ (34,976,816)	$ (1,957,882)
Basic weighted-average shares outstanding	11,987,292	11,944,528
Effect of dilutive securities:		
Assumed issuance of shares from exercise of stock options*	—	—
Assumed issuance of shares from exercise of warrants*	—	—
Diluted weighted-average shares outstanding*	11,987,292	11,944,528
Loss per share:		
Basic and diluted	$ (2.92)	$ (0.16)

***** For the year ended December 31, 2019 and 2018 common stock equivalents totaling 261,328 and 239,702, respectively, were excluded from the calculation of diluted loss per share because their effect is anti-dilutive.

Note 8 – Programming Costs

Programming costs, net of amortization, consists of the following:

	December 31, 2019	December 31, 2018
Released, net of accumulated amortization of $9,682,935 and $9,473,308, respectively	$ 11,571,785	$ 11,418,244
In production	991,277	17,099
In development	1,896,209	1,355,146
	$ 14,459,271	$ 12,790,489

Programming costs consists primarily of episodic television programs which are available for distribution through a variety of platforms, including Crackle. Amounts capitalized include development costs, production costs and employee salaries.

Chicken Soup for the Soul Entertainment, Inc.
Notes to Consolidated Financial Statements

Costs to create episodic programming are amortized in the proportion that revenues bear to management's estimates of the ultimate revenues expected to be recognized from various forms of exploitation.

During the years ended December 31, 2019 and 2018 the Company recognized amortization related to episodic television programs of $209,627 and $2,752,446, respectively.

During the years ended December 31, 2019 and 2018, we did not record any impairments related to our programming costs.

Note 9 – Film Library

Film library costs, net of amortization, consists of the following:

	December 31, 2019	December 31, 2018
Acquisition costs	$ 48,846,483	$ 33,176,802
Accumulated amortization	(15,596,334)	(7,838,300)
Net film library costs	$ 33,250,149	$ 25,338,502

Film library consists primarily of the cost of acquiring film distribution rights and related acquisition and accrued participation costs. Costs related to film distribution rights are amortized in the proportion that revenues bear to management's estimates of the ultimate revenue expected to be recognized from various forms of exploitation.

During the years ended December 31, 2019 and 2018 the Company recognized film library amortization of $10,182,166 and $6,459,431, respectively.

During the years ended December 31, 2019 and 2018, we did not record any impairments related to our film library.

Note 10 – Intangible Assets and Goodwill

Indefinite lived Intangible assets, consists of the following:

	December 31, 2019	December 31, 2018
Intangible asset - video content license	$ 5,000,000	$ 5,000,000
Popcornflix film rights and other assets	7,163,943	7,163,943
	$ 12,163,943	$ 12,163,943

Amortizable intangible assets, consists of the following:

	December 31, 2019	December 31, 2018
Acquired customer base, net	$ 1,660,425	$ 2,118,473
Non-compete agreement, net	287,175	463,898
Website development, net	259,510	389,266
Crackle Plus Customer User Base, net	11,259,653	—

Chicken Soup for the Soul Entertainment, Inc.
Notes to Consolidated Financial Statements

Crackle Plus Content Rights, net	1,352,381	—
Crackle Brand Value, net	17,127,807	—
Crackle Plus Partner Agreements, net	3,505,000	—
	$ 35,451,951	$ 2,971,637

Amortization expense was $13,235,315 and $326,986 for the years ended December 31, 2019 and 2018, respectively.

Goodwill consists of the following:

	December 31, 2019	December 31, 2018
Goodwill: Pivotshare	$ 1,300,319	$ 1,300,319
Goodwill: A Plus	1,236,760	1,236,760
Goodwill: Crackle Plus	18,911,027	—
	$ 21,448,106	$ 2,537,079

There was no impairment related to goodwill and intangible assets for the years ended December 31, 2019 and 2018.

Note 11 – Long-term Debt

Commercial Loan

On August 22, 2019, the Company, entered into an amended and restated loan with Patriot Bank, N.A. Under the Amended and Restated Loan Agreement, the Company's outstanding $5,000,000 term loan and $3,500,000 line of credit were consolidated and combined into a term loan in the principal amount of $16,000,000 (the Commercial Loan"). As a result, the Company recognized a loss on extinguishment of $350,691 for the year ended December 31, 2019.

The Commercial Loan is evidenced by a consolidated, amended and restated term promissory note. Subject to the terms of the Note, the Commercial Loan bears interest, payable monthly in arrears, at a fixed rate of 5.75% per annum. The outstanding principal amount of the Commercial Loan is repayable in consecutive monthly installments in equal amounts of $266,667, commencing on October 1, 2019 and continuing on the same date of each subsequent month thereafter during the term of the Commercial Loan. The Commercial Loan matures on September 1, 2024.

Pursuant to the Amended and Restated Loan Agreement, at closing the Company paid to Patriot Bank, N.A. an aggregate of approximately $179,000, representing a commitment fee of $85,000, a payment of $25,556 of interest due on the Commercial Loan for the 9 days of the month of August 2019 and $68,090 in fees paid to Patriot Bank's counsel.

Revolving Credit Facility

On October 11, 2019, the Company consummated the creation of the majority owned subsidiary Landmark Studio Group. Through and in connection with the created subsidiary, Landmark Studio Group, the Company entered into a Revolving Credit Facility ("Revolving Credit Facility") with Cole Investments VII, LLC. The Revolving Credit Facility consists of a revolving line of credit in the amount of $5,000,000 and bears interest of 8% per annum. The outstanding principal is repayable in full on October 10, 2022, the maturity date. At the option of the lender, the loan is repayable in cash or additional equity in the subsidiary. The loan is not collateralized by any assets of the Company.

Chicken Soup for the Soul Entertainment, Inc.
Notes to Consolidated Financial Statements

Long-term debt for the periods presented was as follows:

	December 31, 2019	December 31, 2018
Commercial Loan	$ 15,200,000	$ 4,416,667
Revolving Credit Facility	5,000,000	—
Revolving Line of Credit	—	3,500,000
Total Debt	20,200,000	7,916,667
Less: debt issuance costs	189,525	334,554
Less: current portion	3,200,000	1,000,000
Total long-term debt	$ 16,810,475	$ 6,582,113

The Amended and Restated Loan Agreement includes customary financial covenants, restrictions and interest rate governors including delivery of financial statements, maintaining an account at Patriot Bank, N.A. with an average balance of $2,500,000 in any trailing 90-day period or the interest rate will increase by 0.50% and maintain a minimum debt service coverage ratio of 1.25 to 1.0. The Company did not maintain the average balance of $2,500,000 with Patriot Bank N.A. during the 90-day period ending December 31, 2019. The Company has a 30-day cure period to comply with the covenant or the interest rate will increase 0.50%. There is no event of default related to the aforementioned covenant. The Company was in compliance with all other covenants as of December 31, 2019.

As of December 31, 2019, the expected aggregate maturities of long-term debt for each of the next five years are as follows:

Year Ended December 31,	Amount
2020	3,200,000
2021	3,200,000
2022	8,200,000
2023	3,200,000
2024	2,400,000
	$ 20,200,000

Note 12 – Stockholders' Equity

Class A and B Common Stock

The Company is authorized to issue 70,000,000 shares of Class A common stock, par value $0.0001 ("Class A Stock"), 20,000,000 shares of Class B common stock, par value $.0001 ("Class B Stock"). and 10,000,000 shares of preferred stock, par value $.0001, of which 4,300,000 shares are designated Series A preferred stock.

