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

FORM 8-K/A

Amendment No. 1

CURRENT REPORT

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

Date of Report (Date of earliest event reported): **May 14, 2019**

Chicken Soup for the Soul Entertainment, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware	**001-38125**	**81- 2560811**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

132 E. Putnam Avenue, Floor 2W, Cos Cob, CT	**06807**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: **(855) 398-0443**

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of Holdco under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e 4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company x

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. ☐

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

Title of each class	**Ticker symbol(s)**	**Name of each exchange on which registered**
Class A Common Stock, $0.0001 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

EXPLANATORY NOTE

On May 14, 2019, Chicken Soup for the Soul Entertainment, Inc. ("Company"), a Delaware corporation, filed with the Securities and Exchange Commission a Current Report on Form 8-K ("Initial Form 8-K") to disclose that it had consummated the closing of the creation of a joint venture entity to be known as "*Crackle Plus*", contemplated by that certain Contribution Agreement, dated as of March 27, 2019 (the "Contribution Agreement") by and among the Company, Crackle Plus, LLC, a Delaware limited liability company (the "JV Entity"), 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"). The Contribution Agreement provided, among other things, for the creation of a new streaming video joint venture to be known as "*Crackle Plus*" and for the contribution by CPEH and its affiliates of certain U.S. and Canadian assets of the *Crackle* branded advertising-based video on demand streaming business to the JV Entity and for the contribution by the Company and its affiliates of certain assets of their advertising-based and subscription-based video on demand businesses to the JV Entity.

This Amendment No. 1 to the Current Report on Form 8-K/A ("Amendment") amends and supplements Item 9.01 of the Initial Form 8-K to provide the historical financial statements and the pro forma financial information required by Items 9.01(a) and 9.01(b) of Form 8-K that were omitted from the Initial Form 8-K as permitted by Item 9.01(a)(4) of Form 8-K. Any information required to be set forth in the Initial Form 8-K which is not being amended or supplemented pursuant to this Amendment is hereby incorporated by reference. Except as set forth herein, no modifications have been made to the information contained in the Initial Form 8-K.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired

The audited Carve-Out Balance Sheets of Crackle U.S. as of March 31, 2019 and 2018 and the related Carve-Out Statements of Operations, Changes in Net Parent Investment, and Cash Flows for the years ended March 31, 2019 and 2018, and the related notes to the Carve-Out financial statements, are filed as Exhibit 99.1 to this Amendment and is incorporated herein by reference.

(b) Unaudited Pro Forma Condensed Combined Financial Information

The unaudited pro forma financial information as of and for the three months ended March 31, 2019 and for the year ended December 31, 2018 are filed as Exhibit 99.2 to this Amendment and are incorporated herein by reference.

(b) Exhibits:

Exhibit	Description
23.1	Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm.
99.1	Audited Carve-Out Financial Statements of Crackle U.S. as of and for the years ended March 31, 2019 and 2018.
99.2	Unaudited Pro Forma Condensed Combined Financial Information as of and for the three months ended March 31, 2019 and for the year ended December 31, 2018.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: July 30, 2019

CHICKEN SOUP FOR THE SOUL ENTERTAINMENT, INC.

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

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-1 (No. 333-232523, 333-225603), S-3 (No. 333-232588, 333-228482, 333-227596) and S-8 (No. 333-223780) of Chicken Soup for the Soul Entertainment, Inc. of our report dated July 30, 2019 relating to the financial statements of Crackle U.S. (a business of Sony Pictures Entertainment), which appears in this Current Report on Form 8-K.

/s/ PricewaterhouseCoopers LLP

Los Angeles, CA
July 30, 2019

Exhibit 99.1

CRACKLE U.S.
(A Business of Sony Pictures Entertainment)

Carve-Out Financial Statements
March 31, 2019 and 2018

(With Report of Independent Auditors Thereon)

CRACKLE U.S.
(A Business of Sony Pictures Entertainment)

Carve-Out Financial Statements

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Report of Independent Auditors

To the Management of Crackle U.S. (a business of Sony Pictures Entertainment)

We have audited the accompanying financial statements of Crackle U.S. (a business of Sony Pictures Entertainment), which comprise the balance sheets as of March 31, 2019 and March 31, 2018, and the related statements of operations, of changes in net parent investment, and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crackle U.S. (a business of Sony Pictures Entertainment) as of March 31, 2019 and March 31, 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California
July 30, 2019

CRACKLE U.S.
(A Business of Sony Pictures Entertainment)

