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, 2020

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 Putnam 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	The Nasdaq Stock Market LLC
9.75% Series A Cumulative Redeemable Perpetual Preferred Stock, $0.0001 par value per share	CSSEP	The Nasdaq Stock Market LLC
9.50% Notes Due 2025	CSSEN	The Nasdaq Stock Market LLC

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

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 30, 2020, the aggregate market value of the shares of the registrant's common stock held by non-affiliates was approximately $34.6 million.

The number of shares of Common Stock outstanding as of March 31, 2021 totaled 13,981,037 as follows:

Title of Each Class	
Class A common stock, $.0001 par value per share	6,326,531
Class B common stock, $.0001 par value per share*	7,654,506

*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 2021 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.

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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.

SUMMARY RISK FACTORS

Our business involves various risks. Many of these risks are discussed in this Report under the heading "Item 1A. Risk Factors." If any of these risks occur, our business, financial condition, liquidity, results of operations, prospects and ability to make interest payments to our noteholders and distributions to our shareholders could be materially and adversely affected. In that case, the trading price of our securities could decline, and you may lose a portion or your investment. These risks include:

- We have and may continue to incur losses in the operation of our business.
- We may not be able to generate sufficient cash to service our debt, preferred stock dividend and other obligations or our ability to pay our preferred stock dividends could be adversely affected or prohibited upon default under our current or future indebtedness.
- Difficult conditions in the economy generally and our industry specifically resulting from the COVID 19 pandemic may cause interruptions in our operations, a slow-down in the production or acquisition of new content, and changes in demand for our products and services, which may have a material adverse effect on our business operations and financial condition.
- Competition could have a material adverse effect on our business, financial condition and results of operations.
- Interruptions in our ability to provide our video on demand products and our service to our customers could damage our reputation, which could have a material adverse effect on us.
- The occurrence of cyber-incidents, or a deficiency in our cybersecurity or in those of any of our third party service providers, could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information or damage to our business relationships or reputation, all of which could negatively impact our business and results of operations.
- The loss of key personnel, including our executive officers, could have a material adverse effect on us.
- Our inability to recruit or retain qualified personnel or maintain access to key third-party service providers, could have a material adverse effect on us.
- The market price and trading volume of our securities may be volatile.
- We are required to make continuing payments to our affiliates, which may reduce our cash flow and profits. Additionally, conflicts of interest may arise between us and our affiliated companies and we have waived rights for monetary damages in the event of such conflicts.

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 wholly owned subsidiary of CSSE which was originally 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.is a leading streaming video-on-demand (VOD) company. We operate Crackle Plus, a portfolio of ad-supported and subscription-based VOD networks, Screen Media, a subsidiary that acquires and distributes content, and a number of affiliates that produce and co-produce original content.

Crackle Plus is comprised of unique networks, each delivering popular and original premium content focused on different themes such as family, kids, horror and comedy. Crackle Plus brands include Crackle, among the most watched ad-supported independent VOD networks, Popcornflix, Popcornflix Kids, Truli, Pivotshare, Españolflix and FrightPix. As of December 31, 2020, Crackle Plus served more than 30 million monthly active visitors through many distribution platforms including Roku, Amazon Fire, Vizio and others. These visitors viewed content produced through our various television production affiliates, acquired by Screen Media, or licensed from Sony Pictures Television (SPT), Lionsgate, Paramount, Fox, Warner Brothers and more than 100 other production and distribution companies. For the period ended December 31, 2020, viewers of Crackle Plus networks have access to more than 10,800 films and 22,000 episodes of licensed or company-owned original or exclusive programming. The Company's original and exclusive programming made up approximately 18.4% of total ad impressions served in 2020.

Screen Media manages one of the industry's largest independently owned television and film libraries consisting of approximately 1,350 feature films and 275 episodes of television programming. Screen Media also acquires between 10 and 20 new films each year. Screen Media provides content for the Crackle Plus portfolio and also distributes its library to other exhibitors and third-party networks to generate additional revenue and operating cash flow.

Chicken Soup for the Soul's various television production activities are done through a number of affiliates including Landmark Studio Group, Chicken Soup for the Soul Originals, and APlus.com, which produce or co-produce original content for Crackle Plus and, occasionally, for other third-party networks.

We believe that we are the only independent ad-supported video-on-demand (AVOD) business with the proven capability to acquire, create and distribute original programming and that we have access one of the largest libraries of valuable company-owned and third-party 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.

Since our inception in January 2015, our business has grown rapidly. For the full year 2020, our net revenue was $66.4 million, as compared to the full year 2019 net revenue of $55.4 million. This increase was primarily due to the strong performance of our distribution operation area and the full year inclusion of the Crackle Plus network to our business (acquired May 2019). We had net losses of approximately $44.6 million in 2020, as compared to net losses of $35.0 million in 2019. Our 2020 Adjusted EBITDA was approximately, $11.8 million, as compared to 2019 Adjusted EBITDA of $6.0 million. As described below in “Use of Non-GAAP Financial Measure”, we use Adjusted EBITDA as an important metric for management. See “Item 7. Management’s Discussion and Analysis of Financial Condition” and “Item 8. Financial Statements” for more information.

According to industry projections, the U.S. market for AVOD network revenue is expected to increase from $26.6 billion in 2020 to $53.5 billion in 2025. 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. For these reasons, interest in the AVOD business model is increasing, evidenced by traditional linear network operators increasingly seeking to acquire or launch AVOD networks to maintain access to viewers making this transition. We believe AVOD networks will continue to grow rapidly, particularly as consumers seek affordable programming alternatives to multiple SVOD offerings.

Our Strategy

In this environment we believe we are in a differentiated position. We identified the trends favoring growth of AVOD networks in 2015 and began building our offering in 2017, including the development of our original content production strategy. Our strategic objective is to build the premier ad-supported streaming network for both viewers and advertisers. In pursuing this goal, we believe we have the advantage of being unencumbered by the competing strategic choices and priorities of diversified media companies that own VOD networks and legacy linear television networks. We are singularly focused on building leading VOD networks that feature a range of mass-appeal and thematic programming options with a focus on original and exclusive content, and that employ innovation and data analytics to deliver more personalized viewing experiences and more engaging advertising. We are executing on this strategy in three ways:

- **Content: Cost-effectively grow our production business, our content library asset and our ownership of content rights.**
    - *Original & Exclusive programming.* 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, which will begin production of its second season in 2021.
    - *Expanding production capacity.* We believe we can continue to build an attractive and cost-effective content development pipeline by expanding our production capacity through partnerships such as our majority owned subsidiary Landmark Studio Group, and by partnering with proven industry talent who prefer to work, at times, outside of the consolidated major studio industry, where, we believe it is increasingly difficult for this talent to control the creative process and ownership rights to their intellectual property.
    - *Content acquisition and rights ownership.* Through Screen Media, we will continue to acquire the rights to additional exclusive content. This strategy will reduce our reliance on content licensing, which will lead to lower costs of revenue and increased gross margin and provide us with wider distribution opportunities to generate additional revenue.

- **Advertising: Utilize existing technology and data to deliver innovative advertising formats and relevant ads that engage viewers.**

  - *Attractive audience.* We believe we enjoy strong relationships with leading advertisers based on our demographic reach, our sales approach and our commitment to premium content and innovative, engaging ad formats. Our networks offer advertisers a desirable target audience: the average age of Crackle viewers is 33, compared to 58 for traditional broadcast networks, and 54 for advertising-supported cable networks. We estimate that 32% of our viewers fall in the 18-34 age demographic.

  - *Diverse sales channels.* To reach these viewers we employ a diverse and targeted advertising sales strategy, using multiple sales channels to provide us with optionality. Nearly 90% of our advertising revenues are derived from direct sales and local reseller agreements, which we believe give us greater margin contribution and control over our advertising avails than is possible with programmatic advertising.

  - *Technology investment.* As we grow our portfolio of networks, we are investing in the integration of advertising platform technology stacks and the growth of our sales force. We are also testing new advertising formats and technologies that drive user engagement and offer increased value to advertisers. For example, our "Jumbotron" format engages viewers immediately upon their entry to the Crackle app through video and sound, with premium ad placement in our "Spotlight Channel". Our "FreeView" format offers viewers who select a title the option to watch one 30 to 60 second advertisement before starting the program, in exchange for an extended advertisement-free experience. "FreeView" has been demonstrated to drive higher user engagement with the placed advertisement and higher brand recall. As we execute on all of these initiatives, we believe we will be positioned to increase both overall advertising sales and ad insertion rates, firmly establishing our AVOD networks as a compelling option for advertisers compared to traditional linear broadcast or cable networks.

- **Viewership: Grow distribution to gain new viewers and employ sophisticated data analytics to deliver more compelling experiences.**

  - *Content and Distribution.* We exploit our increasing, exclusive access to quality programming to grow and retain viewers on our existing networks. To augment audience acquisition we have engaged in distribution arrangements with an increasing number of media platforms including Roku, Amazon Fire, Vizio, Samsung , LG and others. In the Spring of 2021, for example, our new distribution partnership with Vizio will feature a "Crackle button" on a large number of new Vizio television remote controls to increase Crackle awareness and guide viewers to our leading AVOD network.

  - *New Genre-specific Networks.* As we grow our content libraries, we are also continuously evaluating opportunities to create new thematic networks that focus on certain genres and types of programming and we expect these networks to deliver more targeted advertising opportunities to marketers. We are also actively evaluating opportunities to acquire additional AVOD networks that can accelerate our path to even greater scale.

  - *Personalized Viewer Experiences.* As we grow viewership and as our networks progress, we are gathering a growing amount of data on what our viewers watch and also how they engage with advertising. We are increasingly investing in capabilities to manage and analyze our data with the goal of better personalizing viewer experiences and enabling targeted advertising. Over time, by combining this effort with continued innovation in user interfaces, we may consolidate our general entertainment and themed AVOD offerings into a single AVOD network with multiple channels, in a format similar to current subscription VOD networks

Business

We own and operate Crackle Plus, one of the largest AVOD companies in the United States, consisting of a portfolio of unique AVOD networks (including the widely visited AVOD network, Crackle), and a targeted SVOD network. Through our Crackle Plus networks, consumers have access to our library of original and exclusive content. Our networks are widely distributed across all digital platforms and can be watched on connected TVs, smartphones, tablets, gaming consoles and the web. We generate advertising revenues primarily by serving video advertisements to our streaming viewers and, to a lesser extent, subscription revenue from consumers. Our Crackle Plus networks include:

Our two main areas of operation for 2020 were:

Online Networks. We own and operate Crackle Plus, one of the largest AVOD companies in the United States, consisting of a portfolio of unique AVOD networks (including the widely visited AVOD network, Crackle), and a targeted SVOD network. Through our Crackle Plus networks, consumers have access to our library of original and exclusive content. Our networks are widely distributed across all digital platforms and can be watched on connected TVs, smartphones, tablets, gaming consoles and the web. We generate advertising revenues primarily by serving video advertisements to our streaming viewers and, to a lesser extent, subscription revenue from consumers. Our Crackle Plus networks include:

- Crackle – Crackle is a leading, free to use video entertainment network featuring full length movies, TV shows and original programming. Crackle is routinely ranked among the most popular ad-supported general entertainment VOD networks. We assumed control of the operations of Crackle in 2019 through our joint venture with SPT and acquired full control of the network in January 2021.
- PopcornFlix – PopcornFlix has an extensive footprint with apps available on 11 platforms in the U.S. and in 44 countries including the United Kingdom, Canada, Australia, Germany, France, and Singapore. Under the PopcornFlix brand, we also operate a series of direct-to consumer advertising supported channels focused on various genres. PopcornFlix 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 devices.
- In 2020, we began to create linear free advertising supported streaming television (“FAST”) networks for certain of the platforms we have AVOD networks on including Plex, Vizio , Samsung, Xumo and others. We see these networks as a way to increase the ad impressions we generate with our content library as well as a way to efficiently market the breadth of the content that is available on our AVOD networks. We expect to create more of these FAST networks in 2021.
- We also sell advertising for other networks in order to aggregate a greater number of ad impressions for our advertising customers. In 2020, these networks included Funimation and CrunchyRoll. We recently entered into an agreement with Plex to sell ads on their behalf as well.

Distribution and Production. In this operations area, we produce television content through various affiliates and acquire and distribute movies and television series worldwide through Screen Media. The primary purpose of Screen Media and our television production affiliates is to provide our Crackle Plus VOD networks with original and exclusive programming. In addition, Screen Media’s ability to distribute acquired or company-produced films and television series enables us to further monetize programming on a cost advantaged basis. Through our Screen Media subsidiary, we maintain license agreements to distribute our content 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 approximately 1350 feature films and 275 television episodes, representing one of the largest independently owned libraries of filmed entertainment in the world.

Through Screen Media, 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 also expanded our international distribution capabilities which were expanded in 2020.

We produce content utilizing 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 have both the committed funding and contractually agreed upon production costs 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.

We operate a low-cost content production strategy by partnering with brand sponsors, utilizing tax credits and pre-selling rights to various media companies in order to mitigate our financial risk on project development. Doing so allows us to secure committed funding and production capabilities for our original video content prior to moving forward with a project. This provides us with high visibility into the profitability of a particular project before committing to proceed with such projects. Completed projects provide Crackle Plus with original content while providing the company with additional distribution revenue opportunities. Part of this strategy, Landmark Studios, which develops, produces, distributes and owns the IP it creates, building a valuable library. The studio is 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.

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 Max, Hulu, Amazon Prime Video, Disney Plus, Paramount Plus, Fox, 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 exclusively exhibit, 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. 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 and believe the Brand provides a competitive advantage in attracting advertisers and entertainment talent. 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 and AVOD rights to approximately 10,800 films and 22,000 television episodes.

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”.

Human Capital Management

At Chicken Soup for the Soul Entertainment, we aim to bring out the best of our employees and consultants. We are committed to developing our employees and encourage and facilitate the development of our employees through our People Operations department. We depend on a highly educated and skilled workforce. We seek to advance a diverse, equitable and inclusive work environment for all employees. Our ability to attract, develop and retain the best talent, is critical for us to execute our strategy and grow our businesses.

As of December 31, 2020, we had 99 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 Management Services Agreement dated May 12, 2016, between us and CSS ("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. We have taken measures to protect our workforce in response to the COVID-19 pandemic, including allowing employees to work from home when possible and implementing safety protocols to support our employees required to work onsite.

We value our employees and invest in them and their communities. Recently, we joined a growing group of companies working with Good Today to enable our employees to participate in supporting non-profit organizations to support initiatives that have a positive global impact.

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 Relating to COVID-19

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

The global spread of the coronavirus (COVID-19) and the various attempts to contain it have created significant volatility, uncertainty and economic disruption. In response to government mandates, health care advisories and otherwise responding to employee and vendor concerns, we have altered certain aspects of our operations. Our workforce has had to spend a significant amount of time working from home, which may impact their productivity. Many of our productions were paused or delayed in 2020, as were productions of third-parties who supply us with content. While many of these paused or delayed productions have since commenced or are planned to commence in the near term, we cannot assure you that there will not be future pauses or delays if the pandemic worsens. Other operating partners have similarly had their operations altered or temporarily suspended, including those partners that we use for our Crackle Plus operations as well as our partners for development, production and post-production of content. To the extent the resulting economic disruption is severe, we could see some vendors go out of business, resulting in supply constraints and increased costs or delays to our operations. Temporary operating pauses or permanent shutdowns could result in content asset impairments or other charges and could change the timing and amount of cash outflows associated with operating activity.