As of December 31, 2019, and 2018, the Company had 4,185,685 and 4,153,505 shares of Class A Stock outstanding, respectively and 7,813,938 and 7,817,238 shares of Class B Stock outstanding, respectively. Each holder of Class A Stock is entitled to one vote per share while holders of Class B Stock are entitled to ten votes per share.

The Company declared a special one-time dividend of $0.45 per share on shares of Class A and Class B common stock to holders of record of such stock as of August 6, 2018. The special one-time dividend totaling approximately $5.2 million was paid on August 10, 2018. As a result of the special one-time dividend, a payment of approximately $3.4 million was made to CSS as a holder of Class B common stock. No dividends on our common stock were declared during the year ended December 31, 2019.

Chicken Soup for the Soul Entertainment, Inc.
Notes to Consolidated Financial Statements

On March 27, 2018, the board of directors of the Company approved a stock repurchase program (the “Repurchase Program”) that enables the Company to repurchase up to $5.0 million of its Class A common stock prior to April 30, 2020. During the year ended December 31, 2019 and 2018 the Company has repurchased 0 and 74,235 shares of its Class A common stock pursuant to the Repurchase Program at a cost of approximately $0 and $633,000, respectively.

Series A Preferred Stock

The Company is authorized to issue 10,000,000 shares of preferred stock, of which 4,300,000 is designated 9.75% Series A Cumulative Redeemable Perpetual Preferred Stock, par value $.0001 (“Series A Preferred Stock”). At December 31, 2019 and 2018, the Company had 1,599,002 and 918,497 shares of Series A Preferred Stock outstanding, respectively.

Holders of the Series A Preferred Stock will receive cumulative cash dividends at a rate of 9.75% per annum, as and when declared by the board of directors. Holders of Series A Preferred Stock generally have no voting rights except for the right to add two members to the board of directors if dividends payable on the outstanding Series A Preferred Stock are in arrears for eighteen or more consecutive or non-consecutive monthly dividend periods. The Series A Preferred Stock is not convertible into common stock of the Company.

If the Company liquidates, dissolves or winds up, holders of the Series A Preferred stock will have the right to receive $25.00 per share, plus any accumulated and unpaid dividends before any payment is made to the holders of the Company’s Class A and Class B common stock.

The Series A Preferred Stock is not redeemable by the Company prior to June 27, 2023 except upon the occurrence of a change in control which the Company, at its option, may redeem the Series A Preferred Stock, in whole or in part, within 120 days after the change in control, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends to, but not including, the redemption date.

After June 27, 2023, the Company may, at its option, redeem the Series A Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price equal to $25.00 per share, plus any accumulated and unpaid dividends to, but not including, the redemption date.

The Company has made all dividend payments and there are no unpaid cumulative dividends.

Subsidiary convertible preferred stock

The subsidiary convertible preferred stock represents the equity attributable to the noncontrolling interest holder as a part of the Crackle Plus business combination. Given the terms of the transaction, the noncontrolling interest holder has the right to convert their Preferred Units in Crackle Plus into Common Units representing common ownership of 49% in Crackle Plus or into Series A Preferred Stock of the Company. Based on the terms of the transaction agreement, the noncontrolling interest in Crackle Plus is convertible into equity.

Noncontrolling interest

Noncontrolling interests represents a 1% equity interest in the consolidated subsidiary Crackle Plus. The noncontrolling interests are presented as a component of equity and the proportionate share of net income (loss) attributed to the noncontrolling interests is recorded in results of operations. Changes in noncontrolling interests that do not result in a loss of control are accounted for in equity. Gains and losses from the changes in noncontrolling interests that result in a loss of control are recorded in results of operations.

Chicken Soup for the Soul Entertainment, Inc.
Notes to Consolidated Financial Statements

Note 13 – Income Taxes

The Company's current and deferred income tax provision are as follows:

	Year Ended December 31, 2019	Year Ended December 31, 2018
Current provision (benefit):		
Federal	$ —	$ 4,000
States	133,000	90,000
Total current provision	133,000	94,000
Deferred provision:		
Federal	333,000	575,000
States	119,000	205,000
Total deferred provision	452,000	780,000
Total provision for income taxes	$ 585,000	$ 874,000

The provision for income taxes is different from amounts computed by applying the U.S. statutory rates to consolidated earnings (loss) before taxes. The significant reason for these differences is as follows:

	Year Ended December 31, 2019	Year Ended December 31, 2018
Expected tax provision -- Income taxes computed at Federal statutory rate	$ (6,654,000)	$ 6,000
Increase (decrease) in tax expense resulting from:		
Gain on asset contribution	782,000	—
Crackle amortization	2,769,000	—
State and local taxes	276,000	276,000
Programming costs	(41,000)	(1,384,000)
Acquisition-related costs	887,000	116,000
Share-based compensation - incentive plan	286,000	237,000
Film library	341,000	1,620,000
Allowance for doubtful accounts	348,000	—
Other	28,000	3,000
Increase in valuation allowance	1,563,000	—
Actual tax provision	**$ 585,000**	**$ 874,000**

Chicken Soup for the Soul Entertainment, Inc.
Notes to Consolidated Financial Statements

Deferred income taxes reflect the “temporary differences” between the financial statement carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, adjusted by the relevant tax rate. The components of the deferred tax assets and liabilities are as follows:

	December 31, 2019	December 31, 2018
Deferred Tax Assets:		
Net operating loss carry-forwards	$ 9,680,000	$ 3,022,000
Acquisition-related costs	723,000	663,000
Film library and other intangibles	3,769,000	427,000
Deferred state taxes	34,000	157,000
Less: valuation allowance	(11,243,000)	(719,000)
Total Deferred Tax Assets	$ 2,963,000	$ 3,550,000
Deferred Tax Liabilities:		
Programming costs	2,820,000	2,779,000
Other assets	143,000	319,000
Total Deferred Tax Liabilities	$ 2,963,000	$ 3,098,000
Net deferred tax asset	**$ —**	**$ 452,000**

The Company and its subsidiaries have combined net operating losses of approximately $35,951,000, $10,845,000 of which were incurred before 2018 and expire between 2031 and 2037 with the balance of $25,106,000 having no expiration under changes made by the Tax Cuts and Jobs Act but may only be utilized generally to offset 80 percent of taxable income. The ultimate realization of the tax benefit from net operating losses is dependent upon future taxable income, if any, of the Company.

Internal Revenue Code Section 382 imposes limitations on the use of net operating loss carryovers when the stock ownership of one or more 5% stockholders (stockholders owning 5% or more of the Company’s outstanding capital stock) has increased by more than 50 percentage points. Additionally, the separate-return-limitation-year (SRLY) rules that apply to consolidated returns may limit the utilization of losses in a given year when consolidated tax returns are filed. Management has determined that because of a recent history of recurring losses, the ultimate realization of the net operating loss carryovers is not assured and has recorded a full valuation allowance. Public trading of the Company’s stock poses a risk of an ownership change beyond the control of the Company that could trigger a limitation of the use of the loss carryover.

The deferred tax asset valuation allowance increased by $10,524,000 and $609,000 for the years ended December 31, 2019 and 2018, respectively.

Note 14 – Related Party Transactions

Affiliate Resources and Obligations

The Company has agreements with CSS and affiliated companies that provide the Company with access to important assets and resources including key personnel. The assets and resources provided are included as a part of a management services and a license agreement. A summary of the relevant ongoing agreements is as follows:

Management Services Agreement

The Company is a party to a Management Services Agreement with CSS (the “Management Agreement”). Under the terms of the Management Agreement, the Company is provided with the operational expertise of the CSS companies’ personnel, including its chief executive officer, chief financial officer, chief accounting officer, chief strategy officer, and senior brand advisor, and with other services, including accounting, legal, marketing, management, data access and back office systems. The Management Agreement also requires CSS to provide headquarter office space and equipment usage.