Carve-Out Balance Sheets

	Notes	March 31, 2019	March 31, 2018
Assets			
Current assets:			
Accounts receivable net of allowance for doubtful accounts of $496,122 and $410,114, respectively		$ 17,086,178	$ 24,189,939
Current programming rights, net		2,516,101	1,896,679
Prepaid expenses and other current assets		1,562,767	207,075
Total current assets		21,165,046	26,293,693
Non-current programming rights		8,500,120	4,405,324
Equipment, net	3	8,687	24,298
Goodwill, net	5	49,017,709	57,817,709
Total assets		**$ 78,691,562**	**$ 88,541,024**
Liabilities and Net Parent investment			
Current liabilities:			
Accounts payable		$ 1,335,957	$ 1,383,558
Due to related parties	10	15,730,915	18,252,344
Representation fees payable		1,018,603	-
Accrued expenses	6	7,547,653	10,144,358
Current programming obligations		670,907	1,412,843
Total current liabilities		26,304,035	31,193,103
Non-current programming obligations		502,500	-
Total liabilities		**26,806,535**	**31,193,103**
Commitments and contingencies	9		
Net Parent investment		51,885,027	57,347,921
Total Net Parent investment		**51,885,027**	**57,347,921**
Total liabilities and Net Parent investment		**$ 78,691,562**	**$ 88,541,024**

The accompanying notes are an integral part of these Carve-Out Financial Statements.

CRACKLE U.S.
(A Business of Sony Pictures Entertainment)

Carve-Out Statements of Operations

	Notes	Years ended March 31, 2019	Years ended March 31, 2018
Revenues	3, 4		
Direct advertisement		$ 20,516,085	$ 29,717,107
Reseller advertisement		14,503,685	12,636,509
Advertisement representation		28,451,842	47,291,738
Other		2,312,696	143,350
Total revenues		65,784,308	89,788,704
Cost of sales		65,558,710	76,837,932
Gross profit		**225,598**	**12,950,772**
Operating expenses			
Selling, general and administrative	2	44,357,634	56,308,419
Goodwill impairment	5	8,800,000	-
Total operating expenses		53,157,634	56,308,419
Operating loss		**(52,932,036)**	**(43,357,647)**
Loss before income taxes		**(52,932,036)**	**(43,357,647)**
Income tax (provision) benefit	8	-	-
Net loss		**$ (52,932,036)**	**$ (43,357,647)**

The accompanying notes are an integral part of these Carve-Out Financial Statements.

CRACKLE U.S.
(A Business of Sony Pictures Entertainment)

Carve-Out Statements of Changes in Net Parent Investment

	Total Net Parent Investment
Balance as of March 31, 2017	**$ 58,913,158**
Net loss	(43,357,647)
Net transfers from Parent	41,792,410
Balance as of March 31, 2018	**57,347,921**
Net loss	(52,932,036)
Net transfers from Parent	47,469,142
Balance as of March 31, 2019	**$ 51,885,027**

The accompanying notes are an integral part of these Carve-Out Financial Statements.

CRACKLE U.S.
(A Business of Sony Pictures Entertainment)

Carve-Out Statements of Cash Flows

	Years ended March 31, 2019	2018
Cash flows from operating activities		
Net loss	$ (52,932,036)	$ (43,357,647)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and Amortization	17,755,225	15,189,901
Goodwill impairment	8,800,000	-
Provisions for bad debt	96,671	605,798
Changes in operating assets and liabilities:		
(Increases) decreases in:		
Accounts receivable, net	7,007,090	(6,678,836)
Current programming rights, net	(18,346,007)	(13,031,256)
Prepaid expenses and other current assets	(1,355,692)	179,261
Non-current programming rights	(4,094,796)	(256,249)
Increases (decreases) in:		
Accounts payable	(47,601)	861,231
Due to related parties	(2,521,429)	2,052,936
Representation fees payable	1,018,603	-
Accrued expenses	(2,596,705)	1,229,608
Current programming obligations	(741,936)	1,412,843
Non-current programming obligations	502,500	-
Net cash used in operating activities	**(47,456,113)**	**(41,792,410)**
Investing activities:		
Capital expenditures	(13,029)	-
Net cash used in investing activities	**(13,029)**	-
Financing activities:		
Net transfers from Parent	47,469,142	41,792,410
Net cash provided by financing activities	**47,469,142**	**41,792,410**
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of period	-	-
Cash and cash equivalents at end of period	-	-

The accompanying notes are an integral part of these Carve-Out Financial Statements.