The full extent to which the COVID-19 pandemic and the various responses to it impacts our business, operations and financial results will depend on numerous evolving factors that we may not be able to accurately predict, including: the duration and scope of the pandemic; governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic; the availability and cost to access the capital markets; market volatility; the effect on our customers and customer demand for our services; disruptions or restrictions on our employees' ability to work and travel; interruptions or restrictions related to the provision of streaming services over the internet, including impacts on content delivery networks and streaming quality; and any stoppages, disruptions or increased costs associated with our development, production, post-production, marketing and distribution of original programming. If we need to access the capital markets in the future, there can be no assurance that financing may be available on acceptable terms, if at all. We will continue to actively monitor the issues raised by the COVID-19 pandemic and may take further actions that alter our business operations, including content production, as may be required by federal, state, local or foreign authorities, or that we determine are in the best interests of our employees, customers, partners and stockholders. It is not clear what the potential effects any such alterations or modifications may have on our business, including the effects on our customers, suppliers or vendors, or on our financial results.

In addition to the potential direct impacts to our business, the global economy is likely to be significantly weakened as a result of the actions taken in response to COVID-19. To the extent that such a weakened global economy impacts customers' and partners ability or willingness to pay for our services or vendors' ability to provide services to us, we could see our business and results of operation negatively impacted.

Risks Related to Our Operations

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, 2020 and 2019, we had an accumulated deficit of approximately $77.3 million and $32.7 million, respectively, and for the years ended December 31, 2020 and 2019, we had a net loss of approximately $44.6 million and $35.0 million, respectively. We expect our operating expenses to increase in the future as we continue to 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. Although we believe we have adequate sources of liquidity to meet our anticipated requirements for working capital, capital expenditures, cash dividend payments on our 9.75% Series A Cumulative Redeemable Perpetual Preferred Stock (“Series A Preferred Stock”), and cash interest payments on our outstanding notes and other debt obligations, there can be no assurance that our cash flow from operations will be sufficient to service our debt, which may require us to borrow additional funds for that purpose, restructure or otherwise refinance our debt. 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 may not be able to generate sufficient cash to service our debt and other obligations.

Our ability to make payments on our debt, including interest payments on our outstanding Notes, our cash dividend payments on our Series A Preferred Stock, and our other obligations will depend on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may be unable to attain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our debt, including interest payments on our outstanding Notes, and other obligations, including the cash dividend payments on our Series A Preferred Stock.

If we are unable to service our debt and other obligations from cash flows, we may need to refinance or restructure all or a portion of such obligations prior to maturity. Our ability to refinance or restructure our debt and other obligations will depend upon the condition of the capital markets and our financial condition at such time. Any refinancing or restructuring could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. If our cash flows are insufficient to service our debt and other obligations, we may not be able to refinance or restructure any of these obligations on commercially reasonable terms or at all and any refinancing or restructuring could have a material adverse effect on our business, results of operations, or financial condition.

If our cash flows are insufficient to fund our debt and other obligations and we are unable to refinance or restructure these obligations, we may be forced to reduce or delay investments or to sell material assets or operations to meet our debt and other obligations. We cannot assure you that we would be able to implement any of these alternative measures on satisfactory terms or at all or that the proceeds from such alternatives would be adequate to meet any debt or other obligations then due. If it becomes necessary to implement any of these alternative measures, our business, results of operations, or financial condition could be materially and adversely affected.

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 were acquired by us from CPEH 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 CPEH, an affiliate of Sony Pictures Television Inc., pursuant to which we and CPEH contributed certain assets relating to our respective VOD businesses to a newly formed subsidiary, Crackle Plus. Subsequent to December 31, 2020, we acquired all of the issued and outstanding equity interest in Crackle Plus owned by CPEH, such that it is now our wholly owned subsidiary.

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

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 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. Competitors 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. Our competitors 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. For instance, we are testing new advertising formats and technologies to drive user engagement, such as our "Jumbotron," and "FreeView" offerings, and, while we believe these formats will drive user engagement and provide higher brand recall than traditional ad formats, we cannot ensure you that viewers will engage with these ads or that brands will purchase such ads. Further, 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. In particular, due to the global spread of COVID-19, and in response to government mandates and healthcare advisories, certain of our vendors and partners have had their operations altered or temporarily suspended, including vendors that supply us with our streaming content and partners that we use for the development and production of content. Further, either during the COVID-19 pandemic or after it subsides, we cannot be assured of entering into favorable agreements with third-party content producers on economically favorable terms or on terms that provide us with satisfactory intellectual property rights in the completed projects.

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, film acquisition advances, 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, sponsors may not have the interest or ability to enter into and invest in co-production agreements on terms that are attractive to the Company or at all.

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 equity or increasing our debt obligations.

If studios, content providers or other rights holders are unable or 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. Increasingly, studios and other content providers have been developing their own streaming services, and may be unwilling to provide us with access to certain content so that they can give exclusive access to their own streaming services. Under a limited number of our license agreements, content owners can withdraw content from us relatively quickly and with short notice. If we do not maintain content that our viewers are interested in, our viewership may decrease and our business could be adversely effected.

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 — Management and License Fees” in this Form 10-K. 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 and adversely affect our operating results.

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 and pay the dividends on our preferred stock. 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;
- variable sales cycle and implementation periods for content and services; and
- the continuing effects of the COVID-19 pandemic and governmental responses thereto.

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 currencies and foreign exchange rates;
- the spread of communicable diseases, including COVID-19, in such jurisdictions, and government responses to contain the spread of such diseases, including border closures, stay-at-home orders and quarantines, 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. Additionally, 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 limit our ability to collect and use customer data and 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. Laws relating to data privacy and security continue to proliferate, often with little harmonization between jurisdictions and limited guidance. A number of existing bills are pending in the U.S. Congress and other government bodies that contain provisions that would regulate, how companies can use cookies and other tracking technologies to collect, use and share user information. The United States is seeing the adoption of state-level laws governing individual privacy. This includes the California Consumer Protection Act, Massachusetts General Law 93H and regulations adopted thereunder, and the New York SHIELD Act. Many foreign countries and supranational organizations have adopted similar laws governing individual privacy, such as the EU’s General Data Protection Regulation (“GDPR”), some of which are more restrictive than similar United States laws. If our online activities or the activities of the third parties that we work with 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/or reputational damage, 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 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 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. 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, it may be terminated by CSS upon the cessation of our business, our bankruptcy, liquidation, or insolvency, or if we fail to pay any sums due or otherwise fail to perform under the License Agreement within 30 days following delivery of a second written notice by CSS.

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, 2020 and 2019, we had net intangible assets of $31.5 million and $47.6 million, respectively, and Goodwill of $21.4 million for the years ended December 31, 2020 and 2019, 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 unknown 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 and may be unable to raise such funding when needed, which could force us to delay, reduce, eliminate, or abandon growth initiatives.

We intend to continue making investments to support the growth of our business, including organic growth and growth through acquisitions. 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. We do not currently have a credit facility in place. If we raise funds by issuing debt instruments or the sale of preferred stock, that may result in the imposition of operational limitations and other covenants and payment obligations, any of which may be burdensome to us and may have a material adverse impact on our ability to implement our business plan as currently formulated. The sale of equity securities, including common or preferred stock, may result in dilution to the current stockholders' ownership and may be limited by the number of shares we have authorized and available for issuance. If we do not have access to financing arrangements, and if funds do not become available on terms acceptable to us, or at all, we may have to delay, reduce, eliminate, or abandon certain aspects of our business plan, including planned acquisitions. We may also have to reduce our licensing, marketing, customer support or other core business services. Such actions could result in 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.

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 are 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 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.

Risks Related to Owning our Class A Common Stock

A substantial number of shares of our Class A Common Stock may be issued upon exercise of outstanding warrants, which could adversely affect the price of our publicly traded securities.

A substantial number of shares of Class A Common Stock may be issued upon the exercise of outstanding warrants. Our outstanding Class W Warrants are exercisable for up to 565,622 shares of Class A Common Stock at an exercise price of $7.50 per share; our outstanding Class Z Warrants are exercisable for up to 180,450 shares of Class A Common Stock at a price of $12.00 per share; CPE Holdings, Inc holds; our outstanding Class I Warrants that are exercisable for up to 800,000 shares of our Class A Common Stock at an exercise price of $8.13 per share; our outstanding Class II Warrants that are exercisable for up to 1,200,000 shares of our Class A Common Stock at an exercise price of $9.67 per share; our outstanding Class III-A Warrants that are exercisable for up to 380,000 shares of our Class A Common Stock at an exercise price of $11.61 per share; and our outstanding Class III-B Warrants that are exercisable for up to 1,620,000 shares of our Class A Common Stock at an exercise price of $11.61 per share. If all of the outstanding warrants are exercised for cash we will be required to issue an aggregate of 4,746,072 shares of Class A Common Stock, or approximately 75% of our Class A Common Stock outstanding as of March 31, 2021. The warrant holders will likely exercise the warrants only at a time when it is economically beneficial to do so. Accordingly, the exercise of these warrants will significantly dilute our other equity holders and may adversely affect the market price of our publicly traded securities.

On June 4, 2020 we entered into an At the Market Issuance Sales Agreement with B. Riley FBR, Inc., pursuant to which we may offer and sell, from time to time, shares of Class A Common Stock and shares of Series A Preferred Stock, which may adversely affect the price of our Class A Common Stock .

Under the At the Market Issuance Sales Agreement with B.Riley FBR, Inc. as sales agent ("ATM Agreement") we may issue shares of Class A Common Stock and Series A Preferred Stock having an aggregate offering price of up to $11,564,076. The sale of Class A Common Stock will dilute our other equity holders and may adversely affect the market price of the Class A Common Stock. As of December 31, 2020, we have sold an aggregate of 48,741 shares of Class A Common Stock and 300,360 shares of Series A Preferred Stock pursuant to the ATM Agreement, generating net proceeds to us of $7.6 million.

Only a limited market exists for our Class A Common Stock, which could lead to price volatility.

Our Class A Common Stock trades on the Nasdaq Global Market under the symbol "CSSE". However, trading volume for our Class A Common Stock has historically been low. The limited trading market for our securities may cause fluctuations in the market value of these securities to be exaggerated, leading to price volatility in excess of that which would occur in a more active trading market for our securities.

We currently do not plan to pay any dividends on our Class A Common Stock.

The payment of cash dividends on our Class A 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 and make quarterly interest payments on the Notes, 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 Class A Common Stock may result solely from the appreciation of such shares.

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 acknowledgement from the purchaser demonstrating that the purchaser has received the required risk disclosure documents 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;
- 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 Class A 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.

Risks Related to Owning our Series A Preferred Stock

We may redeem the Series A Preferred Stock.

On or after 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.

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.

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 the 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 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 market price of the Series A Preferred Stock could be substantially affected by various factors.

The market price of the Series A Preferred Stock depends on many factors, some of which are beyond our control and may not be directly related to our operating performance.

These factors include, but are not limited to, the following:

- prevailing interest rates, increases in which may have an adverse effect on the market price of the Series A Preferred Stock;
- trading prices of similar securities;
- our history of timely dividend payments;
- the annual yield from dividends on the Series A Preferred Stock as compared to yields on other financial instruments;
- general economic and financial market conditions;
- government action or regulation;
- the financial condition, performance and prospects of us and our competitors;
- changes in financial estimates or recommendations by securities analysts with respect to us or our competitors in our industry;
- our issuance of additional preferred equity or debt securities; and
- actual or anticipated variations in quarterly operating results of us and our competitors.

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 filing, our total liabilities (excluding contingent consideration) equaled approximately $44.1 million. 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.

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.

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.

Risks Related to Owning our Notes

The Notes are unsecured and therefore are effectively subordinated to any secured indebtedness we have incurred or may incur in the future.

The Notes are not secured by any of our assets. As a result, the Notes are effectively subordinated to all of our existing and future secured indebtedness, such as any new loan facility or other indebtedness to which we grant a security interest, including our $10,210,000 film acquisition advance from Great Point Media Limited which is secured by territorial licenses and distribution rights in certain films and productions owned or to be acquired by Screen Media, but only to the extent of the value of the assets securing such indebtedness. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the Notes.

The Notes are structurally subordinated to the existing and future indebtedness and other liabilities of our subsidiaries.

The Notes are obligations exclusively of Chicken Soup for the Soul Entertainment Inc., and not any of our subsidiaries. In addition, the Notes are not guaranteed by any third-party, whether an affiliate or unrelated to us. None of the assets of our subsidiaries will be directly available to satisfy the claims of holders of the Notes. Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of creditors of our subsidiaries will have priority over our equity interests in such entities (and therefore the claims of our creditors, including holders of the Notes) with respect to the assets of such entities. Even if we are recognized as a creditor of one or more of these entities, our claims would still be effectively subordinated to any security interests in the assets of any such entity and to any indebtedness or other liabilities of any such entity senior to our claims. Consequently, the Notes are structurally subordinated to all indebtedness and other liabilities of any of our subsidiaries.

The indenture under which the Notes are issued contains limited protection for holders of the Notes.

The indenture under which the Notes are issued offers limited protection to holders of the Notes. The terms of the indenture and the Notes do not restrict our ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances or events that could have a material adverse impact on your investment in the Notes. In particular, except in limited circumstances, the terms of the indenture and the Notes do not restrict our ability to:

- issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal or senior in right of payment to the Notes, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the Notes to the extent of the values of the assets securing such debt, (3) indebtedness that we incur that is guaranteed by one or more of our subsidiaries and which therefore is structurally senior to the Notes and (4) securities, indebtedness or obligations issued or incurred by our subsidiaries that would be senior to our equity interests in those entities and therefore rank structurally senior to the Notes with respect to the assets of these entities;

- pay dividends on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the Notes, including our Series A Preferred Stock or any subordinated indebtedness;

- sell assets (other than certain limited restrictions on our ability to consolidate, merge or sell all or substantially all of our assets);

- enter into transactions with affiliates;

- create liens or enter into sale and leaseback transactions;

- make investments; or

- create restrictions on the payment of dividends or other amounts to us from our subsidiaries.

In addition, the indenture does not require us to offer to purchase the Notes in connection with a change of control or any other event (but does afford us the right to redeem the Notes prior to the prescribed redemption date upon the consummation of certain transactions).

Similarly, the terms of the indenture and the Notes do not protect holders of the Notes in the event that we experience changes (including significant adverse changes) in our financial condition, results of operations or credit ratings, if any.

Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the Notes may have important consequences for holders of the Notes, including making it more difficult for us to satisfy our obligations with respect to the Notes or negatively affecting the trading value of the Notes.

Other debt we issue or incur in the future could contain more protections for its holders than the indenture and the Notes, including additional covenants and events of default. For example, the indenture under which the Notes are issued does not contain cross-default provisions. The issuance or incurrence of any indebtedness with incremental protections could affect the market for and trading levels and prices of the Notes. Additionally, even if we issue indebtedness that ranks equally with the Notes, the holders of such indebtedness will be entitled to share ratably with the noteholders in any proceeds distributed in connection with any insolvency, liquidation, reorganization, or dissolution, which may have the effect of reducing the amount of proceeds paid to our noteholders. Incurrence of additional debt would also further reduce the cash available to invest in operations, as a result of increased debt service obligations, and may cause a cross-default on our other obligations, as described elsewhere in these Risk Factors. If new debt is added to our current indebtedness, the related risks that we now face could be compounded.

An increase in market interest rates could result in a decrease in the value of the Notes.

In general, as market interest rates rise, notes bearing interest at a fixed rate decline in value. Consequently, if you purchase the Notes, and the market interest rates subsequently increase, the market value of your Notes may decline. We cannot predict the future level of market interest rates.

An active trading market for the Notes may not be sustained, which could limit your ability to sell the Notes or the market price of the Notes.

Although the Notes are listed on the Nasdaq Global Market under the trading symbol “CSSEN,” we cannot provide any assurances that an active trading market will develop or be maintained for the Notes or that you will be able to sell your Notes. The Notes may trade at a discount from their initial offering price depending on prevailing interest rates, the market for similar securities, our credit ratings, if any, general economic conditions, our financial condition, performance and prospects and other factors. Accordingly, we cannot assure you that a liquid trading market for the Notes will be sustained, that you will be able to sell your Notes at a particular time or that the price you receive when you sell will be favorable. To the extent an active trading market is not sustained, the liquidity and trading price for the Notes may be harmed. Accordingly, you may be required to bear the financial risk of an investment in the Notes for an indefinite period of time.