Under the terms of the Management Agreement, the Company pays a quarterly fee to CSS equal to 5% of the net revenue as reported under GAAP for each fiscal quarter. For the years ended December 31, 2019 and 2018, the Company recorded management fee expense of $2,768,195 and $532,820, respectively, payable to CSS.

The term of the Management Agreement is five years, with automatic one-year renewals thereafter unless either party elects to terminate by delivering written notice at least 90 days prior to the end of the then current term. The Management Agreement is terminable earlier by either party by reason of certain prescribed and uncured defaults by the other party. The Management Agreement will automatically terminate in the event of the Company's bankruptcy or a bankruptcy of CSS or if the Company no longer has licensed rights from CSS under the License Agreement described below.

License Agreement and Marketing Support Fee
The Company is a party to a trademark and intellectual property license agreement with CSS (the "License Agreement"). Under the terms of the License Agreement, the Company has been granted a perpetual, exclusive license to utilize the Brand and related content, such as stories published in the Chicken Soup for the Soul books, for visual exploitation worldwide. Under the License Agreement, the Company pays a license fee to CSS equal to 4% of net revenue for each fiscal quarter.

In addition, CSS provides marketing support for the Company's productions through its email distribution, blogs and other marketing and public relations resources. The Company pays a quarterly fee to CSS for those services equal to 1% of net revenue as reported under GAAP for each fiscal quarter for such support.

For the years ended December 31, 2019 and 2018, the Company recorded a combined license and marketing support fee expense of $2,768,195 and $532,820, respectively, payable to CSS.

Due from Affiliated Companies
The Company is part of CSS's central cash management system whereby payroll and benefits are administered by CSS and the related expenses are charged to its subsidiaries and funds are transferred between affiliates to fulfill joint liquidity needs and business initiatives. Settlements fluctuate period over period due to timing of liquidity needs. As of December 31, 2019, the Company is owed $7,642,432 and $1,213,436, respectively, from affiliated companies primarily CSS.

Promotions License Agreement
The Company entered into a Promotions License Agreement with One Last Thing ("OLT") in 2018 under which the Company paid $100,000 for the right to integrate certain products into a feature film produced by OLT, such amount being recoupable from the gross revenue of such film. OLT is controlled by the son of the Company's chairman and chief executive officer. The payment of $100,000 is included in programming costs in the accompanying consolidated balance sheet as of December 31, 2019.

The Company also has agreements to provide management services to consolidated subsidiaries which have non-controlling interest holders. As these subsidiaries are controlled by the Company and consolidated for financial reporting purposes any revenues generated and fees incurred are eliminated in consolidation. A summary of the relevant ongoing agreements is as follows:

Crackle Plus Management Services Agreement
We provide management services to Crackle Plus, including property management, back-office support, accounting, tax, legal and financial services (including strategic financial planning) and technology resources and support for a quarterly fee equal to five percent (5%) of Crackle Plus's gross revenues, subject to adjustment after the first year.

Chicken Soup for the Soul Entertainment, Inc.
Notes to Consolidated Financial Statements

Landmark Studios Group Management Services Agreement
We provide management services to Landmark Studio Group, including property management, back-office support, accounting, tax, legal and financial services (including strategic financial planning) and technology resources and support for a quarterly fee equal to five percent (5%) of Landmark Studio Group's gross revenues.

Note 15 – Commitments and Contingencies

Operating Leases

We are obligated under non-cancellable lease agreements for certain facilities and services, which frequently include renewal options and escalation clauses. For leases that contain predetermined fixed escalations, we recognize the related rent expense on a straight-line basis and record the difference between the recognized rent expense and amounts payable under the lease as lease obligations. Lease obligations due within one year are included in accounts payable and accrued expenses on our Consolidated Balance Sheets. These leases expire at various points through 2031.

Rent expense related to these leases was $452,000 and $425,688 for the years ended December 31, 2019 and 2018, respectively. The Company does not record rent expense for its Connecticut office as it is included under the Management Agreement with CSS

The Company is contingently liable for a standby letter of credit in connection with its office lease agreement in the amount of $129,986 as of December 31, 2019.

Future minimum payments under non-cancelable operating lease agreements as of December 31, 2019 were as follows:

Year Ended December 31,	Amount
2020	5,964,411
2021	7,136,682
2022	4,011,272
2023	1,269,773
2024	1,295,168
2025 - 2031	8,862,909
Total minimum lease payments	$ 28,540,215

Legal and Other Matters

We may be involved in various legal proceedings and litigation arising in the ordinary course of business. While any legal proceeding or litigation has an element of uncertainty, management believes the ultimate disposition of these matters will not have a material adverse effect on our consolidated financial position, results of operations, or liquidity.

Note 16 – Segment and Geographic Information

The Company's reportable segments have been determined based on the distinct nature of its operations, the Company's internal management structure, and the financial information that is evaluated regularly by the Company's chief operating decision maker. The Company operates in one reportable segment, the production and distribution of video content, and currently operates in the United States and internationally.

Net revenue generated in the United States accounted for approximately 99% and 99% of total net revenue for the years ended December 31, 2019 and 2018, respectively. Remaining net revenue was generated in the rest of the world. 100% of total consolidated long-lived assets are based in the United States.

Chicken Soup for the Soul Entertainment, Inc.
Notes to Consolidated Financial Statements

Note 17 – Client Concentration

The list of our customers changes periodically. Our largest customers accounted for the following percentages of total net revenue:

	Year Ended December 31, 2019	2018
Customer A	— %	15 %

Our largest customers accounted for the following percentages of total gross accounts receivable:

Accounts Receivable	Year Ended December 31, 2019	2018
Customer A	11 %	32 %
Customer B	10 %	14 %

Note 18 – Subsequent Events

Series A Preferred Stock Dividends

We have declared monthly cash dividends of $0.2031 per share on our Series A preferred stock to holders of record as of January 31, 2020, February 29, 2020, and March 31, 2020. The monthly dividend for January was paid on February 15, 2020, the monthly dividend for February was paid on March 15, 2020, and the monthly dividend for March is expected to be paid on April 15, 2020. The total dividends declared and paid through March 2020 was approximately $974,272.

COVID-19

The impact that the recent COVID-19 outbreak will have on our consolidated results of operations is uncertain. The Company will continue to evaluate the nature and extent of the impact to our business and consolidated results of operations.

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

None.

ITEM 9A. Controls and Procedures

Management's Evaluation of our Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act, that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to a company's management, including its chief executive and chief financial officers, as appropriate to allow timely decisions regarding required disclosure. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

In designing and evaluating the disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2019, the end of the period covered by our Annual Report on Form 10-K. Based upon such evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of such date.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, for our Company. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions and disposition of assets are recorded as necessary for preparation of our financial statements; providing reasonable assurance that receipts and expenditures are made in accordance with the authorization of our management and directors; and providing reasonable assurance that unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. Our controls and procedures can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the control and misstatements due to error or fraud may occur and not be detected on a timely basis. Further, the evaluation of the effectiveness of internal control over financial reporting was made as of a specific date, and continued effectiveness in future periods is subject to the risks that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may decline.

Under the supervision and with the participation of management, including our Chief Executive and Chief Financial Officers, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2019 based on those portions of the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013 Framework) that we believed to be applicable to us as a smaller reporting company and emerging growth company. Based on this evaluation, management concluded that the

Company's internal controls over financial reporting were effective at the reasonable assurance level as of December 31, 2019 and did not identify any material weaknesses.