Notes to Carve-Out Financial Statements

(1) Nature of operations and background

Crackle U.S. (the "Company") is an advertiser-supported video on demand ("AVOD") business based in Culver City, California. The Company allows its users to view premium video content, such as TV shows and feature films, through its online platform across a variety of internet-connected digital devices including mobile, tablet, smart TV, desktop and console. Users have unlimited access to stream content from the Company's content library without a subscription or usage fee. The Company primarily generates revenues from placing advertisements on its platform through direct and reseller channels, and on behalf of its advertisement representation partners.

The Company commenced operations in 2004 as an online video company called Grouper Networks Inc ("Grouper"). In August 2006, Grouper was acquired by CPE Holdings, Inc. ("CPEH"), a Delaware corporation and subsidiary of Sony Pictures Entertainment Inc. (the "Parent" or "SPE"), in an all cash transaction. The business was then rebranded and commenced operations as a wholly owned subsidiary called Crackle, Inc. (the "Subsidiary").

On March 27, 2019, Chicken Soup for the Soul Entertainment, Inc. ("CSSE"), a media company headquartered in Connecticut, CPEH, and the Subsidiary entered into a definitive agreement (the "Contribution Agreement") to form a joint venture entity (the "Transaction"). The newly formed joint venture is operating as a Delaware limited liability company called Crackle Plus, LLC ("Crackle Plus").

Pursuant to the Contribution Agreement, the Subsidiary and its affiliates contributed certain U.S. and Canadian assets and liabilities of the Company to the joint venture in exchange for equity interests in CSSE and Crackle Plus. Upon consummation, the Subsidiary received 37,000 units of preferred equity and 1,000 units of common equity of Crackle Plus. During the six month period following the first anniversary of the consummation of the Transaction (the "Exercise Period"), the Subsidiary has the right to convert all of its preferred units in Crackle Plus into a number of common units that, when added to the common units in Crackle Plus then held by the Subsidiary, will provide the Subsidiary with a 49% ownership interest in Crackle Plus on a fully diluted basis (the "Conversion Right"). In lieu of exercising the Conversion Right, during the Exercise Period, the Subsidiary has the right to require CSSE to purchase all of the Subsidiary's interest in Crackle Plus through the issuance of CSSE's 9.75% Series A Perpetual Preferred Shares ("CSSE Preferred Shares") or, at CSSE's election, an amount of cash based on the number of CSSE Preferred Shares that would have been issued using a price per share of $25. Further, CPEH received warrants to purchase (a) 800,000 shares of the Class A common stock of CSSE at an exercise price of $8.13 per share, (b) warrants to purchase 1,200,000 shares of the Class A common stock of CSSE at an exercise price of $9.67 per share, (c) warrants to purchase 380,000 shares of the Class A common stock of CSSE at an exercise price of $11.61 per share, and (d) warrants to purchase 1,620,000 shares of the Class A common stock of CSSE at an exercise price of $11.61 per share (collectively, the "Transaction Consideration").

The Transaction was consummated on May 14, 2019 ("Closing"). Upon Closing, the Company and CSSE entered into an amended and restated operating agreement (the "JV Operating Agreement").

(2) Basis of presentation

The Carve-Out Financial Statements of the Company are presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Throughout the periods covered by the Carve-Out Financial Statements, the Company did not operate as a separate stand-alone entity but, rather as a business of the Parent. Consequently, stand-alone financial statements were not historically prepared for the Company. The Carve-Out Financial Statements have been prepared in connection with the Transaction, and are derived from the accounting records of the Parent using the historical results of operations and the historical bases of assets and liabilities of the Company, adjusted as necessary to conform to U.S. GAAP. The Carve-Out Financial Statements present the assets, liabilities, revenues, and expenses directly attributed to the Company as well as certain allocations from the Parent. Intercompany balances and transactions between the Company and the Parent have been presented in Net Parent investment within the Carve-Out Balance Sheets. The Parent’s debt and the related interest expense have not been allocated and reflected within the Carve-Out Financial Statements as the Company is not the legal obligor of the debt and the Parent’s borrowings were not directly attributable to the Company’s business. The Carve-Out Financial Statements may, therefore, not reflect the results of operations, financial position or cash flows that would have resulted had the Company been operated as a separate entity.

Cash management

Cash is not included within the Carve-Out Balance Sheets as the Company historically received funding to cover any shortfalls on operating cash requirements through a centralized treasury function of the Parent. Given the Company became a part of a newly formed joint venture on May 14, 2019, the Parent no longer has a controlling financial interest in the Company and therefore, financial support is no longer needed from Parent.