We may choose to redeem the Notes when prevailing interest rates are relatively low.

On or after July 31, 2022, we may choose to redeem the Notes from time to time, especially when prevailing interest rates are lower than the rate borne by the Notes. If prevailing rates are lower at the time of redemption, you would not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the Notes being redeemed. Our redemption right also may adversely impact your ability to sell the Notes as the optional redemption date or period approaches.

If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the Notes.

Any default under the agreements governing our existing or future indebtedness that is not waived by the required lenders, and the remedies sought by the holders of such indebtedness, could make us unable to pay principal and interest on the Notes and substantially decrease the market value of the Notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness, including the Notes. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest. In addition, the lenders under any loan facility or other financing that we may obtain in the future could elect to terminate their commitment, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. Any such default may constitute a default under the Notes, which could further limit our ability to repay our indebtedness, including the Notes. If our operating performance declines, we may in the future need to seek to obtain waivers from our existing lenders at the time to avoid being in default. If we breach any loan covenants, we may not be able to obtain such a waiver from the lenders. If this occurs, we would be in default under the credit arrangement that we have, the lender could exercise its rights as described above, and we could be forced into bankruptcy or liquidation. If we are unable to repay indebtedness, lenders having secured obligations could proceed against the collateral securing their debt. Because any future credit facilities will likely have, customary cross-default provisions, if the indebtedness under the Notes, or under any future credit facility is accelerated, we may be unable to repay or finance the amounts due.

We are not obligated to contribute to a sinking fund to retire the Notes and the Notes are not guaranteed by a third-party.

We are not obligated to contribute funds to a sinking fund to repay principal or interest on the Notes upon maturity or default. The Notes are not certificates of deposit or similar obligations of, or guaranteed by, any depositary institution. Further, no private party or governmental entity insures or guarantees payment on the Notes if we do not have enough funds to make principal or interest payments.

A downgrade, suspension or withdrawal of the credit rating assigned by a rating agency to us, the July 2025 Notes, or the Notes, if any, could cause the liquidity or market value of the Notes to decline significantly.

Our credit rating is an assessment by third parties of our ability to pay our obligations. Consequently, real or anticipated changes in our credit rating will generally affect the market value of the Notes. Our credit rating, however, may not reflect the potential impact of risks related to market conditions generally or other factors discussed above on the market value of or trading market for the Notes. Credit ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization in its sole discretion.

The Notes have received a rating of BBB from Egan-Jones Ratings Company. An explanation of the significance of ratings may be obtained from the rating agency. Generally, rating agencies base their ratings on such material and information, and such of their own investigations, studies and assumptions, as they deem appropriate. Neither we nor any underwriter undertakes any obligation to maintain our credit rating or to advise holders of the Notes of any changes in our credit rating. There can be no assurance that our credit rating will remain for any given period of time or that such credit rating will not be lowered or withdrawn entirely by the rating agency if in their judgment future circumstances relating to the basis of the credit rating, such as adverse changes in our company, so warrant.

Risks Related to Owning our Class W and Class Z Warrants

No public market exists for our Class W Warrants or Class Z Warrants.

We have applied for quotation of the Class W Warrants on the OTCQB Market and the Class Z Warrants on the OTC Pink Market under the proposed symbols “CSSEW” and “CSSEZ”, respectively, but we cannot guarantee that our Class W Warrants or Class Z Warrants will be approved for quotation or listing on any market. Further, even if listed or quoted, an active trading market may never develop or, if developed, may not be sustained. The over-the-counter market is a significantly more limited market than Nasdaq, due to factors such as the reduced number of investors that will consider investing in securities traded over the counter, the reduced number of market makers in the securities, and the reduced number of securities analysts that follow such securities. As a result, holders of our Class W Warrants and Class Z Warrants may find it difficult to resell their warrants at prices quoted in the market or at all. You may be unable to sell Class W Warrants or Class Z Warrants unless a market for such securities can be established or sustained.

Holders of our Class W Warrants and Class Z Warrants will have no rights as a common stockholder until such warrants are exercised.

Until holders of our Class W Warrants and Class Z Warrants acquire shares of our Class A Common Stock upon exercise of the Class W Warrants or Class Z Warrants, as applicable, holders of Class W Warrants and Class Z Warrants will have no rights with respect to the shares of Class A Common Stock underlying such warrants.

The market price of our Class A Common Stock may fall below the exercise price of the Class W Warrants and Class Z Warrants.

The Class W Warrants have an exercise price of $7.50 per share, subject to adjustment as described therein, and may be exercised at any time through June 30, 2023. The Class Z Warrants have an exercise price of $12.00 per share, subject to adjustment as described therein, and may be exercised at any time through June 30, 2024. The market price of our Class A Common Stock may fall below the exercise price of such warrants and remain below such exercise price through their date of expiration. Any Class W Warrants or Class Z Warrants not exercised by their date of expiration will expire worthless and we will be under no further obligation to the warrant holder.

We may call the Class W Warrants and Class Z Warrants for 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.

If we call the Class W Warrants and/or Class Z Warrants for cancellation, that could force you to (i) exercise your warrants and pay the exercise price therefor at a time when it may be disadvantageous for you to do so, (ii) sell your warrants at the then-current market price when you might otherwise wish to hold your warrants or (iii) accept the nominal redemption price which, at the time the outstanding warrants are called for redemption, is likely to be substantially less than the market value of such warrants.

We may amend the terms of the Class W Warrants and Class Z Warrants in a manner that may be adverse to holders of such warrants with the approval by the holders of at least 50% of the then outstanding Class W Warrants or Class Z Warrants, respectively. As a result, the exercise price of your Class W Warrants and/or Class Z Warrants could be increased, the exercise period could be shortened and the number of shares of our Class A Common Stock purchasable upon exercise of a warrant could be decreased, all without your approval.

Our Class W Warrants and Class Z Warrants were issued in registered form under Warrant Agreements between Continental Stock Transfer & Trust Company, as warrant agent, and us. The Warrant Agreements provide that the terms of the Class W Warrants and Class Z Warrants may be amended without the consent of any holder to cure any ambiguity or correct any defective provision, but requires the approval by the holders of at least 50% of the then outstanding Class W Warrants or Class Z Warrants, as applicable, to make any change that adversely affects the interests of the registered holders of Class W Warrants or Class Z Warrants. Accordingly, we may amend the terms of such warrants in a manner adverse to you without your consent. Our affiliates hold approximately 39.0% of the outstanding Class W Warrants and 4.8% of the outstanding Class Z Warrants. Examples of such amendments could include, among other things, an increase in the exercise price of the warrants, conversion of the warrants into cash, or to shorten the exercise period or decrease the number of shares of Class A Common Stock purchasable upon exercise of a warrant. On August 26, 2020 we extended the exercise period of the Class W Warrants and Class Z Warrants to June 30, 2023 and June 30, 2024, respectively, without the approval of the warrant holders. Such extension provides warrant holders with an additional two years to exercise their warrants.

General Risks

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

We are an "emerging growth company", as defined in the JOBS Act, and we 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 securities less attractive because we may rely on these exemptions. If some investors find our securities less attractive as a result, there may be a less active trading market for our Class A common stock, Series A Preferred Stock, and publicly traded notes and the trading price of such securities 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 take advantage of the extended transition period for complying with new or revised accounting standards. This may make comparison of our financial statements with another public company which is not an emerging growth company difficult or impossible because of the potential differences in accounting standards used.

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 certificate of incorporation provides, subject to limited exceptions, that the Court of Chancery of the State of Delaware is the sole and exclusive forum for certain stockholder litigation matters, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or stockholders.

Our certificate of incorporation requires, to the fullest extent permitted by law, that derivative actions brought in our name, actions against directors, officers and employees for breach of fiduciary duty and other similar actions may be brought only in the Court of Chancery in 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) and, if brought outside of Delaware, the stockholder bringing the suit will be deemed to have consented to the personal jurisdiction of the state and federal courts located within the State of Delaware and to service of process on such stockholder's counsel. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and consented to the forum provisions in our certificate of incorporation.

This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers or employees, which may discourage lawsuits with respect to such claims. We cannot be certain that a court will decide that this provision is either applicable or enforceable, and if a court were to find the choice of forum provision contained in our certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, operating results and financial condition.

Our certificate of incorporation provides that the exclusive forum provision is applicable to the fullest extent permitted by applicable law. Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. As a result, we anticipate that the exclusive forum provision will not apply to suits brought to enforce any duty or liability created by the Exchange Act, the Securities Act or any other claim for which the federal courts have exclusive jurisdiction and the exclusive forum provision is not intended to waive our compliance with federal securities laws and the rules and regulations thereunder or bar claims properly brought thereunder.

ITEM 1B. Unresolved Staff Comments

Not applicable.

ITEM 2. Properties

Our corporate headquarters is located at 132 East Putnam Avenue – Floor 2W, Cos Cob, Connecticut. Use of this space is provided to us under the terms of the CSS Management Agreement. We also lease facilities in California and New York.

ITEM 3. Legal Proceedings

None.

ITEM 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Information

Our Class A common stock is listed on the Nasdaq Global Market ("Nasdaq") under the symbol "CSSE," our Series A Preferred Stock is listed on Nasdaq under the symbol "CSSEP," and our 9.50% Notes due 2025 are listed on Nasdaq under the symbol "CSSEN."

Holders

As of March 31, 2021, we have 37 holders of record of our Class A Common Stock and 1 holder of record of our Class B Common Stock. We believe we have in excess of 300 beneficial holders of our Class A Common Stock.

Dividend Policy

Series A Preferred Stock Dividends

Since July 2018, we have declared monthly cash dividends of $0.2031 per share on our 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 were $4.1 and $3.3 million as of December 31, 2020 and 2019 respectively.

Common Stock Dividends

We did not pay any dividends on our common stock during the years ended December 31, 2020 and 2019. Any payment of dividends in the future is within the discretion of our board of directors (subject to our obligation to pay dividends on our Series A Preferred Stock and to make quarterly interest payments on our 9.50% Notes due 2025) 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

None.

Code of Ethics

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 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

ATM Offering

In May 2020 the Company entered into an At the Market Issuance Agreement (the "ATM Agreement") with B. Riley FBR, Inc., relating to the sale of our Class A Common Stock and Series A Preferred Stock. In accordance with the terms of the ATM Agreement, we may offer and sell, from time to time, shares of Class A Common Stock and shares of Series A Preferred Stock having an aggregate offering price of up to $11,564,076. During the year ended December 31, 2020, we sold an aggregate of 48,741 shares of Class A Common Stock and 300,360 shares of Series A Preferred Stock, for net proceeds to us of $7,635,228, after payment of $236,146 in commissions to B. Riley FBR, Inc.

9.50% Notes due 2025

On July 17, 2020, the Company completed an underwritten public offering of $21,000,000 aggregate principal amount of its 9.50% Notes due 2025 (the "July Notes"), pursuant to an Underwriting Agreement, dated as of July 13, 2020, between the Company and Ladenburg Thalmann & Co. Inc., as representative of the underwriters. On August 5, 2020, the Company sold an additional $1,100,000 of July Notes pursuant to the partial exercise of the overallotment option. The July Notes were offered and sold pursuant to a prospectus, dated July 13, 2020, which is part of the Company's registration statement on Form S-1 (Registration No. 333-239198) declared effective by the Securities and Exchange Commission on July 10, 2020. Ladenburg Thalmann and National Securities Corporation acted as joint bookrunning managers of the offering, and Benchmark Company and Northland Capital Markets acted as lead managers of the offering. The July Notes were issued under a base indenture and a supplemental indenture, each dated as of July 17, 2020 (the "Base Indenture" and "Supplemental Indenture," respectively, and together, the "Indenture") between the Company and U.S. Bank National Association, as trustee (the "Trustee"). The Notes bear interest from July 17, 2020 at the rate of 9.50% per annum, payable every March 31, June 30, September 30, and December 31, and at maturity, beginning September 30, 2020. The Notes mature on July 31, 2025.

The sale of the July Notes resulted in net proceeds of approximately $20,995,000 after deducting underwriting discounts and commissions of approximately $1,105,000. The Company used approximately $13.3 million of the net proceeds from the offering to repay the entirety of the outstanding principal and unpaid accrued interest under that certain amended and restated loan and security agreement dated August 22, 2019, between the Company and its wholly-owned subsidiary Screen Media Ventures, LLC, as co-borrowers, certain of their direct and indirect subsidiaries as guarantors, and Patriot Bank N.A., as lender ("Loan Agreement").

On December 22, 2020, the Company completed an underwritten public offering of $9,387,750 aggregate principal amount of 9.50% Notes due 2025 (the "December Notes"). pursuant to an Underwriting Agreement, dated as of December 17, 2020, between the Company and Ladenburg Thalmann & Co. Inc., as representative of the underwriters. On December 29, 2020, the Company sold an additional $1,408,150 of December Notes pursuant to the underwriters' partial exercise of the overallotment option. The December Notes were offered pursuant to a prospectus, dated December 17, 2020, which is part of the Company's registration statement on Form S-1 (Registration No. 333-251202), declared effective by the Securities and Exchange Commission ("SEC") on December 17, 2020, and the Company's registration statement on Form S-1MEF (Registration No. 333-251504) as filed with the SEC on December 18, 2020, which became effective upon filing in accordance with Rule 462(b) under the Securities Act of 1933, as amended. The December Notes are a further issuance of, rank equally in right of payment with, and form a single series for all purposes under the Indenture with the July Notes.

The sale of the December Notes were sold at a 2.0% original issuance discount to the stated principal of $25.00 per note, or a public offering price of $24.50 per note. The December Notes generated gross proceeds to the Company of $10,579,982 and net proceeds to the Company of approximately $9,990,983 after deducting underwriting discounts and commissions of approximately $588,999.

Payment in Full of Patriot Bank Loan Agreement

On July 17, 2020, the Company used approximately $13.3 million of the proceeds from the sale of the July Notes to repay in full its outstanding obligations under the Loan Agreement. Pursuant to the Loan Agreement, Patriot Bank, N.A. previously provided a senior secured term loan facility to the borrowers, consisting of a term loan in an original principal amount of $16.0 million ("Term Note"). The Loan Agreement and Term Note were terminated on July 17, 2020, in connection with the Company's discharge of indebtedness.

Private Placements

On January 14, 2021, the Company entered into a securities purchase agreement (the "SPA") with two accredited investors (the "Investors") to sell an aggregate of 1,022,727 shares of Class A Common Stock at a purchase price of $22.00 per share, generating gross proceeds of $22,499,994. The sale was consummated on January 20, 2021. The shares of Class A Common Stock were sold pursuant to an exemption from registration afforded by Section 4(a)(2) of the Securities Act of 1933, as amended, and Rule 506 promulgated thereunder.

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, 2020 and 2019 and the year-over-year dollar and percentage changes for those line items:

	Year Ended December 31,				Change	
	2020	% of revenue	2019	% of revenue	Period over Period	
Revenue:						
Online networks	$ 30,145,225	45 %	$ 40,027,289	72 %	$ (9,882,064)	(25)%
Distribution and Production	38,024,797	57 %	16,577,863	30 %	21,446,934	129 %
Total revenue	68,170,022	102 %	56,605,152	102 %	11,564,870	20 %
Less: returns and allowances	(1,813,066)	(2)%	(1,241,246)	(2)%	(571,820)	46 %
Net revenue	$ 66,356,956	100 %	$ 55,363,906	100 %	$ 10,993,050	20 %

Our net revenue increased by $11.0 million for the year ended December 31, 2020 compared to 2019. This increase in net revenue was primarily due to the $21.4 million increase in distribution and production revenue, offset by a $9.9 million decrease in online networks revenue, as further described below.