Because we are an "emerging growth company" under the JOBS Act, our independent registered public accounting firm was not required to attest to the effectiveness of our internal control over financial reporting for so long as we are an emerging growth company.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during our fourth fiscal quarter ended December 31, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. Other Information

None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

The information required by this Item 10 is incorporated by reference to our Proxy Statement for the 2019 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended December 31, 2019.

We have adopted a code of ethics which applies to all our directors, officers, and employees, including our chief executive officer, chief financial officer, and principal accounting officer. The code of ethics is designed to deter wrongdoing and promote honest and ethical conduct, full, fair, accurate, timely, and understandable disclosure in reports that we file or furnish to the SEC and in our other public communications, compliance with applicable government laws, rules, and regulations, and prompt internal reporting of violations of the code. A copy of the code of ethics may be found on our website at ir.cssentertainment.com

ITEM 11. Executive Compensation

The information required by this Item 11 is incorporated by reference to our Proxy Statement for the 2019 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended December 31, 2019.

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

The information required by this Item 12 is incorporated by reference to our Proxy Statement for the 2019 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended December 31, 2019.

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

The information required by this Item 13 is incorporated by reference to our Proxy Statement for the 2019 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended December 31, 2019.

ITEM 14. Principle Accounting Fees and Services

The information required by this Item 14 is incorporated by reference to our Proxy Statement for the 2019 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended December 31, 2019

PART IV

ITEM 15. Exhibits, Financial Statement Schedules

The information required by subsections (a)(1) and (a)(2) of this item are included in the response to Item 8 of Part II of this annual report on Form 10-K.

Exhibit No.	Description
3.1	Certificate of Incorporation of CSS Entertainment (1)
3.2	By-laws of CSS Entertainment (1)
4.1	Specimen CSS Entertainment Class A common stock Certificate (1)
4.2.1	Certificate of Designations, Rights and Preferences of 9.75% Series A Cumulative Redeemable Perpetual Preferred Stock (2)
4.2.2	Certificate of Amendment to the Certificate of Designations, Rights and Preferences of 9.75% Series A Cumulative Redeemable Perpetual Preferred Stock (3)
4.2.3	Certificate of Amendment to the Certificate of Designations, Rights and Preferences of 9.75% Series A Cumulative Redeemable Perpetual Preferred Stock dated November 14, 2018. (5)
4.2.4	Certificate of Amendment to the Certificate of Designations, Rights and Preferences of 9.75% Series A Cumulative Redeemable Perpetual Preferred Stock dated July 31, 2019. (6)
4.3	Class I Warrant (7)
4.4	Class II Warrant (7)
4.5.1	Class III-A Warrant (7)
4.5.2	Class III-B Warrant (7)
4.6	Description of Securities.*
10.1	Trademark and Intellectual Property License Agreement between CSS Entertainment and CSS Entertainment for the Soul, LLC (1)
10.2.1	Management Services Agreement between CSS Entertainment and Chicken Soup for the Soul, LLC (1)
10.2.2	Amendment to Management Services Agreement (9)
10.3	Contribution Agreement between CSS Entertainment and Chicken Soup for the Soul, LLC and Chicken Soup for the Soul Productions, LLC (1)
10.4	Form of Indemnification Agreement (1)
10.5	2017 Equity Plan (1)
10.6	Amended and Restated Loan and Security Agreement between CSS Entertainment, Screen Media Ventures, the subsidiaries listed as the Guarantors therein, and Patriot Bank, N.A., as Lender (4)
10.7	Consolidated Amended and Restated Term Promissory Note by each of CSS Entertainment and Screen Media Ventures, as Maker, in favor of Patriot Bank, N.A., as Lender (4)
10.8	Amended and Restated Limited Liability Company Operating Agreement by and among Crackle Plus, LLC, Chicken Soup for the Soul Entertainment, Inc. and Crackle, Inc. (7)
10.9	Limited Liability Company Operating Agreement by and among Landmark Studio Group, Chicken Soup for the Soul Entertainment, Inc., Cole Investments VII LLC, David Ozer, Legend Capital Management, LLC, and Kevin Duncan (8)
21	Subsidiaries of the Registrant*
23.1	Consent of Rosenfield & Company, PLLC *
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*

*Included herewith.

(1) Incorporated by reference to the Registrant's Form 1-A (SEC No. 024-10704).
(2) Incorporated by reference to the Registrant's Current Report on Form 8-K filed June 29, 2018.
(3) Incorporated by reference to the Registrant's Registration Statement on Form S-3 (SEC File No. 333-227596).

(4) Incorporated by reference to the Registrant's Current Report on Form 8-K filed on August 22, 2019.
(5) Incorporated by reference to the Registrant's Current Report on Form 8-K filed on November 18, 2018.
(6) Incorporated by reference to the Registrant's Registration Statement on Form S-1/A (SEC File No. 333-232523).
(7) Incorporated by reference to the Registrant's Current Report on Form 8-K filed on May 15, 2019.
(8) Incorporated by reference to the Registrant's Current Report on Form 8-K filed on October 18, 2019.
(9) Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, filed with the SEC on August 14, 2019.

ITEM 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 30, 2020.

CHICKEN SOUP FOR THE SOUL ENTERTAINMENT, INC.
(Registrant)

/s/ William J. Rouhana, Jr.
William J. Rouhana, Jr.
Chairman and Chief Executive Officer

/s/ Christopher Mitchell
Christopher Mitchell
Chief Financial Officer

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

By:

/s/ William J. Rouhana, Jr.	March 30, 2020
William J. Rouhana, Jr., Chairman and Chief Executive Officer	
/s/ Scott W. Seaton	March 30, 2020
Scott W. Seaton, Vice Chairman and Director	
/s/ Christopher Mitchell	March 30, 2020
Christopher Mitchell, Chief Financial Officer	
/s/ Daniel Sanchez	March 30, 2020
Daniel Sanchez, Chief Accounting Officer	
/s/ Amy L. Newmark	March 30, 2020
Amy L. Newmark, Director	
/s/ Cosmo DeNicola	March 30, 2020
Cosmo DeNicola, Director	
/s/ Fred M. Cohen	March 30, 2020
Fred M. Cohen, Director	
/s/ Christina Weiss Lurie	March 30, 2020
Christina Weiss Lurie, Director	
/s/ Diana Wilkin	March 30, 2020
Diana Wilkin, Director	
/s/ Martin Pompadur	March 30, 2020
Martin Pompadur, Director	

DESCRIPTION OF REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

The following description of the Company's securities is based upon the Company's amended and restated certificate of incorporation ("Charter"), the Company's Bylaws ("Bylaws") and applicable provisions of law. We have summarized certain portions of the Charter and Bylaws below. The summary is not complete and is subject to, and is qualified in its entirety by express reference to, the provisions of our Charter and Bylaws, each of which is filed as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.6 is a part.

Authorized Capital Stock

We are authorized to issue 70,000,000 shares of Class A common stock, par value $.0001, 20,000,000 shares of Class B common stock, par value $.0001, and 10,000,000 shares of preferred stock, par value $.0001, of which 4,300,000 has been designated as 9.75% Series A Cumulative Redeemable Perpetual Preferred Stock ("Series A Preferred Stock").

Common Stock

Voting Rights - Holders of shares of Class A common stock and Class B common stock have substantially identical rights, except that holders of shares of Class A common stock are entitled to one vote per share and holders of shares of Class B common stock are entitled to ten votes per share. Holders of shares of Class A common stock and Class B common stock vote together as a single class on all matters (including the election of directors) submitted to a vote of stockholders, unless otherwise required by law or our charter. There is no cumulative voting with respect to the election of directors, with the result that the holders of more than 50% of the voting power voting for the election of directors can elect all of the directors.

Dividend Rights - Shares of Class A common stock and Class B common stock shall be treated equally, identically and ratably, on a per share basis, with respect to any dividends or distributions as may be declared and paid from time to time by the board of directors out of any assets legally available therefor.

No Preemptive or Similar Rights - Our common stock is not entitled to preemptive rights and is not subject to conversion, redemption or sinking fund provisions.

Right to Receive Liquidation Distributions - Subject to the preferential or other rights of any holders of preferred stock then outstanding, including the Series A Preferred Stock, upon our dissolution, liquidation or winding up, whether voluntary or involuntary, holders of Class A common stock and Class B common stock will be entitled to receive ratably all of our assets available for distribution to our stockholders unless disparate or different treatment of the shares of each such class with respect to distributions upon any such liquidation, dissolution or winding up is approved in advance by the affirmative vote (or written consent if action by written consent of stockholders is permitted at such time under our certificate of incorporation) of the holders of a majority of the outstanding shares of Class A common stock and Class B common stock, each voting separately as a class.

Merger or Consolidation - In the case of any distribution or payment in respect of the shares of Class A common stock or Class B common stock upon our consolidation or merger with or into any other entity, or in the case of any other transaction having an effect on stockholders substantially similar to that resulting from a consolidation or merger, such distribution or payment shall be made ratably on a per share basis among the holders of the Class A common stock and Class B common stock as a single class, *provided, however*, that shares of one such class may receive different or disproportionate distributions or payments in connection with such merger, consolidation or other transaction if (i) the only difference in the per share distribution to the holders of the Class A common stock and Class B common stock is that any securities distributed to the holder of a share Class B common stock have ten times the voting power of any securities distributed to the holder of a share of Class A common stock, or (ii) such merger, consolidation or other transaction is approved by the affirmative vote (or written consent if action by written consent of stockholders is permitted at such time under our Certificate of Incorporation) of the holders of a majority of the outstanding shares of Class A common stock and Class B common stock, each voting separately as a class.

Conversion - The outstanding shares of Class B common stock are convertible at any time as follows: (a) at the option of the holder, a share of Class B common stock may be converted at any time into one share of Class A common stock or (b) upon the election of the holders of a majority of the then outstanding shares of Class B common stock, all outstanding shares of Class B common stock may be converted into shares of Class A common stock. Once converted into Class A common stock, the Class B common stock will not be reissued.

Preferred Stock

General

Our board of directors is authorized, subject to limitations prescribed by Delaware law, to issue preferred stock in one or more series, to establish from time to time the number of shares to be included in each series, and to fix the designation, powers, preferences and rights of the shares of each series and any of its qualifications, limitations or restrictions, in each case without further vote or action by our stockholders. Our board of directors can also increase (but not above the total number of authorized shares of the class) or decrease (but not below the number of shares then outstanding) the number of shares of any series of preferred stock, without any further vote or action by our stockholders. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our common stock or other series of preferred stock. The issuance of preferred stock, while providing flexibility in connection with possible financings, acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in our control of our company and might adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock.

Series A Preferred Stock

Listing - Our Series A Preferred Stock is listed on the Nasdaq Global Market under the symbol “CSSEP”.

Credit Rating - Our Series A Preferred Stock has been rated BBB(-) by Egan-Jones Rating Co., a Nationally Recognized Statistical Rating Organization (“NRSRO”). The Series A Preferred Stock has not been rated by any other NRSRO or other agency. A securities rating reflects only the view of a rating agency and is not a recommendation to buy, sell, or hold the Series A Preferred Stock. Any rating may be subject to revision upward or downward or withdrawal at any time by a rating agency if such rating agency decides that circumstances warrant that change. Each rating should be evaluated independently of any other rating. No report of any rating agency is being incorporated herein by reference.

The credit ratings assigned by Egan-Jones are based, in varying degrees, on the following considerations:

- Likelihood of payment-capacity and willingness of the obligor to meet its financial commitment on an obligation in accordance with the terms of the obligation;
- Nature of and provisions of the obligation; and
- Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors’ rights.

Credit ratings assigned by Egan-Jones are expressed in terms of default risk. The rating scale utilized by Egan-Jones is as follows:

- **AAA** — An obligation rated “AAA” has the highest rating assigned by Egan-Jones. The obligor’s capacity to meet its financial commitment on the obligation is extremely strong.
- **AA** — An obligation rated “AA” differs from the highest-rated obligations only to a small degree. The obligor’s capacity to meet its financial commitment on the obligation is very strong.

- **A** — An obligation rated “A” is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor’s capacity to meet its financial commitment on the obligation is still strong.
- **BBB** — An obligation rated “BBB” exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.
- **BB, B, CCC, CC, and C** — Obligations rated “BB”, “B”, “CCC”, “CC”, and “C” are regarded as having significant speculative characteristics. “BB” indicates the least degree of speculation and “C” the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.
- **D** — An obligation rated “D” is in payment default. The “D” rating category is used when payments on an obligation are not made on the date due even if the applicable grace period has not expired, unless Egan-Jones believes that such payments will be made during such grace period. The “D” rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized.
- **Plus (+) or minus (-)** — The ratings from “AA” to “CCC” may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

No Maturity, Sinking Fund or Mandatory Redemption - The Series A Preferred Stock has no stated maturity and will not be subject to any sinking fund or mandatory redemption. Shares of the Series A Preferred Stock will remain outstanding indefinitely unless we decide to redeem or otherwise repurchase them. We are not required to set aside funds to redeem the Series A Preferred Stock.

Ranking - The Series A Preferred Stock ranks, with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up:

- senior to all classes or series of our common stock and to all other equity securities issued by us other than equity securities referred to in the next two bullet points below;
- on a parity with all equity securities issued by us with terms specifically providing that those equity securities rank on a parity with the Series A Preferred Stock with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up;
- junior to all equity securities issued by us with terms specifically providing for ranking senior to the Series A Preferred Stock with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up (please see the section entitled “*Voting Rights*” below); and
- effectively junior to all our existing and future indebtedness (including indebtedness convertible to our common stock or preferred stock) and to any indebtedness and other liabilities of (as well as any preferred equity interests held by others in) our existing subsidiaries.

Dividends - Holders of shares of the Series A Preferred Stock are entitled to receive, when, as and if declared by our board of directors, out of funds of the Company legally available for the payment of dividends, cumulative cash dividends at the rate of 9.75% of the $25.00 per share liquidation preference per annum (equivalent to $2.4375 per annum per share). Dividends on the Series A Preferred Stock shall be payable monthly on the 15th day of each month; provided that if any dividend payment date is not a business day, as defined in the certificate of designations, then the dividend that would otherwise have been payable on that dividend payment date may be paid on the next succeeding business day and no interest, additional dividends or other sums will accrue on the amount so payable for the period from and after that dividend payment date to that next succeeding business day. Any dividend payable on the Series A Preferred Stock, including dividends payable for any partial dividend period, will be computed on the basis of a 360-day year consisting of twelve 30-day months; however, the shares of Series A Preferred Stock offered hereby will be credited as having accrued dividends since the first day of the calendar month in which they are issued. Dividends will be payable to holders of record as they appear in our stock records for the Series A Preferred Stock at the close of business on the applicable record date, which shall be the last day of the calendar month, whether or not a business day, immediately preceding the month in which the applicable dividend payment date falls. As a result, holders of shares of Series A Preferred Stock will not be entitled to receive dividends on a dividend payment date if such shares were not issued and outstanding on the applicable dividend record date.