Online network revenue

Our online networks revenue decreased by $9.9 million for the year ended December 31, 2020 compared to 2019. The decrease of $9.9 million was primarily due to a $10.9 million decrease in advertisement representation revenue comprised of a $15.6 million decrease in revenues due to the discontinued operations of one advertisement representation partner offset by increases of $4.7 million in other advertisement representation partner revenues. Additionally, a $1.6 million net combined decrease in various other online networks revenues, offset by a $2.6 million increase in our Crackle direct revenue primarily due to operating Crackle for 12 months in 2020 as compared to 7.5 months in 2019.

Distribution and Production revenue

Distribution and production revenues increased by $21.4 million for the year ended December 31, 2020 compared to 2019. The increase of $21.4 million was primarily due to a $13.3 million increase in TVOD and internet streaming revenue primarily driven by strong performance from the recent release of *The Outpost*, which hit #1 on several VOD platforms during the period, *Blood and Money* and *Black Water:Abyss*, a $9.3 million increase in video distribution and theatrical revenues driven primarily by the performance of *The Last Full Measure* and *Robert The Bruce*, and a $3.8 million increase in AVOD distribution revenue driven by our original and owned content streamed on our AVOD networks. These increases were partially offset by a $4.5 million decrease in international distribution revenue and a net combined $0.5 million decrease in other distribution and production revenues.

Cost of Revenue

The following table presents cost of revenue line items for the years ended December 31, 2020 and 2019 and the year-over-year dollar and percentage changes for those line items:

	Year Ended December 31,				Change Period over Period	
	2020	% of revenue	2019	% of revenue		
Cost of revenue:						
Programming amortization	$ 656,806	1 %	$ 710,689	1 %	$ (53,883)	(8)%
Film library amortization	23,309,647	35 %	10,182,166	19 %	13,127,481	129 %
Revenue share and partner fees	9,559,234	15 %	17,202,481	31 %	(7,643,247)	(44)%
Distribution and platform costs	18,614,132	28 %	12,328,214	22 %	6,285,918	51 %
Total cost of revenue	$ 52,139,819	79 %	$ 40,423,550	73 %	$ 11,716,269	29 %
Gross profit	$ 14,217,137		$ 14,940,356			
Gross profit margin	*21 %*		*27 %*			

Our cost of revenue increased by $11.7 million for the year ended December 31, 2020 compared to 2019. This increase was primarily due to a $13.1 million increase in film library amortization as a result of the $21.4 million increase in distribution revenue, a $6.3 million increase in distribution and platform costs primarily due to incurring Crackle related technology costs for 12 months in 2020 as compared to 7.5 months in 2019, partially offset by a $7.7 million decrease in revenue share and partner fees as a result of the $10.9 million decrease in advertisement representation revenue primarily driven by the discontinued operations of one ad rep partner.

Operating Expenses

The following table presents operating expense line items for the years ended December 31, 2020 and 2019 and the year-over-year dollar and percentage changes for those line items:

	Year Ended December 31,				Change Period over Period	
	2020	% of revenue	2019	% of revenue		
Operating expenses:						
Selling, general and administrative	$ 31,573,368	48 %	$ 22,242,032	40 %	$ 9,331,336	42 %
Amortization and depreciation	16,291,327	25 %	13,293,279	24 %	2,998,048	23 %
Impairment of content assets	3,973,878	6 %	—	— %	3,973,878	*
Management and license fees	6,635,696	10 %	5,536,390	10 %	1,099,306	20 %
Total operating expenses	$ 58,474,269	89 %	$ 41,071,701	74 %	$ 17,402,568	42 %

** Not meaningful*

Our total operating expenses were 89% of net revenue for the year ended December 31, 2020 compared to 74% in the same period in 2019 and increased in absolute dollars by $17.4 million. Excluding amortization and depreciation expense driven by acquired intangibles resulting from the formation of Crackle Plus and impairment of content assets, total operating expenses were 58% and 50% of net revenue for the years ended December 31, 2020 and 2019, respectively.

Selling, general and administrative expenses increased by $9.3 million for the year ended December 31, 2020 compared to 2019. The increase is primarily due to a $5.7 million increase in compensation expense, discussed in the following selling, general and administrative section.

Amortization and depreciation expense increased by $3.0 million for the year ended December 31, 2020 compared to 2019. The increase is primarily due to the amortization of intangible assets formed as a result of the Crackle Plus acquisition in May 2019.

Content assets consists primarily of programming costs and film library assets. Management's periodic assessment of the ultimate revenues expected to be recognized on each episodic series and film, in conjunction with historical performance and current market conditions, management determined the estimated future discounted cash flows were not sufficient to recover the entire unamortized balance of content assets. As a result, the Company recorded an impairment of $4.0 million for the year ended December 31, 2020.

The management and license fee increased $1.1 million or 20% for the year ended December 31, 2020 compared to 2019. The increase is due to and in line with the $11.0 million or 20% increase in net revenue for the year ended December 31, 2020 compared to 2019.

Selling, General and Administrative Expenses

The following table presents selling, general and administrative expense line items for the years ended December 31, 2020 and 2019 and the year-over-year dollar and percentage changes for those line items:

	Year Ended December 31, 2020	2019	Change Period over Period	
Compensation expense	$ 18,408,546	$ 12,680,626	$ 5,727,920	45 %
Share-based compensation	1,131,515	1,061,926	69,589	7 %
Professional fees	3,583,702	1,569,715	2,013,987	128 %
Public company costs and expenses	520,118	366,378	153,740	42 %
Bad debt expense	1,571,518	1,428,453	143,065	10 %
Other operating expenses	6,357,969	5,134,934	1,223,035	24 %
	$ 31,573,368	$ 22,242,032	$ 9,331,336	42 %

Our selling, general and administrative expenses increased by $9.3 million for the year ended December 31, 2020 compared to 2019.

Our compensation expense increased by $5.7 million for the year ended December 31, 2020 compared to 2019. This increase is primarily due to operating Crackle for 12 months in 2020 compared to 7.5 months in 2019 and a 16% increase in headcount as compared to 2019.

Professional fees increased by $2.0 million for the year ended December 31, 2020 compared to 2019. This increase is related to a $1.2 million increase in legal fees, $0.4 million increase in consulting expenses and $0.4 million increase in accounting expenses primarily related to various financing activities during the period and the year over year growth in the business.

Other operating expenses increased by $1.2 million for the year ended December 31, 2020 compared to 2019. This increase is related to a $1.4 million increase in rent driven by expansion of our office space as a result of the acquisition of Crackle during May 2019 and a $0.3 million increase in marketing expenses related to increased marketing efforts in our online networks operation area, offset by a $0.3 million decrease in travel and entertainment expenses related to the COVID-19 pandemic and $0.2 million decrease in various other overhead expenses.

Management and License Fees

We incurred management fees to CSS equal to 5% of total net revenue reported for the years ended December 31, 2020 and 2019. We also incurred license fees to CSS for use of the brand equal to 5% of total net revenue reported for the years ended December 31, 2020 and 2019.

Interest Expense

For the years ended December 31, 2020 and 2019, our interest expense was comprised primarily of interest incurred on the 9.50% Notes Due 2025, the commercial loan, the revolving credit facility and the film acquisition advance.

The following table presents interest expense for the years ended December 31, 2020 and 2019:

	Year Ended December 31, 2020	Year Ended December 31, 2019
9.50% Notes due 2025	$ 982,327	$ —
Revolving credit facility	316,667	90,000
Commercial loan	476,889	638,617
Film acquisition advance	314,433	—
Amortization of deferred financing costs	131,790	82,400
	$ 2,222,106	$ 811,017

Interest expense increased $1.4 million for the year ended December 31, 2020 compared to 2019. The increase is primarily related to the July and December 2020 underwritten public offering of the 9.50% Notes due 2025. In addition, we entered into a revolving credit facility with Cole Investments VII, LLC in connection with the creation of our Landmark Studio Group subsidiary in October 2019, which bears interest of 8% per annum. As of March 3, 2021, such facility was paid in full and terminated. Further, the Company entered into a Film Acquisition Advance Agreement with Great Point Media Limited in August 2020, which bears interest at 10% per annum compounded monthly on the amount outstanding.

Acquisition Related Costs

For the years ended December 31, 2020 and 2019 aggregate acquisition-related costs, including legal, accounting and investment advisory fees totaled $0.1 and $4.0 million, respectively. The $3.9 million decrease in acquisition related costs is primarily related to costs incurred in 2019 related to the Crackle acquisition while in the current year we had no such acquisition.

Other Non-Operating Income, net

For the years ended December 31, 2020 and 2019 other non-operating income was $6.3 million and $0.1 million, respectively. Other non-operating income is primarily comprised of $5.4 million in extinguished liabilities as part of a settlement agreement with a technology platform vendor which discontinued operations prior to the completion of the contractual service period and $1.5 million related to the extinguishment of acquisition related liabilities. Other income was offset by other non-operating expenses related to a partner settlement and realized and unrealized losses on marketable securities.

Provision for 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 tax rate.

For the years ended December 31, 2020 and 2019, we reported income tax expenses of approximately $0.1 million and $0.6 million, respectively, consisting of state taxes currently payable in 2020 and federal and state taxes currently payable and deferred in 2019. The effective tax rate for the years ended December 31, 2020 and 2019 was 1% and 3%, respectively. The effective rate for the years ended December 31, 2020 and 2019 were significantly impacted by temporary and permanent differences as described below.

Temporary timing differences consist primarily of net programming costs and film library acquisition costs that were, for current year additions, amortized over the straight line basis as permitted under the Internal Revenue Code as well as prior year released USA produced shows having been deducted 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. We also incurred impairment losses that were charged to operations on the financial statements on some of those assets but are not currently deductible for tax purposes. 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.

Permanent differences consist primarily of amortization for financial reporting purposes of film library properties that were acquired in a transaction in 2018 wherein the tax cost basis as well as the method and rate of amortization are, for tax purposes, governed by the rules of Section 197 of the Internal Revenue Code.

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 B*rand 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, 2020 and 2019, we recorded $3.3 million and $2.8 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, the ‘‘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. On March 15, 2021, we entered into a further amendment to the CSS Management Agreement which clarified that the term of the CSS Management Agreement is five years, with automatic one-year renewals unless affirmatively terminated by one of the parties.

For the years ended December 31, 2020 and 2019, we recorded $3.3 million and $2.8 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, 2020 and 2019, 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 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,	
	2020	**2019**
Net loss available to common stockholders	$ (44,552,353)	$ (34,976,816)
Preferred dividends	4,142,376	3,304,947
Provision for income taxes	99,000	585,000
Other taxes	312,600	460,205
Interest expense[(a)]	2,222,106	811,017
Film library and program rights amortization[(b)]	23,563,772	10,683,227
Share-based compensation expense[(c)]	1,131,515	1,061,926
Acquisition-related costs[(d)]	98,926	3,968,289
Expense for bad debt and video returns	3,384,584	2,669,699
Amortization and depreciation[(e)]	17,317,247	13,293,279
Other non-operating income, net[(f)]	(6,254,205)	(40,191)
Loss on extinguishment of debt	169,219	350,691
Impairment of content assets[(g)]	3,973,878	—
Transitional expenses[(h)]	4,353,345	3,505,855
All other nonrecurring costs	1,789,569	276,400
Adjusted EBITDA	$ 11,751,579	$ 5,953,528

(a). Includes amortization of deferred financing costs of $131,790 and $82,400 for the years ended December 31, 2020 and 2019, 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 program rights.

(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, non-employee directors and third-party consultants.

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

(e). Includes depreciation and amortization of intangibles, property and equipment and amortization of technology expenditures included in cost of revenue.

(f). Other non-operating income is primarily comprised of various extinguished liabilities as part of a settlement, see Results of Operations for further detail.

(g). Represents impairment charges related to our content assets, comprised of program and film library assets.

(h). Represents transitional related expenses primarily associated with the Crackle Plus business combination and the Company's strategic shift related to its production business. Costs include non-recurring payroll, redundant non-recurring technology costs and other transitional costs.

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. The Company enhanced its liquidity position during the current year, by improving year over year cashflow performance, replacing a commercial loan with senior unsecured notes and therefore reducing principal amortization requirements going forward, entering into a film acquisition advance arrangement, and issuing common stock in a private placement. As of December 31, 2020, we had cash and cash equivalents of $14.7 million. Our total debt principal outstanding was $44.1 million as of December 31, 2020.

Debt, net of debt issuance costs, increased $22.2 million primarily due to the issuance of the 9.50% Notes Due 2025 in August and December 2020, offset by the repayment of the outstanding principal under the commercial loan. The amount of principal and interest due in the next twelve months is approximately $5.8 million. See Note 11, *Debt* in the accompanying notes to our consolidated financial statements.

During the year ended December 31, 2020, the Company completed the sale of an aggregate of 300,360 shares of its Series A Preferred Stock at a net offering price of $22.43 per share. The Company's net proceeds from the sale of Series A Preferred Stock, after deducting offering expenses, was approximately $6.7 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 2020. Total dividends declared during the years ended December 31, 2020 and 2019 were $4.1 million and $3.3 million, respectively.

Cash Flows

Our cash and cash equivalents balance was $14.7 million and $6.4 million as of December 31, 2020 and 2019, respectively.

Cash flow information for the years ended December 31, 2020 and 2019 is as follows:

	Year Ended December 31,	
	2020	2019
Cash (used in) provided by:		
Operating activities	$ (18,045,482)	$ (18,698,763)
Investing activities	(2,792,165)	(6,428,996)
Financing activities	29,122,971	24,373,403
Net increase (decrease) in cash and cash equivalents	$ 8,285,324	$ (754,356)

Operating Activities

Net cash used in operating activities was $18.0 million and $18.7 million for the years ended December 31, 2020 and 2019, respectively. The decrease of $0.7 million in cash used in operating activities for the year ended December 31, 2020 compared to 2019 was primarily due to a $5.4 million decrease in net loss adjusted for the exclusion of non-cash items, offset by a $4.7 million decrease related to the effect of changes in operating assets and liabilities.

The net loss adjusted for the exclusion of non-cash items was approximately $2.4 million for the year ended December 31, 2020 compared to the net loss adjusted for the exclusion of non-cash items of $(3.0) million for the year ended December 31, 2019. The decrease in the net loss adjusted for the exclusion of non-cash items was primarily due to a $14.2 million increase in net non-cash items driven by the amortization and impairment of film library assets and amortization of intangible assets, offset by the $8.8 million increase in net loss.

The effect of changes in operating assets and liabilities was a decrease of $20.5 million for the year ended December 31, 2020 compared to a decrease of $15.7 million for the year ended December 31, 2019. The most significant drivers contributing to this increase relate to the following:

- Changes in accounts receivable primarily driven by increased revenue and timing of collections. Accounts receivable decreased $5.5 million during the year ended December 31, 2020 as compared to an increase of $24.5 million during the year ended December 31, 2019.

- Changes in film library primarily due to increased investment in our distribution and production operation area. Film library increased $27.1 million during the year ended December 31, 2020 compared to a $18.1 million increase during the year ended December 31, 2019.

- Changes in accounts payable and accrued expenses primarily driven by growth of the business and timing of payments. Accounts payable and accrued expenses decreased $5.6 million during the year ended December 31, 2020 compared to an increase of $24.2 million during the year ended December 31, 2019.

- Changes in accrued participation costs primarily due to increased revenues in our distribution and production operation area and timing of payments. Accrued participation costs increased $7.5 million during the year ended December 31, 2020 compared to a $3.5 million increase during the year ended December 31, 2019.

Investing Activities

For the years ended December 31, 2020 and 2019, our investing activities required a net use of cash totaling $2.8 million and $6.4 million, respectively. The decrease in cash used in investing activities during the year ended December 31, 2020 as compared 2019 was due to a $5.5 million increase in capital expenditures primarily related to our ongoing investments, particularly as it relates to enhancing our technology infrastructure and platforms to support our growing operations, partially offset by a $2.0 million decrease in our due from affiliated companies balance and a $0.7 million increase from sales of marketable securities.