No dividends on shares of Series A Preferred Stock shall be authorized by our board of directors or paid or set apart for payment by us at any time when the terms and provisions of any agreement of ours, including any agreement relating to our indebtedness, prohibit the authorization, payment or setting apart for payment thereof or provide that the authorization, payment or setting apart for payment thereof would constitute a breach of the agreement or a default under the agreement, or if the authorization, payment or setting apart for payment shall be restricted or prohibited by law.

Notwithstanding the foregoing, dividends on the Series A Preferred Stock will accrue whether or not we have earnings, whether or not there are funds legally available for the payment of those dividends and whether or not those dividends are declared by our board of directors. No interest, or sum in lieu of interest, will be payable in respect of any dividend payment or payments on the Series A Preferred Stock that may be in arrears, and holders of the Series A Preferred Stock will not be entitled to any dividends in excess of full cumulative dividends described above. Any dividend payment made on the Series A Preferred Stock shall first be credited against the earliest accumulated but unpaid dividend due with respect to those shares.

Future distributions on our common stock and preferred stock, including the Series A Preferred Stock, will be at the discretion of our board of directors and will depend on, among other things, our results of operations, cash flow from operations, financial condition and capital requirements, any debt service requirements and any other factors our board of directors deems relevant. Accordingly, we cannot guarantee that we will be able to make cash distributions on our preferred stock or what the actual distributions will be for any future period.

Unless full cumulative dividends on all shares of Series A Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been or contemporaneously is set apart for payment for all past dividend periods, no dividends (other than in shares of common stock or in shares of any series of preferred stock that we may issue ranking junior to the Series A Preferred Stock as to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up) shall be declared or paid or set aside for payment upon shares of our common stock or preferred stock that we may issue ranking junior to, or on a parity with, the Series A Preferred Stock as to the payment of dividends or the distribution of assets upon liquidation, dissolution or winding up. Nor shall any other distribution be declared or made upon shares of our common stock or preferred stock that we may issue ranking junior to, or on a parity with, the Series A Preferred Stock as to the payment of dividends or the distribution of assets upon liquidation, dissolution or winding up. Also, any shares of our common stock or preferred stock that we may issue ranking junior to or on a parity with the Series A Preferred Stock as to the payment of dividends or the distribution of assets upon liquidation, dissolution or winding up shall not be redeemed, purchased or otherwise acquired for any consideration (or any moneys paid to or made available for a sinking fund for the redemption of any such shares) by us (except by conversion into or exchange for our other capital stock that we may issue ranking junior to the Series A Preferred Stock as to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up).

When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series A Preferred Stock and the shares of any other series of preferred stock that we may issue ranking on a parity as to the payment of dividends with the Series A Preferred Stock, all dividends declared upon the Series A Preferred Stock and any other series of preferred stock that we may issue ranking on a parity as to the payment of dividends with the Series A Preferred Stock shall be declared pro rata so that the amount of dividends declared per share of Series A Preferred Stock and such other series of preferred stock that we may issue shall in all cases bear to each other the same ratio that accrued dividends per share on the Series A Preferred Stock and such other series of preferred stock that we may issue (which shall not include any accrual in respect of unpaid dividends for prior dividend periods if such preferred stock does not have a cumulative dividend) bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Series A Preferred Stock that may be in arrears.

Liquidation Preference - In the event of our voluntary or involuntary liquidation, dissolution or winding up, the holders of shares of Series A Preferred Stock will be entitled to be paid out of the assets we have legally available for distribution to our shareholders, subject to the preferential rights of the holders of any class or series of our capital stock we may issue ranking senior to the Series A Preferred Stock with respect to the distribution of assets upon liquidation, dissolution or winding up, a liquidation preference of $25.00 per share, plus an amount equal to any accumulated and unpaid dividends to, but not including, the date of payment, before any distribution of assets is made to holders of our common stock or any other class or series of our capital stock we may issue that ranks junior to the Series A Preferred Stock as to liquidation rights.

In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, our available assets are insufficient to pay the amount of the liquidating distributions on all outstanding shares of Series A Preferred Stock and the corresponding amounts payable on all shares of other classes or series of our capital stock that we may issue ranking on a parity with the Series A Preferred Stock in the distribution of assets, then the holders of the Series A Preferred Stock and all other such classes or series of capital stock shall share ratably in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

We will use commercially reasonable efforts to provide written notice of any such liquidation, dissolution or winding up no fewer than 10 days prior to the payment date. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series A Preferred Stock will have no right or claim to any of our remaining assets. The consolidation or merger of us with or into any other corporation, trust or entity or of any other entity with or into us, or the sale, lease, transfer or conveyance of all or substantially all of our property or business, shall not be deemed a liquidation, dissolution or winding up of us (although such events may give rise to the special optional redemption to the extent described below).

Optional Redemption - On and after June 27, 2023, we may, at our option, upon not less than 30 nor more than 60 days' written notice, redeem the Series A Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price equal to $25.00 per share, plus any accumulated and unpaid dividends thereon to, but not including, the date fixed for redemption.

Special Optional Redemption - Upon the occurrence of a Change of Control, we may, at our option, upon not less than 30 nor more than 60 days' written notice, redeem the Series A Preferred Stock, in whole or in part, within 120 days after the first date on which such Change of Control occurred, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends thereon to, but not including, the redemption date.

A "Change of Control" is deemed to occur when the following have occurred and are continuing:

- the acquisition by any person, including any syndicate or group deemed to be a "person" under Section 13(d)(3) of the Exchange Act (other than Mr. Rouhana, the chairman of our board of directors, our chief executive officer and our principal stockholder, any member of his immediate family, and any "person" or "group" under Section 13(d)(3) of the Exchange Act, that is controlled by Mr. Rouhana or any member of his immediate family, any beneficiary of the estate of Mr. Rouhana, or any trust, partnership, corporate or other entity controlled by any of the foregoing), of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of our stock entitling that person to exercise more than 50% of the total voting power of all our stock entitled to vote generally in the election of our directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and
- following the closing of any transaction referred to above, neither we nor the acquiring or surviving entity has a class of common securities (or American Depositary Receipts representing such securities) listed on the NYSE, the NYSE American, or Nasdaq, or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE American, or Nasdaq.

Redemption Procedures. In the event we elect to redeem Series A Preferred Stock, the notice of redemption will be mailed to each holder of record of Series A Preferred Stock called for redemption at such holder's address as it appears on our stock transfer records, not less than 30 nor more than 60 days prior to the redemption date, and will state the following:

- the redemption date;
- the number of shares of Series A Preferred Stock to be redeemed;
- the redemption price;
- the place or places where certificates (if any) for the Series A Preferred Stock are to be surrendered for payment of the redemption price;

- that dividends on the shares to be redeemed will cease to accumulate on the redemption date;
- whether such redemption is being made pursuant to the provisions described above under "—*Optional Redemption*" or "—*Special Optional Redemption*"; and
- if applicable, that such redemption is being made in connection with a Change of Control and, in that case, a brief description of the transaction or transactions constituting such Change of Control.

If less than all of the Series A Preferred Stock held by any holder are to be redeemed, the notice mailed to such holder shall also specify the number of shares of Series A Preferred Stock held by such holder to be redeemed. No failure to give such notice or any defect thereto or in the mailing thereof shall affect the validity of the proceedings for the redemption of any shares of Series A Preferred Stock except as to the holder to whom notice was defective or not given.