Financing Activities

For the year ended December 31, 2020, our financing activities provided net cash totaling $29.1 million. This increase was primarily due to the $31.0 million in net proceeds related to the public offering of the 9.50% notes due 2025, $8.8 million in proceeds from the film acquisition advance, $5.9 million in proceeds from a private placement and at-the-market sale of common stock and $6.7 million in net proceeds from the sale of our preferred stock, offset by the $15.2 million repayment of the Commercial Loan, the $1.6 million repayment of the film acquisition advance, the $4.1 million payment of dividends to preferred stockholders and a $2.5 million payment on our revolving credit facility. These financing activities during the period have resulted in the Company improving its liquidity position by increasing cash on hand and extending future principal payments.

For the year ended December 31, 2019, our financing activities provided net cash totaling $24.4 million. This resulted primarily from net proceeds from the sale of our preferred stock of $15.5 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 dividend payments to preferred stockholders in the amount of $3.3 million and debt principal payments of $1.5 million.

Anticipated Cash Requirements

We believe that cash flow from operations and cash on hand, 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, 2020.

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

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 December 31, 2020 and 2019, the related consolidated statements of operations, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, 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 Company's internal control over financial reporting. Accordingly, we express no such opinion.

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

/s/ Rosenfield and Company, PLLC

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

New York, New York
March 30, 2021

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

	December 31, 2020	December 31, 2019
ASSETS		
Cash and cash equivalents	$ 14,732,726	$ 6,447,402
Accounts receivable, net of allowance for doubtful accounts of $1,035,643, and $1,531,247, respectively	25,996,947	34,661,119
Prepaid expenses and other current assets	1,382,502	1,173,223
Goodwill	21,448,106	21,448,106
Indefinite lived intangible assets	12,163,943	12,163,943
Intangible assets, net	19,370,490	35,451,951
Film library, net	35,239,135	33,250,149
Due from affiliated companies	5,648,652	7,642,432
Programming costs and rights, net	15,781,183	15,113,574
Other assets, net	4,517,102	313,585
Total assets	$ 156,280,786	$ 167,665,484
LIABILITIES AND EQUITY		
Current maturities of commercial loan	$ —	$ 3,200,000
Commercial loan, net of unamortized deferred finance costs of $0 and $189,525, respectively	—	11,810,475
9.50% Notes due 2025, net of unamortized deferred issuance costs of $1,798,433 and $0, respectively	31,097,467	—
Notes payable under revolving credit facility	2,500,000	5,000,000
Film acquisition advance	8,659,136	—
Accounts payable and accrued expenses	18,445,925	26,646,390
Ad representation fees payable	2,949,032	12,429,838
Film library acquisition obligations	8,616,562	5,020,600
Programming obligations	4,697,316	7,300,861
Accrued participation costs	12,535,651	5,066,512
Other liabilities	1,677,906	170,106
Total liabilities	91,178,995	76,644,782
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; 2,098,318 and 1,599,002 shares issued and outstanding, respectively; redemption value of $52,457,950 and $39,975,050, respectively	210	160
Class A common stock, $.0001 par value, 70,000,000 shares authorized; 5,157,053 and 4,259,920 shares issued, 5,082,818 and 4,185,685 shares outstanding, respectively	516	425
Class B common stock, $.0001 par value, 20,000,000 shares authorized; 7,654,506 and 7,813,938 shares issued and outstanding, respectively	766	782
Additional paid-in capital	106,425,548	87,610,030
Deficit	(77,247,982)	(32,695,629)
Class A common stock held in treasury, at cost (74,235 shares)	(632,729)	(632,729)
Total stockholders’ equity	28,546,329	54,283,039
Subsidiary convertible preferred stock	36,350,000	36,350,000
Noncontrolling interests	205,462	387,663
Total equity	65,101,791	91,020,702
Total liabilities and equity	$ 156,280,786	$ 167,665,484

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31, 2020	Year Ended December 31, 2019
Revenue:		
Online networks	$ 30,145,225	$ 40,027,289
Distribution and Production	38,024,797	16,577,863
Total revenue	68,170,022	56,605,152
Less: returns and allowances	(1,813,066)	(1,241,246)
Net revenue	66,356,956	55,363,906
Cost of revenue	52,139,819	40,423,550
Gross profit	14,217,137	14,940,356
Operating expenses:		
Selling, general and administrative	31,573,368	22,242,032
Amortization and depreciation	16,291,327	13,293,279
Impairment of content assets	3,973,878	—
Management and license fees	6,635,696	5,536,390
Total operating expenses	58,474,269	41,071,701
Operating loss	(44,257,132)	(26,131,345)
Interest expense	2,222,106	811,017
Loss on extinguishment of debt	169,219	350,691
Acquisition-related costs	98,926	3,968,289
Other non-operating income, net	(6,254,205)	(40,191)
Loss before income taxes and preferred dividends	(40,493,178)	(31,221,151)
Provision for income taxes	99,000	585,000
Net loss before noncontrolling interests and preferred dividends	(40,592,178)	(31,806,151)
Net loss attributable to noncontrolling interests	(182,201)	(134,282)
Net loss attributable to Chicken Soup for the Soul Entertainment, Inc.	(40,409,977)	(31,671,869)
Less: preferred dividends	4,142,376	3,304,947
Net loss available to common stockholders	$ (44,552,353)	$ (34,976,816)
Net loss per common share:		
Basic and diluted	$ (3.62)	$ (2.92)
Weighted-average common shares outstanding:		
Basic and diluted	12,301,185	11,987,292

See accompanying notes to consolidated financial statements.

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

	Preferred Stock		Common Stock									
			Class A		Class B					Subsidiary convertible		
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock	Preferred Stock	Noncontrolling Interests	Total
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**
Share based compensation - stock options							921,115					921,115
Share based compensation - common stock							210,400					210,400
Stock options exercised			10,000	1			74,999					75,000
Shares issued to directors			14,275	2			(2)					-
Common stock grant			10,000	1			(1)					-
Issuance of common stock			673,741	68			5,899,555					5,899,623
Class W warrant exercise			29,685	3			(3)					-
Conversion of Class B shares to Class A shares			159,432	16	(159,432)	(16)						-
Issuance of preferred stock, net	499,316	50					11,709,455					11,709,505
Dividends on preferred stock								(4,142,376)				(4,142,376)
Net loss attributable to noncontrolling interest											(182,201)	(182,201)
Net loss								(40,409,977)				(40,409,977)
Balance, December 31, 2020	**2,098,318**	**$ 210**	**5,157,053**	**$ 516**	**7,654,506**	**$ 766**	**$106,425,548**	**$(77,247,982)**	**$(632,729)**	**$36,350,000**	**$ 205,462**	**$ 65,101,791**

See accompanying notes to consolidated financial statements.

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

	Year ended December 31, 2020	Year ended December 31, 2019
Cash flows from Operating Activities:		
Net loss	$ (40,592,178)	$ (31,806,151)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based compensation	1,131,515	1,061,926
Programming amortization and impairment	2,869,838	710,689
Amortization of deferred financing costs	131,790	82,400
Amortization and depreciation of intangibles, property and equipment	17,317,247	13,293,279
Film library amortization and impairment	25,070,493	10,182,166
Bad debt and video return expense	3,384,584	2,669,699
Realized losses on marketable securities	210,453	—
Loss on debt extinguishment	169,219	350,691
Other non-operating income	(7,278,893)	—
Deferred income taxes	—	452,000
Changes in operating assets and liabilities:		
Trade accounts receivable	5,488,150	(24,489,719)
Prepaid expenses and other assets	(1,073,090)	(707,743)
Programming costs and rights	(3,537,447)	(2,151,669)
Film library	(27,059,479)	(18,093,813)
Accounts payable, accrued expenses and other payables	(5,637,040)	24,165,978
Film library acquisition and programming obligations	2,382,417	2,305,000
Accrued participation costs	7,469,139	3,527,373
Other liabilities	1,507,800	(250,869)
Net cash used in operating activities	(18,045,482)	(18,698,763)
Cash flows from Investing Activities:		
Expenditures for property and equipment	(5,465,407)	—
Sales of marketable securities	679,462	—
Decrease (increase) in due from affiliated companies, net	1,993,780	(6,428,996)
Net cash used in investing activities	(2,792,165)	(6,428,996)
Cash flows from Financing Activities:		
Proceeds from commercial loan	—	8,665,000
Repayments of commercial loan	(15,200,000)	(1,466,667)
Proceeds from revolving credit facility	—	5,000,000
Repayments of revolving credit facility	(2,500,000)	—
Proceeds from 9.50% notes due 2025, net	30,985,983	—
Proceeds from film acquisition advance	8,820,000	—
Repayment of film acquisition advance	(1,550,864)	—
Proceeds from issuance of Class A common stock	5,899,623	—
Proceeds from issuance of common stock under equity plans	75,000	160,161
Proceeds from issuance of Series A preferred stock, net	6,735,605	15,522,919
Dividends paid to preferred stockholders	(4,142,376)	(3,304,947)
Payment of deferred financing costs	—	(203,063)
Net cash provided by financing activities	29,122,971	24,373,403
Net increase (decrease) in cash and cash equivalents	8,285,324	(754,356)
Cash and cash equivalents at beginning of period	6,447,402	7,201,758
Cash and cash equivalents at end of the period	$ 14,732,726	$ 6,447,402
Supplemental data:		
Interest paid	$ 1,585,719	$ 605,561
Non-cash investing activities:		
Crackle Plus purchase consideration	$ —	$ 51,672,531
Non-cash financing activities:		
Preferred stock issued for reimbursable acquisition costs	$ 4,973,900	$ —
Non-cash portion of film acquisition advance	$ 1,390,000	$ —

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, 2020, the Company had a deficit of $77,247,982 and for the year ended December 31, 2020, the Company had a net loss of $44,552,353. The Company does not expect to continue to incur net losses at this level in the foreseeable future. The Company has evaluated its current financial condition and has determined that the losses incurred in the current year are not indicative of the Company's ongoing operations. 2020 has been a transformative year for the Company led by the first full year of managing our new streaming video on demand service Crackle Plus which amalgamated each of the Company's video on demand platforms. This strategic shift in the business has made the Company one of the largest providers of free AVOD services in the United States and shifted the Company business focus. The Company does not expect operating expenses will remain at this level in future periods.

The Company believes that cash flow from operations and cash on hand, together with equity and debt offerings, if necessary, should be adequate to meet the Company's operational cash and debt service requirements (i.e., principal and interest payments) and dividend payments of the preferred stock for the foreseeable future. The Company monitors cash flow liquidity, availability, capital base, operational spending and leverage ratios with the long-term goal of maintaining Company 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.

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.

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

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, 2020 and 2019, 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 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. An allowance for estimated losses for uncollectible accounts is reported as bad debt expense in the consolidated statements of operations.

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.

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. See Note 8 for additional information.

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.

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 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. See Note 9 for additional information.

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.

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination which are not individually identified and separately recognized. We do not amortize goodwill. Goodwill is reviewed for impairment on an annual basis or more frequently if events or circumstances indicate the carrying amount may not be recoverable.

Under ASC 350, Intangibles—Goodwill and Other, we are permitted to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount. If we can support the conclusion that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, then we would not need to perform the quantitative impairment test. If we cannot support such a conclusion, or we do not elect to perform the qualitative assessment, then a quantitative test for goodwill is used to identify potential impairment by comparing the fair value of a reporting unit with its carrying amount, including goodwill. The fair value of a reporting unit is determined using a discounted cash flow analysis based on assumptions regarding our future business outlook. While we continue to review and analyze many factors that can impact our business prospects in the future, our analyses are subjective and are based on conditions existing at and trends leading up to the time the assumptions are made. Actual results could differ materially from these assumptions.

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Intangible Assets

Our intangible assets with definite lives include acquired customer bases, non-compete agreements, content rights, brand value, partner agreements and website development costs. Intangible assets with indefinite lives include a video content license and film rights, which are not being amortized, and are tested for impairment on an annual basis or when events or changes in circumstances necessitate an evaluation for impairment. Recoverability of these assets is measured by a comparison of the carrying amounts to the future discounted cash flows the assets are expected to generate. Intangible assets with definite lives are initially recorded at fair value and are amortized on a basis consistent with the timing and pattern of expected cash flows used to value the intangibles, generally on a straight-line basis over useful lives ranging from 16 to 84 months. Amortization expense is included in amortization and depreciation in our consolidated statements of operations. Intangible assets with definite lives are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. See Note 10 for additional information.

Business Combinations

We account for acquisitions of businesses using the acquisition method of accounting. The purchase price is allocated to the identifiable net assets acquired, including intangible assets and liabilities assumed, based on estimated fair values at the date of the acquisition. The excess of the purchase price over the amount allocated to the identifiable assets and liabilities, if any, is recorded as goodwill.

Determining the fair value of assets acquired and liabilities assumed requires significant judgment, including the selection of valuation methodologies, estimates of future revenue and cash flows and discount rates.

Under the acquisition method of accounting for business combinations, any changes to acquired balances in tax accounts, including adjustments to deferred tax asset valuation allowances or liabilities related to uncertain tax positions, which are recorded during the measurement period, and are determined to be attributable to facts and circumstances that existed as of the acquisition date, are considered a measurement period adjustment and will result in an offsetting increase or decrease to goodwill. All other changes to deferred tax asset valuation allowances and liabilities related to uncertain tax positions will result in an increase or decrease to income tax expense. See Note 4 for additional information.

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.

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 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 derecognition, 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, 2020 and 2019, the Company did not have any unrecognized tax benefits or liabilities. See Note 13 for additional information.

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.

Ad Representation Fees Payable

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

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. See Note 15 for additional information.

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. See Note 15 for additional information.

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. See Note 14 for additional information.

Revenue Recognition

Revenue from contracts with customers is recognized as contractual performance obligations are satisfied; generally, this occurs at the point in time or as we transfer of control of the contracted good or service to the customer. Our contractual performance obligations include licensing of content and delivery of online advertisements on our owned and operated

VOD platforms. Revenue is measured at contract inception as the amount of consideration we expect to receive in exchange for transferring goods or providing services to customers. See Note 5 for additional information.

Share-Based Compensation

Our policy is to issue new shares for purchases under our Long Term Incentive Plan as described in Note 6. Share-based compensation expense is estimated at the grant date based on a stock option's fair value. The determination of the share-based compensation expense related to stock options is calculated using a Black-Scholes-Merton option pricing model and is affected by our stock price, expected stock price volatility over the term of the awards, expected term, risk free interest rate and expected dividends. We record forfeitures as they occur.

Advertising Costs

Advertising costs are expensed as incurred and included in selling, general and administrative expenses in our consolidated statements of operations. Advertising expense was $1,383,718 and $1,047,558 for the years ended December 31, 2020 and 2019, respectively.

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, 2020 and 2019 were $98,926 and $3,968,289, 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. See Note 7 for additional information.

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Note 3 – Recent Accounting Pronouncements

Recently Issued Accounting Standards

In March 2019, 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. As the Company is an emerging growth company, the new guidance is effective for fiscal years beginning after December 15, 2020. 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. As the Company is an emerging growth company, the new guidance is effective for fiscal years beginning after December 15, 2020. 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. As the Company is an emerging growth company, the new guidance is effective for fiscal years beginning after December 15, 2020. 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.

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, 2021 as recently deferred by FASB. The Company is currently assessing the potential impact ASU 2016-02 will have on its consolidated financial statements. Based on the Company's preliminary assessment, the impact of implementation is expected to have a material impact on its consolidated financial statements. If adopted, the Company estimates the right-of-use lease asset and corresponding lease liability will each total approximately $15,400,000, respectively, as of December 31, 2020. The Company does not expect adoption to have any material impact on its results from operations and financial condition.

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 the 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. The Amended and Restated Limited Liability Company Operating Agreement of Crackle Plus (“JV Operating Agreement”) initially provided that from May 14, 2020 to November 14, 2020 (“Exercise Period”), CPEH would 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”), and that we may elect to pay the Put Option in cash or through 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. On November 12, 2020, we and CPEH entered an amendment to the JV Operating Agreement to extend the date by which CPEH must exercise the Put Option by thirty days, from November 14, 2020 to December 14, 2020. On December 14, 2020, CPEH elected to exercise the Put Option, triggering the Company’s thirty-day period to

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elect to pay the Put Option in cash or through the issuance of Series A Preferred Stock. See Note 18 for additional information.