Holders of Series A Preferred Stock to be redeemed shall surrender the Series A Preferred Stock at the place designated in the notice of redemption and shall be entitled to the redemption price and any accumulated and unpaid dividends payable upon the redemption following the surrender. If notice of redemption of any shares of Series A Preferred Stock has been given and if we have irrevocably set aside the funds necessary for redemption in trust for the benefit of the holders of the shares of Series A Preferred Stock so called for redemption, then from and after the redemption date (unless default shall be made by us in providing for the payment of the redemption price plus accumulated and unpaid dividends, if any), dividends will cease to accrue on those shares of Series A Preferred Stock, those shares of Series A Preferred Stock shall no longer be deemed outstanding and all rights of the holders of those shares will terminate, except the right to receive the redemption price plus accumulated and unpaid dividends, if any, payable upon redemption. If any redemption date is not a business day, then the redemption price and accumulated and unpaid dividends, if any, payable upon redemption may be paid on the next business day and no interest, additional dividends or other sums will accrue on the amount payable for the period from and after that redemption date to that next business day. If less than all of the outstanding Series A Preferred Stock is to be redeemed, the Series A Preferred Stock to be redeemed shall be selected pro rata (as nearly as may be practicable without creating fractional shares) or by any other equitable method we determine.

In connection with any redemption of Series A Preferred Stock, we shall pay, in cash, any accumulated and unpaid dividends to, but not including, the redemption date, unless a redemption date falls after a dividend record date and prior to the corresponding dividend payment date, in which case each holder of Series A Preferred Stock at the close of business on such dividend record date shall be entitled to the dividend payable on such shares on the corresponding dividend payment date notwithstanding the redemption of such shares before such dividend payment date. Except as provided above, we will make no payment or allowance for unpaid dividends, whether or not in arrears, on shares of the Series A Preferred Stock to be redeemed.

No shares of Series A Preferred Stock shall be redeemed unless full cumulative dividends on all shares of Series A Preferred Stock have been or contemporaneously are declared and paid and all outstanding shares of Series A Preferred Stock are simultaneously redeemed. We shall not otherwise purchase or acquire directly or indirectly any shares of Series A Preferred Stock (except by exchanging it for our capital stock ranking junior to the Series A Preferred Stock as to the payment of dividends and distribution of assets upon liquidation, dissolution or winding up); provided, however, that the foregoing shall not prevent the purchase or acquisition by us of shares of Series A Preferred Stock pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of Series A Preferred Stock.

Subject to applicable law, we may purchase shares of Series A Preferred Stock in the open market, by tender or by private agreement. Any shares of Series A Preferred Stock that we acquire may be retired and reclassified as authorized but unissued shares of preferred stock, without designation as to class or series, and may thereafter be reissued as any class or series of preferred stock.

Voting Rights - Holders of the Series A Preferred Stock do not have any voting rights, except as set forth below or as otherwise required by law.

On each matter on which holders of Series A Preferred Stock are entitled to vote, each share of Series A Preferred Stock will be entitled to one vote. In instances described below where holders of Series A Preferred Stock vote with holders of any other class or series of our preferred stock as a single class on any matter, the Series A Preferred Stock and the shares of each such other class or series will have one vote for each $25.00 of liquidation preference (excluding accumulated dividends) represented by their respective shares.

Whenever dividends on any shares of Series A Preferred Stock are in arrears for eighteen or more monthly dividend periods, whether or not consecutive, the number of directors constituting our board of directors will be automatically increased by two (if not already increased by two by reason of the election of directors by the holders of any other class or series of our preferred stock we may issue upon which like voting rights have been conferred and are exercisable and with which the Series A Preferred Stock is entitled to vote as a class with respect to the election of those two directors) and the holders of Series A Preferred Stock (voting separately as a class with all other classes or series of preferred stock we may issue upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Series A Preferred Stock in the election of those two directors) will be entitled to vote for the election of those two additional directors (the “preferred stock directors”) at a special meeting called by us at the request of the holders of record of at least 25% of the outstanding shares of Series A Preferred Stock or by the holders of any other class or series of preferred stock upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Series A Preferred Stock in the election of those two preferred stock directors (unless the request is received less than 90 days before the date fixed for the next annual or special meeting of shareholders, in which case, such vote will be held at the earlier of the next annual or special meeting of shareholders), and at each subsequent annual meeting until all dividends accumulated on the Series A Preferred Stock for all past dividend periods and the then current dividend period have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment. In that case, the right of holders of the Series A Preferred Stock to elect any directors will cease and, unless there are other classes or series of our preferred stock upon which like voting rights have been conferred and are exercisable, any preferred stock directors elected by holders of the Series A Preferred Stock shall immediately resign and the number of directors constituting the board of directors shall be reduced accordingly. In no event shall the holders of Series A Preferred Stock be entitled under these voting rights to elect a preferred stock director that would cause us to fail to satisfy a requirement relating to director independence of any national securities exchange or quotation system on which any class or series of our capital stock is listed or quoted. For the avoidance of doubt, in no event shall the total number of preferred stock directors elected by holders of the Series A Preferred Stock (voting separately as a class with all other classes or series of preferred stock we may issue upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Series A Preferred Stock in the election of such directors) under these voting rights exceed two. Any person nominated to serve as a director of our company under the foregoing terms shall be reasonably acceptable to our company.

If a special meeting is not called by us within 30 days after request from the holders of Series A Preferred Stock as described above, then the holders of record of at least 25% of the outstanding Series A Preferred Stock may designate a holder to call the meeting at our expense.

If, at any time when the voting rights conferred upon the Series A Preferred Stock are exercisable, any vacancy in the office of a preferred stock director shall occur, then such vacancy may be filled only by a written consent of the remaining preferred stock director, or if none remains in office, by vote of the holders of record of the outstanding Series A Preferred Stock and any other classes or series of preferred stock upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Series A Preferred Stock in the election of the preferred stock directors. Any preferred stock director elected or appointed may be removed only by the affirmative vote of holders of the outstanding Series A Preferred Stock and any other classes or series of preferred stock upon which like voting rights have been conferred and are exercisable and which classes or series of preferred stock are entitled to vote as a class with the Series A Preferred Stock in the election of the preferred stock directors, such removal to be effected by the affirmative vote of a majority of the votes entitled to be cast by the holders of the outstanding Series A Preferred Stock and any such other classes or series of preferred stock, and may not be removed by the holders of the common stock.

So long as any shares of Series A Preferred Stock remain outstanding, we will not, without the affirmative vote or consent of the holders of at least 66.67% of the votes entitled to be cast by the holders of the Series A Preferred Stock outstanding at the time, given in person or by proxy, either in writing or at a meeting (voting together as a class with all other series of parity preferred stock that we may issue upon which like voting rights have been conferred and are exercisable), (a) authorize or create, or increase the authorized or issued amount of, any class or series of capital stock ranking senior to the Series A Preferred Stock with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up or reclassify any of our authorized capital stock into such shares, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares; or (b) unless redeeming all Series A Preferred Stock in connection with such action, amend, alter, repeal or replace our certificate of incorporation, including by way of a merger, consolidation or otherwise in which we may or may not be the surviving entity, so as to materially and adversely affect and deprive holders of Series A Preferred Stock of any right, preference, privilege or voting power of the Series A Preferred Stock (each, an "Event"). An increase in the amount of the authorized preferred stock, including the Series A Preferred Stock, or the creation or issuance of any additional Series A Preferred Stock or other series of preferred stock that we may issue, or any increase in the amount of authorized shares of such series, in each case ranking on a parity with or junior to the Series A Preferred Stock with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed an Event and will not require us to obtain 66.67% of the votes entitled to be cast by the holders of the Series A Preferred Stock and all such other similarly affected series, outstanding at the time (voting together as a class).