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.

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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 following table illustrates Crackle's stand-alone financial performance included in the Company's consolidated statement of operations:

	Year Ended December 31,	
	2020	**2019**
Gross revenue	$ 32,856,285	$ 38,499,332
Gross profit	$ 6,506,315	$ 10,873,180
Net loss	$ (19,041,850)	$ (12,039,484)

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 delivery of online advertisements on our owned and operated VOD platforms. Revenue is measured at contract inception as the amount of consideration we expect to receive in exchange for transferring goods or providing services to customers.

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Our contracts are valued at a fixed price at inception and do not include any variable consideration or financing components that would require estimation of revenues in our normal course of business.

The following table disaggregates our revenue by operations area:

	Year Ended December 31,			
	2020	% of revenue	2019	% of revenue
Revenue:				
Online networks	$ 30,145,225	45 %	$ 40,027,289	72 %
Distribution and Production	38,024,797	57 %	16,577,863	30 %
Total revenue	68,170,022	102 %	56,605,152	102 %
Less: returns and allowances	(1,813,066)	(2)%	(1,241,246)	(2)%
Net revenue	$ 66,356,956	100 %	$ 55,363,906	100 %

Online Networks

In this operations area, the Company distributes and exhibits 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 Crackle Plus networks. We also distribute our own and third-party owned content to consumers across various digital platforms through our SVOD network, Pivotshare. We generate advertising revenues primarily by serving video advertisements to our streaming viewers on our AVOD networks and subscription revenue from customers on our SVOD network.

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.

Distribution and Production

In this operations area, the Company distributes movies and television series worldwide, through Screen Media Ventures, 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.

The Company also produces original content working with sponsors utilizing highly regarded independent producers to develop and produce film, television and short-form video content, including Brand-related content.

Revenue from the distribution and production of movies, television series and programs and short-form video content when or as the Company transfers control of the contracted asset to the customer, represented by the delivery of contracted functional intellectual property (IP) (or otherwise make available) to the customer and the license period during which the customer is able to use and benefit from its right to access or its right to use the intellectual property has begun. Cash advances received by the Company are recorded as deferred revenue until all performance obligations have been satisfied.

For all customer contracts, the Company evaluates whether it is the principal (i.e., report revenue on a gross basis) or the agent (i.e., report revenue on a net basis). Generally, the Company reports revenue for show productions, films distributed, and advertising placed on CSSE properties on a gross basis (the amount billed to our customers is recorded as revenue, and the amount paid to our vendors is recorded as a cost of revenue). The Company is 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. The Company also generates revenue through agency relationships in which revenue is

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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 the years ended December 31, 2020 and 2019.

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. Company 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 balances

Contract balances include the following:

	December 31, 2020	December 31, 2019
Accounts receivable, net	$ 14,588,684	$ 23,266,611
Contract assets (included in accounts receivable)	11,408,263	11,394,508
Total accounts receivable, net	$ 25,996,947	$ 34,661,119
Deferred revenue (included in other liabilities)	$ 590,624	$ —

Contract assets are primarily comprised of contract obligations that are generally satisfied over time under the terms of our contracts with customers 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 generally receive payments from customers based upon contractual billing schedules and arrangements.

Contract receivables are recognized in the period the Company performs the agreed upon performance obligations and the Company's right to consideration becomes unconditional. Payment terms vary by the type and location of our customer and the products or services provided. Payment terms for amounts invoiced are typically net 30 or 60 days. The term between invoicing and when payment is due is not significant.

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 or quarterly 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 date no material arrangements requiring financing treatment have been identified.

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The Company records 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. 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, 2020.

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 1,250,000 common stock equivalents subject to the terms 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 recognizes 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, 2020 and 2019, the Company recognized $921,115 and $907,572, respectively, of non-cash share-based compensation expense in selling, general and administrative expense in the consolidated statements of operations.

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Stock options activity as of December 31, 2020 is as follows:

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (Yrs.)	Aggregate Intrinsic Value
Outstanding at December 31, 2019	1,032,500	$ 7.73	3.33	$ 576,000
Granted	130,000	11.36		
Forfeited	(21,250)	8.73		
Exercised	(10,000)	7.50		
Expired	—	—		
Outstanding at December 31, 2020	1,131,250	$ 8.13	2.66	$ 13,417,900
Vested and exercisable at December 31, 2020	881,253	$ 7.69	1.91	$ 10,839,276

As of December 31, 2020, the Company had unrecognized pre-tax compensation expense of $1,174,526 related to non-vested stock options under the Plan of which $793,200, $285,659 and $95,667 will be recognized in 2021, 2022 and 2023, 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, 2020	2019
Expected dividend yield	0.0 %	0.0 %
Expected equity volatility	56.5 %	56.1 %
Expected term (years)	5	5
Risk-free interest rate	2.05 %	2.22 %
Exercise price per stock option	$ 8.13	$ 7.73
Market price per share	$ 7.80	$ 7.27
Weighted average fair value per stock option	$ 3.76	$ 3.51

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 third-party consultants 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 ended December 31, 2020 and 2019, the Company recognized in selling, general and administrative expense, non-cash share-based compensation expense relating to stock grants of $210,400 and $154,354, respectively.

Note 7 – Earnings Per Share

Basic earnings (loss) per share is computed based on the weighted average number of shares of common stock outstanding during the period. Diluted earnings (loss) per share is computed by dividing the net income (loss) available to common stockholders by the weighted-average number of common shares outstanding and potentially dilutive common shares

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outstanding during the period. Potentially dilutive common shares include stock options and warrants outstanding during the period, using the treasury stock method. Potentially dilutive common shares are excluded from the computations of diluted earnings per share if their effect would be antidilutive. A net loss available to common stockholders causes all potentially dilutive securities to be antidilutive.

Basic and diluted loss per share are computed as follows:

	Year Ended December 31,	
	2020	2019
Net loss available to common stockholders	$ (44,552,353)	$ (34,976,816)
Basic weighted-average common shares outstanding	12,301,185	11,987,292
Dilutive effect of options and warrants	—	—
Weighted-average diluted common shares outstanding	12,301,185	11,987,292
Basic and diluted loss per share	$ (3.62)	$ (2.92)
Anti-dilutive stock options and warrants	800,041	261,328

Note 8 – Programming Costs and Rights

Programming costs and rights, consists of the following:

	December 31, 2020	December 31, 2019
Programming costs released	$ 22,986,486	$ 21,254,720
In production	—	991,277
In development	4,639,169	1,896,209
Accumulated amortization (a)	(12,298,648)	(9,682,935)
Programming costs, net	15,327,007	14,459,271
Programming rights	1,209,362	1,155,364
Accumulated amortization	(755,186)	(501,061)
Programming rights, net	454,176	654,303
Programming costs and rights, net	$ 15,781,183	$ 15,113,574

(a) As of December 31, 2020, accumulated amortization includes impairment expense of $2,213,032.

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.

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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.

Programming rights consists of licenses to various titles which the company makes available for streaming on Crackle for an agreed upon license period.

Amortization, including impairments, of programming costs related to episodic television programs and programming rights related to licensed content is as follows:

	December 31, 2020	December 31, 2019
Programming costs	$ 402,681	$ 206,627
Programming rights	254,125	501,062
Programming costs impairment	2,213,032	—
Total programming amortization	$ 2,869,838	$ 707,689

The programming cost impairments were due to management's periodic assessment of the ultimate revenues expected to be recognized on each episodic series, in conjunction with historical performance and current market conditions and determined the estimated future discounted cash flows were not sufficient to recover the entire unamortized asset.

Note 9 – Film Library

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

	December 31, 2020	December 31, 2019
Film library acquisition costs	$ 78,330,094	$ 51,270,615
Accumulated amortization (a)	(43,090,959)	(18,020,466)
Net film library costs	$ 35,239,135	$ 33,250,149

(a) As of December 31, 2020, accumulated amortization includes impairment expense of $1,760,846.

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.

Amortization, including impairments, of film library costs is as follows:

	December 31, 2020	December 31, 2019
Film library amortization	$ 23,309,647	$ 10,182,166
Film library impairment	1,760,846	—
Total film library amortization	$ 25,070,493	$ 10,182,166

The film library impairment was due to management's periodic assessment of the ultimate revenues expected to be recognized on each film, in conjunction with historical performance current market conditions and determined the estimated future discounted cash flows were not sufficient to recover the entire unamortized asset.

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Note 10 – Intangible Assets and Goodwill

Indefinite lived Intangible assets, consists of the following:

	December 31, 2020	December 31, 2019
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:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
December 31, 2020:			
Acquired customer base	$ 2,290,241	$ 1,087,865	$ 1,202,376
Non-compete agreement	530,169	419,717	110,452
Website development	389,266	259,510	129,756
Crackle Plus customer user base	21,194,641	21,194,641	—
Crackle Plus content rights	1,708,270	925,313	782,957
Crackle brand value	18,807,004	4,365,912	14,441,092
Crackle Plus partner agreements	4,005,714	1,301,857	2,703,857
Total	$ 48,925,305	$ 29,554,815	$ 19,370,490
December 31, 2019:			
Acquired customer base	$ 2,290,241	$ 629,816	$ 1,660,425
Non-compete agreement	530,169	242,994	287,175
Website development	389,266	129,756	259,510
Crackle Plus customer user base	21,194,641	9,934,988	11,259,653
Crackle Plus content rights	1,708,270	355,889	1,352,381
Crackle brand value	18,807,004	1,679,197	17,127,807
Crackle Plus partner agreements	4,005,714	500,714	3,505,000
Total	$ 48,925,305	$ 13,473,354	$ 35,451,951

Amortization expense was $16,081,461 and $13,235,315 for the years ended December 31, 2020 and 2019, respectively.

As of December 31, 2020 amortization expense for the next 5 years is expected be:

2021	$ 4,755,536
2022	4,159,440
2023	3,774,138
2024	2,987,143
2025	2,686,715
Thereafter	1,007,518
Total	$ 19,370,490

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Goodwill consists of the following:

	December 31, 2020	December 31, 2019
Goodwill: Pivotshare	$ 1,300,319	$ 1,300,319
Goodwill: A Plus	1,236,760	1,236,760
Goodwill: Crackle Plus	18,911,027	18,911,027
	$ 21,448,106	$ 21,448,106

There was no impairment related to goodwill and intangible assets for the years ended December 31, 2020 and 2019.

Note 11 – Debt

Commercial Loan

On August 22, 2019, the Company, entered into an amended and restated loan agreement 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 debt of $350,691 for the year ended December 31, 2019.

The Commercial Loan was evidenced by a consolidated, amended and restated term promissory note ("Note"). Subject to the terms of the Note, the Commercial Loan bore interest, payable monthly in arrears, at a fixed rate of 5.75% per annum. (which amount increased to 6.25% in March 2020 due to our failure to maintain a minimum cash deposit with Patriot Bank, N.A.) and had a maturity date of September 1, 2024.

On June 19, 2020, the Company and Patriot Bank, N.A. entered into an amendment and waiver, pursuant to which Patriot Bank waived certain defaults under the Amended and Restated Loan Agreement. The Company agreed to furnish certain financial reports to Patriot Bank and Patriot Bank acknowledged the Company's intention to consummate an underwritten public offering of bonds and use a portion of the proceeds of such offering to repay in full the outstanding obligations under the Amended and Restated Loan Agreement.

On July 17, 2020, the Company repaid the principal outstanding under the Commercial Loan of $13,333,333.

Revolving Credit Facility

On October 11, 2019, the Company created a majority owned subsidiary Landmark Studio Group. Through 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 line of credit in the amount of $5,000,000 and bears interest of 8% per annum.

On July 23, 2020, the Company repaid $2,500,000 of the principal outstanding under the Revolving Credit Facility. The outstanding principal is repayable in full on October 11, 2021. See Note 18 Subsequent Events.

9.50% Notes Due 2025

On July 17, 2020, the Company completed a public offering of 9.50% Notes due 2025 (the "July Notes") in the aggregate principal amount of $21,000,000. On August 5, 2020, the Company sold an additional $1,100,000 of July Notes pursuant to the partial exercise of the overallotment option. The Notes bear interest at 9.50% per annum, payable every March 31, June 30, September 30, and December 31, and at maturity, beginning September 30, 2020. The Notes mature on July 31, 2025.

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The sale of the July Notes resulted in net proceeds of approximately $20,995,000 after deducting underwriting discounts and commissions of approximately $1,105,000. The Company used $13,333,333 of the net proceeds to repay the outstanding principal under the Commercial Loan.

On December 22, 2020, the Company completed a public offering of 9.50% Notes due 2025 (the "December Notes") the Notes in the aggregate principal amount of $9,387,750. On December 29, 2020, the Company sold an additional $1,408,150 of December Notes pursuant to the partial exercise of the overallotment option. The stated principal of $25.00 per note was discounted 2% to the public offering price of $24.50 per note.

Film Acquisition Advance

On August 27, 2020, the Company entered into a Film Acquisition Advance Agreement with Great Point Media Limited ("GPM"). GPM advanced to the Company $10,210,000 of acquisition advances on August 28, 2020 (the "Acquisition Advance") and may, directly, or through affiliated entities, fund additional acquisition advances in the future. Pursuant to the agreement, GPM has formed a US-based special purpose vehicle (the "SPV"), which has been assigned the territorial licenses and distribution rights in certain films and productions owned or to be acquired by Screen Media Ventures Inc., CSSE's wholly owned subsidiary. The Company will pay the SPV on a quarterly basis adjusted gross receipts generated on each of the assigned productions during the two-year term of the agreement, until the SPV has recouped the full Acquisition Advance for each of the productions together with interest and additional participation amounts on gross receipts generated by the productions. The Acquisition Advance bears interest at 10% per annum compounded monthly on the amount outstanding. In the event the SPV has not recouped the full Acquisition Advance from gross receipts generated within the two-year contractual term, the Company shall pay the remaining balance outstanding, if any, by no later than November 30, 2022. For the year ended December 31, 2020, the Company repaid $1,550,864 of the principal outstanding under the Film Acquisition Advance.

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

	December 31, 2020	December 31, 2019
Commercial Loan	$ —	$ 15,200,000
Notes due 2025	32,895,900	—
Revolving Credit Facility	2,500,000	5,000,000
Film Acquisition Advance	8,659,136	—
Total debt	44,055,036	20,200,000
Less: debt issuance costs	1,798,433	189,525
Less: current portion	2,500,000	3,200,000
Total long-term debt	$ 39,756,603	$ 16,810,475

As of December 31, 2020, the expected aggregate maturities of long-term debt for each of the next five years are as follows:

2021	$ 2,500,000
2022	8,659,136
2023	—
2024	—
2025	32,895,900
	$ 44,055,036

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Note 12 – Stockholders' Equity

At the Market Offerings

In May 2020 the Company entered into an At the Market Issuance Agreement (the "ATM Agreement") with B. Riley FBR, Inc., relating to the sale of our Class A Common Stock and 9.75% Series A Preferred Stock. In accordance with the terms of the ATM Agreement, we may offer and sell, from time to time, shares of Class A Common Stock and shares of Series A Preferred Stock having an aggregate offering price of up to $11,564,076. During the year ended December 31, 2020, we sold an aggregate of 48,741 shares of Class A Common Stock and 300,360 shares of Series A Preferred Stock, for net proceeds to us of $7,635,228, after payment of $236,146 in commissions to B. Riley FBR, Inc. and other costs.

Voting Rights

Common Stock

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.

Preferred Stock

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

Dividend Rights

Common Stock

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 thereof.

Preferred Stock

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.

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

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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.

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.