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be affected, all outstanding shares of Series A Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been deposited in trust to affect such redemption.

Except as expressly stated in the certificate of designations or as may be required by applicable law, the Series A Preferred Stock do not have any relative, participating, optional or other special voting rights or powers and the consent of the holders thereof shall not be required for the taking of any corporate action.

No Conversion Rights - The Series A Preferred Stock is not convertible into our common stock or any other security.

No Preemptive Rights - No holders of the Series A Preferred Stock will, as holders of Series A Preferred Stock, have any preemptive rights to purchase or subscribe for our common stock or any other security.

Warrants

Class W Warrants - Each outstanding Class W warrant entitles the registered holder to purchase one share of our Class A common stock at a price of $7.50 per share, subject to adjustment as discussed below. Each warrant is exercisable at any time through June 30, 2021 at 5:00 p.m., New York City time.

Class Z Warrants - Each outstanding Class Z warrant entitles the registered holder to purchase one share of our Class A common stock at a price of $12.00 per share, subject to adjustment as discussed below. Each warrant is exercisable at any time through June 30, 2022 at 5:00 p.m., New York City time.

Cancellation - We may call for cancellation of all or any portion of the Class W warrants or Class Z warrants for which a notice of exercise has not yet been delivered to us for consideration equal to $.01 per Class W warrant or Class Z warrant, as the case may be, in accordance with the provisions of such warrants, if (i) our Class A common stock is traded, listed or quoted on any U.S. market or electronic exchange, and (ii) the closing per-share sales price of the Class A common stock for any twenty (20) trading days during a consecutive thirty (30) trading days period exceeds $15.00, for Class W warrants, or $18.00, for Class Z warrants, in each case subject to adjustment for forward and reverse stock splits, recapitalizations, stock dividends and the like.

The right to exercise will be forfeited unless the warrants are exercised prior to the date specified in the call notice. On and after the call date, a record holder of a warrant will have no further rights except to receive the call price for such holder's warrant upon surrender of such warrant.

The criteria for calling our warrants have been established at a price which is intended to provide warrant holders a reasonable premium to the initial exercise price and provide a sufficient differential between the then-prevailing share price and the warrant exercise price so that if the share price declines as a result of our call, the call will not cause the share price to drop below the exercise price of the warrants.

Exercise Rights - Holders of the Class W warrants and Class Z warrants have cashless exercise rights that allow each holder to pay the exercise price by surrendering the warrants for that number of shares of common stock equal to the quotient obtained by dividing (x) the product of the number of shares of Class A common stock underlying the warrants, multiplied by the difference between the exercise price of the warrants and the "fair market value" by (y) the fair market value. The "fair market value" for this purpose will mean the average reported last sale price of the shares of common stock for the ten trading days ending on the trading day prior to the date of exercise.

The exercise price and number of shares of Class A common stock issuable on exercise of the warrants may be adjusted in certain circumstances including in the event of a share dividend, extraordinary dividend or our recapitalization, reorganization, merger or consolidation. However, neither the Class W warrants nor the Class Z warrants will be adjusted for issuances of shares of any equity or equity-based securities at a price below their respective exercise prices.

The Class W warrants and Class Z warrants may be exercised upon surrender of the warrant certificate on or prior to the expiration date at the offices of the warrant agent, with the exercise form on the reverse side of the warrant certificate completed and executed as indicated, accompanied by full payment of the exercise price, by certified or official bank check or wire transfer payable to us, for the number of warrants being exercised. The warrant holders do not have the rights or privileges of holders of shares of common stock and any voting rights until they exercise their warrants and receive shares of Class A common stock. After the issuance of shares of common stock upon exercise of the warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by stockholders.

No fractional shares will be issued upon exercise of the Class W warrants or Class Z warrants. If, upon exercise, a holder would be entitled to receive a fractional interest in a share, we will, upon exercise, round up to the nearest whole number the number of shares of Class A common stock to be issued to the warrant holder.

Certain Provisions in our Certificate of Incorporation

Article Twelve of our certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for any stockholder (including a beneficial owner) to bring (i) any derivative action or proceeding brought on behalf of our company, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of our company to our company or its stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law or our charter documents, or (iv) any action asserting a claim governed by the internal affairs doctrine shall be the Court of Chancery of the State of Delaware (or if the Court of Chancery does not have jurisdiction, another state court located within the State of Delaware, or if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware) in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants. While this provision is intended to include all actions, excluding any arising under the Securities Act of 1933, the Exchange Act of 1934 and any other claim for which the federal courts have exclusive jurisdiction, there is uncertainty as to whether a court would enforce this provision.

Exhibit 21

SUBSIDIARIES OF REGISTRANT

Name of Subsidiary	Proportion of Ownership Interest
Pivotshare, Inc.	100% by the Registrant
Powerslam, LLC	100% by Pivotshare, Inc.
Screen Media Ventures, LLC	100% by the Registrant
757 Film Acquisition LLC	100% by Screen Media Ventures, LLC
Digital Media Enterprises LLC	100% by Screen Media Ventures, LLC
Screen Media Films, LLC	100% by Screen Media Ventures, LLC
A Sharp, Inc.	100% by the Registrant
BD Productions, LLC	100% by the Registrant
PH2017, LLC	100% by the Registrant
VRP2018, LLC	100% by the Registrant
RSHOOD2017, LLC	100% by the Registrant
The Fixer 2018, LLC	100% by the Registrant
Crackle Plus, LLC	51% by the Registrant*
Landmark Studio Group	51% by the Registrant

*Chicken Soup for the Soul Entertainment, Inc. currently owns 99% of the common equity of Crackle Plus, LLC, and CPE Holdings, Inc. owns 1% of the common equity and $37 million of preferred units which must be converted between May-August 2020 into (i) common units that would represent an additional 48% of the common equity of Crackle Plus, LLC upon conversion, or (ii) $40 million of Series A Preferred Shares of Chicken Soup for the Soul Entertainment, Inc.

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Registration Nos. 333-223780) and on Form S-3 (Registration No. 333-227596) of Chicken Soup for the Soul Entertainment, Inc. of our report dated March 30, 2020, relating to the consolidated financial statements of Chicken Soup for the Soul Entertainment, Inc. and subsidiaries as of December 31, 2019 and 2018 and for each of the years in the two-year period ended December 31, 2019, and appearing in the Registration Statements and to the reference to us under the heading “Experts” in the Registration Statements.

/s/ Rosenfield and Company, PLLC

Orlando, Florida
March 27, 2020

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William J. Rouhana, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Chicken Soup for the Soul Entertainment, 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 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)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my 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; and

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my 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 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2020

/s/ William J. Rouhana, Jr.
William J. Rouhana, Jr.
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Chris Mitchell, certify that:

1. I have reviewed this annual report on Form 10-K of Chicken Soup for the Soul Entertainment, 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 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)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my 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; and

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my 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 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2020

/s/ Chris Mitchell
Chris Mitchell
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Chicken Soup for the Soul Entertainment, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2019 as filed with the Securities and Exchange Commission (the “Report”), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies 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 operation of the Company.

Date: March 30, 2020

/s/ William J. Rouhana, Jr.
William J. Rouhana, Jr.
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Chicken Soup for the Soul Entertainment, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2019 as filed with the Securities and Exchange Commission (the “Report”), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies 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 operation of the Company.

Date: March 30, 2020

/s/ Chris Mitchell
Chris Mitchell
Chief Financial Officer
(Principal Financial Officer)