On December 14, 2020, the interest holder provided notice to Crackle Plus and the Company that it would be exercising the Put Option. The Company has 30 days to elect to pay cash in lieu of issuing some or all of the Series A Preferred Stock. As of December 31, 2020, the Company has not elected its form of payment and is subject to the closing of the transaction. See Note 18 for additional information.

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.

Warrants

Warrant activity as of December 31, 2020 is as follows:

Warrants	Outstanding at December 31, 2019	Exercised (a)	Outstanding at December 31, 2020	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (Yrs.)
Class W	678,822	(56,200)	622,622	$ 7.50	2.50
Class Z	180,618	—	180,618	12.00	3.50
CSSE Class I	800,000	—	800,000	8.13	3.37
CSSE Class II	1,200,000	—	1,200,000	9.67	3.37
CSSE Class III-A	380,000	—	380,000	11.61	3.37
CSSE Class III-B	1,620,000	—	1,620,000	11.61	3.37
Total	4,859,440	(56,200)	4,803,240	$ 10.03	3.26

(a) As of December 31, 2020, 56,200 warrants were exercised and converted to 29,685 shares of Class A Common Stock via the cashless exercise option.

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Note 13 – Income Taxes

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

	Year Ended December 31, 2020	2019
Current provision:		
States	$ 99,000	$ 133,000
Total current provision	99,000	133,000
Deferred provision:		
Federal	—	333,000
States	—	119,000
Total deferred provision	—	452,000
Total provision for income taxes	$ 99,000	$ 585,000

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

	Year Ended December 31, 2020	2019
Expected tax provision -- Income taxes computed at Federal statutory rate	$ (8,524,000)	$ (6,654,000)
Increase (decrease) in tax expense resulting from:		
Gain on asset contribution	—	782,000
Crackle amortization	3,199,000	2,769,000
State and local taxes	5,000	276,000
Programming costs	701,000	(41,000)
Acquisition-related costs	—	887,000
Share-based compensation - incentive plan	248,000	286,000
Film library	4,453,000	341,000
Allowance for doubtful accounts	(125,000)	348,000
Other	8,000	28,000
Effect of valuation allowance related to prior year net operating loss	134,000	1,563,000
Actual tax provision	$ 99,000	$ 585,000

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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 and net operating losses, adjusted by the relevant tax rate. The components of the deferred tax assets and liabilities are as follows:

	December 31, 2020	December 31, 2019
Deferred tax assets:		
Net operating loss carry-forwards	$ 10,428,000	$ 9,680,000
Acquisition-related costs	723,000	723,000
Film library and other intangibles	11,968,000	3,769,000
Deferred state taxes	39,000	34,000
Less: valuation allowance	(20,003,000)	(11,243,000)
Total deferred tax assets	3,155,000	2,963,000
Deferred tax liabilities:		
Programming costs	2,715,000	2,820,000
Other assets	440,000	143,000
Total deferred tax liabilities	3,155,000	2,963,000
Net deferred tax asset	$ —	$ —

The Company and its subsidiaries have combined net operating losses of approximately $38,727,000, $10,845,000 of which were incurred before 2018 and expire between 2031 and 2037 with the balance of $27,882,000 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 $8,760,000 and $10,524,000 for the years ended December 31, 2020 and 2019, 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

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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, 2020 and 2019, the Company recorded management fee expense of $3,317,848 and $2,768,195, 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, 2020 and 2019, the Company recorded a combined license and marketing support fee expense of $3,317,848 and $2,768,195, 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, 2020 and 2019, the Company is owed $5,648,652 and $7,642,432, respectively, from affiliated companies, primarily CSS.

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:

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.

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Note 15 – Commitments and Contingencies

Operating Leases

The Company is 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.

During May 2020, a technology platform vendor discontinued providing services prior to the completion of the contractual service period. As a result, the Company was relieved of its multi-year commitment which extended through May 2022 of approximately $9,800,000. This commitment relief has been reflected in the below future minimum payments table.

Rent expense related to these leases was $1,807,769 and $452,000 for the years ended December 31, 2020 and 2019, respectively.

Content Obligations

Content obligations include amounts related to the acquisition, licensing and production of content. An obligation for the acquisition and licensing of content is incurred at the time we enter into an agreement to obtain future titles. Once a title is delivered, accepted and becomes available for exploitation, a content liability is recorded on the consolidated balance sheet.

As of December 31, 2020, the Company had $25,849,529 of content obligations, comprised of $8,616,562 in film library acquisition obligations, $4,697,316 of programming obligations and $12,535,651 of accrued participation costs.

As of December 31, 2019, the Company had $17,387,973 of content obligations, comprised of $5,020,600 of film library acquisition obligations, $7,300,861 of programming obligations and $5,066,512 of accrued participation costs.

In the ordinary course of business, the Company from time to time enters into contractual arrangements under which it agrees to commitments with producers and other content providers for the acquisition of content and distribution rights which are in production or have not yet been completed, delivered to, and accepted by the Company ready for exploitation. Based on those contractual arrangements, the Company is committed but is not contractually liable to transfer any financial consideration until final delivery and acceptance has occurred. These commitments which are expected to be fulfilled in the normal course of business have been included below. The Company does not include any estimated obligation for these future titles beyond the known minimum amount.

Future minimum payments under non-cancelable operating leases and content agreements as of December 31, 2020 were as follows:

2021	$ 13,005,632
2022	7,075,647
2023	1,262,186
2024	1,287,430
2025	1,313,178
2026 - 2031	8,052,953
Total minimum lease and content payments	$ 31,997,026

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Notes to Consolidated Financial Statements

Legal and Other Matters

The Company is not presently a party to any legal proceedings the resolution of which the Company believes would have a material adverse effect on its business, financial condition, operating results, or cash flows. However, legal proceedings are subject to inherent uncertainties, and an unfavorable outcome could include monetary damages, and excessive verdicts can result from litigation, and as such, could result in a material adverse impact on its business, financial position, results of operations, and /or cash flows. Additionally, although the Company has specific insurance for certain potential risks, the Company may in the future incur judgments or enter into settlements of claims which may have a material adverse impact on its business, financial condition, or results of operations.

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% of total net revenue for each of the years ended December 31, 2020 and 2019. Remaining net revenue was generated in the rest of the world. 100% of total consolidated long-lived assets are based in the United States.

Note 17 – Client Concentration

The list of our customers changes periodically. For the years ended December 31, 2020 and 2019, the Company did not have any customers whose revenue individually represented 10% or more of the Company's total net revenue.

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

	Year Ended December 31,	
Accounts Receivable	**2020**	**2019**
Customer A	13 %	11 %
Customer B	9 %	10 %

Note 18 – Subsequent Events

Preferred Stock Issuance

On January 13, 2021, the Company issued 1,600,000 shares of its Series A Preferred Stock to CPEH pursuant to the Put Option granted to CPEH under the JV Operating Agreement, as amended. The Put Option was exercised on December 14, 2020. The Company had the option to elect to pay cash in lieu of issuing Series A Preferred Stock. Subsequent to December 31, 2020, the Company elected to satisfy the Put Option entirely through the issuance of Series A Preferred Stock. As a result of CPEH's exercise of the Put Option, the Company now owns 100% of the outstanding interests of Crackle Plus.

Common Stock Private Placement

On January 20, 2021, the Company completed a private placement sale of 1,022,727 shares of common stock at a price $22.00 per common share, generating gross proceeds of $22,499,994.

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

Prepayment of the Landmark Studio Revolving Credit Facility

On March 4, 2021, the Company repaid the outstanding principal and accrued interest under the Revolving Credit Facility of $2,957,222 and terminated the facility.

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, 2020, 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, 2020 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, 2020 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, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. Other Information

None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

The information required by this Item 10 is incorporated by reference to our Proxy Statement for the 2021 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended December 31, 2020.

ITEM 11. Executive Compensation

The information required by this Item 11 is incorporated by reference to our Proxy Statement for the 2021 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended December 31, 2020.

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 2021 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended December 31, 2020.

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 2021 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended December 31, 2020.

ITEM 14. Principle Accounting Fees and Services

The information required by this Item 14 is incorporated by reference to our Proxy Statement for the 2021 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended December 31, 2020.

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	Included	Form	Filing Date
3.1	Certificate of Incorporation of Chicken Soup for the Soul Entertainment Inc.	By Reference	DOS	September 21, 2016
3.2	Bylaws of Chicken Soup for the Soul Entertainment Inc.	By Reference	DOS	September 21, 2016
4.1	Specimen Class A Common Stock Certificate.	By Reference	1-A	June 21, 2017
4.2.1	Certificate of Designations, Rights and Preferences of 9.75% Series A Cumulative Redeemable Perpetual Preferred Stock.	By Reference	8-K	June 29, 2019
4.2.2	Certificate of Amendment to the Certificate of Designations, Rights and Preferences of 9.75% Series A Cumulative Redeemable Perpetual Preferred Stock.	By Reference	S-3	September 28, 2018
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.	By Reference	8-K	November 18, 2019
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.	By Reference	S-1/A	August 1, 2018
4.3	Class I Warrant.	By Reference	8-K	May 15, 2019
4.4	Class II Warrant.	By Reference	8-K	May 15, 2019
4.5.1	Class III-A Warrant.	By Reference	8-K	May 15, 2019
4.5.2	Class III-B Warrant.	By Reference	8-K	May 15, 2019
4.6	Class W Warrant Agreement between Chicken Soup for the Soul Entertainment Inc. and Continental Stock Transfer & Trust Co.	By Reference	8-K	November 24, 2020
4.7	Class Z Warrant Agreement between Chicken Soup for the Soul Entertainment Inc. and Continental Stock Transfer & Trust Co.	By Reference	8-K	November 24, 2020
4.8	Form of Class W Warrant.	By Reference	8-K	November 24, 2020
4.9	Form of Class Z Warrant.	By Reference	8-K	November 24, 2020
4.10	Indenture, dated as of July 17, 2020, between Chicken Soup for the Soul Entertainment Inc. and U.S. Bank National Association, as Trustee.	By Reference	8-K	July 22, 2020
4.11	First Supplemental Indenture, dated as of July 17, 2020, between Chicken Soup for the Soul Entertainment Inc. and U.S. Bank National Association, as Trustee.	By Reference	8-K	July 22, 2020
4.12	Form of 9.50% Notes due 2025 (included as Exhibit A to Exhibit 4.11 hereto).	By Reference	8-K	July 22, 2020
4.13	Description of Securities.	Herewith	--	--
10.1	Trademark and Intellectual Property License Agreement between Chicken Soup for the Soul Entertainment Inc. and Chicken Soup for the Soul, LLC	By Reference	DOS	September 21, 2016
10.2.1	Management Services Agreement between Chicken Soup for the Soul Entertainment Inc. and Chicken Soup for the Soul, LLC	By Reference	DOS	September 21, 2016
10.2.2	Amendment to Management Services Agreement.	By Reference	8-K	June 30,2019
10.2.3	Second Amendment to Management Services Agreement.	Herewith	--	--
10.3	Form of Indemnification Agreement.	By Reference	1-A	June 21, 2017
10.4	Chicken Soup for the Soul Entertainment Inc. 2017 Long Term Incentive Plan.	By Reference	1-A	June 21, 2017
10.5.1	Amended and Restated Limited Liability Company Operating Agreement by and among Crackle Plus, LLC, Chicken Soup for the Soul Entertainment, Inc. and Crackle, Inc.	By Reference	8-K	May 15, 2019
10.5.2	Amendment to the Amended and Restated Limited Liability Company Operating Agreement of Crackle Plus, LLC.	By Reference	8-K	November 16, 2020
10.5.3	Put Option Closing Agreement, dated January 13, 2021, between Crackle Plus, LLC, Chicken Soup for the Soul Entertainment Inc., and CPE Holdings Inc.	Herewith	--	--

10.6	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.	By Reference	8-K	October 18, 2019
10.7	Securities Purchase Agreement, dated as of January 14, 2021, between Chicken Soup for the Soul Entertainment Inc. and the Investors party thereto.	By Reference	8-K	January 20, 2021
10.8	Registration Rights Agreement, dated as of January 14, 2021, between Chicken Soup for the Soul Entertainment Inc. and the Investors party thereto.	By Reference	8-K	January 20, 2021
21	Subsidiaries of the Registrant.	Herewith	--	--
23.1	Consent of Rosenfield & Company PLC	Herewith	--	--
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Herewith	--	--
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Herewith	--	--
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.	Herewith	--	--
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.	Herewith	--	--
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*			

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 31, 2021.

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 31, 2021
William J. Rouhana, Jr., Chairman and Chief Executive Officer	
/s/ Scott W. Seaton	March 31, 2021
Scott W. Seaton, Vice Chairman and Director	
/s/ Christopher Mitchell	March 31, 2021
Christopher Mitchell, Chief Financial Officer	
/s/ Daniel Sanchez	March 31, 2021
Daniel Sanchez, Chief Accounting Officer	
/s/ Amy L. Newmark	March 31, 2021
Amy L. Newmark, Director	
/s/ Cosmo DeNicola	March 31, 2021
Cosmo DeNicola, Director	
/s/ Fred M. Cohen	March 31, 2021
Fred M. Cohen, Director	
/s/ Christina Weiss Lurie	March 31, 2021
Christina Weiss Lurie, Director	
/s/ Diana Wilkin	March 31, 2021
Diana Wilkin, Director	
/s/ Martin Pompadur	March 31, 2021
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 4.13 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.

Listing - We have applied for quotation of the Class W Warrants on the OTCQB Market and the Class Z Warrants on the OTC Pink Market under the proposed symbols "CSSEW" and "CSSEZ", respectively, but we cannot guarantee that our Class W Warrants or Class Z Warrants will be approved for quotation or listing on any market.

9.50% Notes Due 2025

Listing: Our 9.50% Notes due 2025 ("Notes") are listed on the Nasdaq Global Market under the symbol "CSSEN".

Interest: 9.50% per year, payable every March 31, June 30, September 30, and December 31. The regular record dates for interest payments will be every March 15, June 15, September 15, and December 15. If an interest payment date falls on a non-business day, the applicable interest payment will be made on the next business day and no additional interest will accrue as a result of such delayed payment.

Maturity: July 31, 2025.

Trustee: U.S. Bank National Association.

Credit Rating: Our Notes are ranked BBB by Egan-Jones Ratings Company. The Notes have 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 Notes. 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. More information about credit ratings assigned by Egan-Jones is included under "Series A Preferred Stock" above.

Ranking: The Notes are our direct unsecured obligations and rank:

- Pari passu with, which means equal to, all of our currently outstanding unsecured unsubordinated indebtedness issued by us. The Notes will also rank pari passu with our general liabilities, which consist of trade and other payables, including any outstanding dividends payable on our Series A Preferred Stock, interest and debt fees payable, vendor payables, film acquisition and programming obligations, and accrued participation costs and other expenses such as auditor fees, legal fees, director fees, etc. We will have the ability to issue from time to time other debt securities with terms different from the Notes, including terms providing for seniority of such new debt securities, without the consent of the holders of the Notes.

- Senior to any of our future indebtedness that expressly provides it is subordinated to the Notes. We currently do not have outstanding debt that is subordinated to the Notes and do not currently intend to issue indebtedness that expressly provides that it is subordinated to the Notes. Therefore, the Notes, as currently contemplated, will not be senior to any indebtedness or obligations.

- Effectively subordinated to all of our existing and future secured indebtedness (including indebtedness that is initially unsecured to which we subsequently grant a security interest), but only to the extent of the value of the assets securing such indebtedness, as well as any secured indebtedness that we may incur in the future, such as a new loan facility, or any new indebtedness that is initially unsecured to which we subsequently grant a security interest, to the extent of the value of the assets securing such indebtedness. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the Notes, and any assets of our subsidiaries will not be directly available to satisfy the claims of our creditors, including holders of the Notes.

- Structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries and financing vehicles, since the Notes are obligations exclusively of Chicken Soup for the Soul Entertainment Inc., and not of any of our subsidiaries. Structural subordination means that creditors of a parent entity are subordinate to creditors of a subsidiary entity with respect to the subsidiary's assets.

Optional Redemption: The Notes may be redeemed in whole or in part at any time or from time to time at our option on or after July 31, 2022 upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof. The redemption price shall include (i) 100% of the outstanding principal amount of the Notes called for redemption on the date fixed for redemption plus (ii) all accrued and unpaid interest payments otherwise payable thereon through the date fixed for redemption. In addition, in the event of a merger or sale of the Company or substantially all of its assets or a majority of the Company's equity (on an after issued basis) in one or a series of related transactions, we will have the right to redeem the Notes prior to July 31, 2022 in connection with the consummation of such transactions on the foregoing terms.

Holders may be prevented from exchanging or transferring the Notes when they are subject to redemption. In case any Notes are to be redeemed in part only, the redemption notice will provide that, upon surrender of such Note, noteholders will receive, without charge, a new Note or Notes of authorized denominations representing the principal amount of their remaining unredeemed Notes.

If we redeem only some of the Notes, the Trustee will determine the method for selection of the particular Notes to be redeemed, in accordance with the indenture, and in accordance with the rules of any national securities exchange or quotation system on which the Notes are listed. Unless we default in payment of the redemption price, on and after the date of redemption, interest will cease to accrue on the Notes called for redemption.

No Sinking Fund: The Notes will not be subject to any sinking fund (*i.e.*, no amounts will be set aside by us to ensure repayment of the Notes at maturity). As a result, our ability to repay the Notes at maturity will depend on our financial condition on the date that we are required to repay the Notes.

No Repayment at Option of Holders: Holders will not have the option to have the Notes repaid prior to the stated maturity date.

Defeasance: The Notes are subject to defeasance by us. "Defeasance" means that, by depositing with a trustee an amount of cash and/or government securities sufficient to pay all principal and interest, if any, on the Notes when due and satisfying any additional conditions required under the indenture relating to the Notes, we will be deemed to have been discharged from our obligations under the Notes.

- *Covenant Defeasance*: The Notes are subject to covenant defeasance by us. In the event of a "covenant defeasance," upon depositing such funds and satisfying similar conditions discussed below we would be released from the restrictive covenants under the indenture relating to the Notes. The consequences to the holders of the Notes is that, while they no longer benefit from the restrictive covenants under the indenture, and while the Notes may not be accelerated for any reason, the holders of Notes nonetheless could look to us for repayment of the Notes if there were a shortfall in the funds deposited with the trustee or the trustee is prevented from making the payment.
- *Full Defeasance:* We can release ourselves from all payment and other obligations under the Notes (called "full defeasance") if we put in place the following other arrangements: (i) we must deposit in trust for the benefit of all holders of the Notes a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the Notes on their various due dates, (ii) we must deliver to the trustee a legal opinion confirming that there has been a change in current U.S. federal tax law or an IRS ruling that allows us to make the above deposit without causing you to be taxed on the Notes any differently than if we did not make the deposit, (iii) we must deliver to the trustee a legal opinion and officer's certificate stating that all conditions precedent to defeasance have been complied with, (iv) defeasance must not result sin a breach or violation of, or constitute a default under, the indenture,

and (v) no other default or event of default with respect to the Notes shall have occurred and be continuing and no defaults or events of default related to bankruptcy, insolvency or reorganization shall occur during the next 90 days.

Events of Default. Noteholders will have certain rights if an event of default occurs in respect of the Notes, as described in the following paragraphs. An event of default will occur if:

- We do not pay the principal (or premium, if any) of any Note when due.
- We do not pay interest on any Note when due and such default is not cured within 30 days.
- We remain in breach of a covenant in respect of the Notes for 60 days after we receive a written notice of default stating we are in breach (the notice must be sent by either the trustee or holders of at least 25% of the principal amount of the Notes).
- We file for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur and in the case of certain orders or decrees entered against us under bankruptcy law, such order or decree remains undischarged or unstayed for a period of 60 days.

If an event of default has occurred and is continuing, the Trustee or the holders of not less than 25% in principal amount of the Notes may declare the entire principal amount of all the Notes to be due and immediately payable. This is called a declaration of acceleration of maturity. In certain circumstances, a declaration of acceleration of maturity may be canceled by the holders of a majority in principal amount of the Notes if (1) we have deposited with the Trustee all amounts due and owing with respect to the Notes (other than principal that has become due solely by reason of such acceleration) and certain other amounts, and (2) any other events of default have been cured or waived. The holders of a majority in principal amount of the Notes may waive any past defaults, other than defaults in the payment of principal or interest or defaults in respect of a covenant that cannot be modified or amended without the consent of each noteholder.

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 10.2.3

AMENDMENT

Amendment, dated as of March 15, 2021, to the Management Services Agreement, dated May 12, 2016, by and among Chicken Soup for the Soul Entertainment , Inc. ("Service Recipient"), and Chicken Soup for the Soul, LLC ("Parent"), and the subsidiaries of Service Recipients listed on Schedule A to the Agreement.

1. Section 6.1 of the Agreement is hereby amended and restated in its entirety to read as follows:

"6.1 Terms of Service. The term of this Agreement shall be five (5) years beginning on the Effective Date; provided however that such term shall renew for successive terms of one (1) year thereafter unless the Parent or the Service Recipient provides written notice to the other that this Agreement shall not be renewed at least sixty (30) days prior to the expiration of the then current term.

2. All other terms of the Agreement shall remain in effect as in effect as of the date of this Amendment.

CHICKEN SOUP FOR THE SOUL
ENTERTAINMENT, INC.

By: /s/ William J. Rouhana, Jr.
Name: William J. Rouhana, Jr.
Title: Chief Executive Officer

CHICKEN SOUP FOR THE SOUL, LLC

By: CHICKEN SOUP FOR THE SOUL HOLDINGS, LLC, Manager

By: E BRANDS, LLC, Manager

By: TREMA, LLC, Manager

By: /s/ William J. Rouhana, Jr.
Name: William J. Rouhana, Jr.
Title: Chief Executive Officer

Put Option Closing Agreement

This Put Option Closing Agreement (this "Closing Agreement"), dated January 13, 2021, is entered into by and among Crackle Plus, LLC ("Crackle Plus"), Chicken Soup for the Soul Entertainment, Inc. ("CSSE") and CPE Holdings Inc. ("CPEH"), as successor-in-interest to Crackle, Inc. ("Crackle").

WHEREAS, pursuant to Section 9.03(a) of that certain Amended and Restated Limited Liability Company Agreement (the "Agreement") among Crackle Plus, CSSE and Crackle, Crackle had the right to elect to require CSSE to purchase from Crackle all of Crackle's Units in Crackle Plus ("Subject Units");

WHEREAS, upon such election by Crackle, CSSE is required to purchase the Subject Units through, at CSSE's election, the issuance of shares of CSSE's Series A 9.75% redeemable perpetual preferred stock ("Preferred Stock") or, in lieu thereof, cash, in either case as calculated in accordance with *Schedule C* of the Agreement (the "Purchase Price"); and

WHEREAS, on December 14, 2020, CPEH delivered written notice to CSSE of CPEH's election to exercise its Put Option under the Agreement.

NOW THEREFORE, it is hereby agreed and acknowledged as follows:

1. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Agreement.

2. The consummation and closing (the "Closing") of the purchase of the Subject Units by CSSE is taking place concurrently with the execution of this Agreement.

3. The Purchase Price is $40,000,000, as determined in accordance with Schedule C of the Agreement.

4. Pursuant to Section 9.03(a), CSSE hereby elects to pay the entirety of the Purchase Price through the issuance of Preferred Stock.

5. At Closing, CSSE is causing the instruction letter attached hereto as **Exhibit A** to be delivered to its transfer agent, Continental Stock Transfer & Trust Company Inc. ("Continental"), pursuant to which CSSE instructs Continental to issue to CPEH an aggregate of 1,600,000 shares of Preferred Stock as payment in full for the Subject Units. A copy of the signed instruction letter, and evidence of delivery thereof to Continental, shall be delivered by CSSE to CPEH at Closing.

6. At Closing, CSSE is causing the opinion of Graubard Miller, its outside general counsel, attached hereto as **Exhibit B** to be delivered to Continental, pursuant to which Graubard Miller opines that the shares of Preferred Stock to be issued to CPEH in connection with the foregoing may be issued without registration under the Securities Act of 1933, as amended (the "Act") and must bear restrictive legend prohibiting sale or transfer of same

without subsequent registration under the Act or an exemption therefrom. A copy of the signed opinion, and evidence of delivery thereof to Continental, shall be delivered by CSSE to CPEH at Closing.

7. Concurrently herewith, CPEH is delivering to CSSE and Crackle Plus (a) an assignment of the Units held by CPEH executed by CPEH, in the form attached hereto as **Exhibit C** and (b) a certificate meeting the requirements of IRS Notice 2018-29 and Treasury Regulations Section 1.1445-2(b) that CPEH is not a foreign person with the meaning of IRS Codes Section 1446(f) or 1445, in the form attached hereto as **Exhibit D.**

8. Concurrently herewith, the resignations of each of Jon Hookstratten and Maria Anguelova as Managers of Crackle Plus as attached hereto as **Exhibit E** have been delivered to Crackle Plus, and Crackle Plus hereby accepts each such resignation to be effective immediately upon delivery of the Preferred Stock to CPEH.

9. Upon issuance of the Preferred Stock to CPEH in accordance with the foregoing (as evidenced by documentation provide by Continental to CPEH in form and substance reasonably satisfactory to CPEH), all Units owned by CPEH shall be deemed returned to Crackle Plus and no longer outstanding, and CPEH shall no longer be deemed a Member of Crackle Plus or entitled to any rights of a Member under the terms of the Agreement, except with respect to rights or obligations that expressly survive the termination of the Agreement and/or the termination of any Member's membership.

10. Each of CSSE and Crackle Plus hereby represents and warrants to CPEH that (a) each of CSSE and Crackle Plus has all necessary corporate or company authority to consummate the transactions as contemplated hereby, (b) there are no orders, actions or claims that would be reasonably deemed to prevent or prohibit either of CSSE or Crackle Plus from consummating such transactions, (c) the shares of Preferred Stock shall be duly and validly issued, fully paid and nonassessable, and (d) no consent, approval, order or authorization of, or registration, declaration or filing with, any governmental authority or any third party is required in connection with the CSSE or Crackle Plus’ execution and delivery of this Closing Agreement, or the issuance and delivery of the Preferred Stock.

11. CPEH hereby represents and warrants to each of CSSE and Crackle Plus that (a) it has all necessary corporate authority to consummate the transactions as contemplated hereby and that there are no orders, actions or claims that would be reasonably deemed to prevent or prohibit CPEH from consummating such transactions, (b) there are no liens, mortgages or encumbrances on the Units (except for restrictions under the Agreement and/or under state and/or federal securities laws) and that CPEH has record and beneficial ownership interest in and to the Units, (c) CPEH is an “accredited investor” as that term is defined in Rule 501(a) under the Act, (d) CPEH is acquiring the Preferred Stock for investment purposes and not with a view to distribution to any other person or entity, (e) CPEH understands that the Preferred Stock has not been registered under the Act by reason of a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of CPEH's investment intent as expressed herein, (f) CPEH understands that CSSE makes no representation as to the credit rating of the Preferred Shares at any

time after the date of issuance of same, and (g) CPEH understands that the Preferred Stock cannot be transferred except pursuant to registration under the Act or pursuant to an available exemption from registration under the Act.

12. Each of CSSE and Crackle Plus, on behalf of themselves and their subsidiaries, affiliates, parent companies, officers, directors and employees, hereby waive and release any and all claims, demands, damages, judgments, causes of action and liabilities of any nature whatsoever, whether or not known, suspected or claimed, arising directly or indirectly on or prior to the date hereof against CPEH and/or its Affiliates, or any of them, arising out of CPEH's (or Crackle's) ownership of the Units and membership in Crackle Plus; provided, however, that in no event shall the foregoing waive, release affect or impair any claims or rights of CSSE, Crackle Plus, or their subsidiaries, affiliates, parent companies, officers, directors and employees arising out of that certain Agreement, dated as of June 30, 2020, by and among Crackle Plus, CSSE, CPEH, Sony Pictures Television Inc. and Funimation Global Group, LLC (the “Settlement Agreement”).

13. CPEH, on behalf of itself and its subsidiaries, affiliates, parent companies, officers, directors and employees, hereby waives and releases any and all claims, demands, damages, judgments, causes of action and liabilities of any nature whatsoever, whether or not known, suspected or claimed, arising directly or indirectly on or prior to the date hereof against Crackle Plus and CSSE and/or their respective Affiliates, or any of them, arising out of CPEH’s (or Crackle’s) ownership of the Units and membership in Crackle Plus; provided, however, that in no event shall the foregoing waive, release affect or impair any claims or rights of CSSE, Crackle Plus, or their subsidiaries, affiliates, parent companies, officers, directors and employees arising out of (i) the Settlement Agreement or (ii) any right to indemnification, reimbursement or advancement of expenses under the provisions of any member, manager or officer indemnification agreement with CSSE or Crackle Plus, owed to CPEH or its subsidiaries, affiliates, parent companies, officers, directors or employees, or any of them, in its or their capacity(ies) as a member, officer or manager of Crackle Plus, with respect to any third party claim relating to an act, omission, event or transaction occurring on or prior to the Closing.

14. Each of the parties hereto acknowledges and agrees that such party has read and understands and has been fully advised by its attorneys as to the contents of Section 1542 of the Civil Code of the State of California, and that Section 1542 and the benefits thereof are hereby expressly waived. Section 1542 reads as follows:

    1542. General Release; extent.

    “A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

Each of the parties hereto expressly waives and relinquishes all rights and benefits under Section 1542 and any similar law or common law principle of similar effect of any state or territory of the United States with respect to the claims released hereby. In connection with such waiver and release, each of the parties hereto acknowledges that such party is aware that it may hereafter discover claims or facts in addition to or different from those which it now knows or believes to be true with respect to the matters released herein, but that it is the intention of such party to fully, finally and forever, waive, release and relinquish all such matters and all such claims relative thereto which do exist, may exist or heretofore have existed. In furtherance of such intention, the releases given herein shall be and remain in effect as full and complete releases of any such additional or different claims or facts relative thereto.

15. CSSE shall register all of the shares of Preferred Stock for resale under the Act in accordance the Registration Rights Agreement (as defined in the Contribution Agreement) on or before April 13, 2021.

16. This Closing Agreement may be executed in counterparts, including counterparts by email, facsimile, portable document format (pdf) or any electronic signature complying with the U.S. federal ESIGN Act of 2000 (including DocuSign), each of which shall be deemed an original and all of which shall together constitute one and the same instrument

The parties have executed this Closing Agreement as of the date first set forth above.

CRACKLE PLUS, LLC

By: /s/ William J. Rouhana, Jr.
William J. Rouhana, Jr.
CEO

CHICKEN SOUP FOR THE SOUL ENTERTAINMENT, INC.

By: /s/ William J. Rouhana, Jr.
William J. Rouhana, Jr.
CEO

CPE HOLDINGS, INC.

By: /s/ Eric Gaynor ss
Eric Gaynor ss
Assistant Secretary

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	100% by the Registrant
Landmark Studio Group	51% by the Registrant

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), Form S-3 (Registration No. 333-228482, 333-238588, and 333-238589) and on Form S-1 (Registration No. 333-232588, 333-239201, 333-252405) of Chicken Soup for the Soul Entertainment, Inc. of our report dated March 30, 2021, relating to the consolidated financial statements of Chicken Soup for the Soul Entertainment, Inc. and subsidiaries as of December 31, 2020 and 2019 and for each of the years in the two-year period ended December 31, 2020, 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 30, 2021

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 31, 2021

/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 31, 2021

/s/ Christopher Mitchell
Christopher 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, 2020 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 31, 2021

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

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

In connection with the Annual Report of Chicken Soup for the Soul Entertainment, Inc. (the "Company") on Form 10-K for the year ended December 31, 2020 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 31, 2021

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