Net Parent investment

As the Carve-Out Financial Statements are derived from the historical records of the Parent, the historical equity accounts are eliminated and Net Parent investment is presented in lieu of shareholders’ equity on the Carve-Out Balance Sheets. The primary components of the Net Parent investment are intercompany balances other than related party payables and the allocation of shared costs.

Cost allocation and attribution

The Carve-Out Statements of Operations include all costs directly attributable to the Company, as well as costs for certain functions and services used by the Company that have been allocated from the Parent and affiliates. Costs were allocated to the financial statements for certain operating, selling, governance and corporate functions such as direct labor, overhead, sales and marketing, administration, legal and information technology. The costs for these services and support functions were allocated to the Company using either specific identification or a pro-rata allocation using revenues or other drivers. Management believes the methodology for cost allocations is a reasonable reflection of common expenses incurred by the Parent and affiliates on the Company’s behalf.

For the fiscal year ended March 31, 2019, the Company had $19,155,271 of total allocated and directly attributable costs, of which $5,564,052 were included in Cost of sales and $13,591,219 in Selling, general and administrative within the Carve-Out Statements of Operations.

For the fiscal year ended March 31, 2018, the Company had $18,618,648 of total allocated and directly attributable costs, of which $4,889,616 were included in Cost of sales and $13,729,032 in Selling, general and administrative within the Carve-Out Statements of Operations.

(3) Summary of significant accounting policies

a) Use of estimates

The Carve-Out Financial Statements have been prepared in conformity with U.S. GAAP, which 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 Carve-Out Balance Sheets and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates and assumptions include those used in determining the fair value of the Company for goodwill impairment, revenue recognition, allowance for doubtful accounts, programming rights and obligations, valuation of deferred tax assets, and corporate allocations. Actual results may differ from those estimates.

b) Recent accounting pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from contracts with Customers*, which superseded the previous revenue recognition requirements. The new guidance, along with related amendments, requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company elected to early adopt the new revenue recognition standard on April 1, 2017 using the modified retrospective approach to all contracts at the date of adoption. Management performed an assessment and determined that the cumulative effect of adopting this standard was not material to the Carve-Out Financial Statements.

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*, which simplified the analysis for goodwill impairment. This ASU eliminated the second step from the goodwill impairment test. Instead, an entity performs its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognizes an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The Company elected to early adopt this ASU beginning March 31, 2017 and eliminated Step 2 from the goodwill impairment tests performed starting fiscal year 2017.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which amended the previous leasing guidance. The new guidance, along with related amendments, requires substantially all leases to be recognized on the balance sheet. This ASU will be effective for the Company beginning April 1, 2020, and early adoption is permitted. The Company is currently evaluating the potential impact of adopting this standard.

In March 2019, the FASB issued ASU 2019-02, *Improvements to Accounting for Costs of Films and License Agreements for Program Materials*, which updates the guidance for the capitalization of film costs associated with episodic television series, requires the use of fair value rather than net realizable value when determining potential impairments of broadcasting rights, and modifies the presentation and disclosure requirements for films and broadcasting rights. In addition, upon capitalization of film costs entities are required to determine qualitatively whether the predominant monetization strategy is on a title-by-title basis or together with other films and/or broadcast rights as part of a film group, such as in the case of a release of a film as part of a library of content on a streaming service. In the case of a film group, impairments are evaluated at the overall film group level rather than the individual title level. This ASU will be for the Company beginning April 1, 2020. The Company is currently evaluating the potential impact of adopting this standard.

c) *Revenue recognition*

Revenues are recognized when control of the promised services is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services.

The Company primarily generates revenues through the following advertising arrangements.

- Direct advertisement revenues are generated from arrangements whereby ad inventory on its AVOD platform are primarily sold directly to ad agencies representing an advertiser. The Company earns revenues on a cost-per-mille basis ("CPM basis") as ad impressions are run on the inventory sold to ad agencies. The Company considers the ad agency to be its customer in these transactions and revenue is presented as the gross receipts from the agencies.

- Reseller advertisement revenues are generated through the sale of ad inventory on the AVOD platform to non-exclusive resellers. The Company earns revenues on a CPM basis as ad impressions are run on the ad inventory made available to resellers. The Company has determined that the resellers generally control the ad inventory prior to its transfer to the end advertiser, as evidenced by their ability to select their own customers and establish pricing through separately executed contracts to which the Company lacks visibility. Accordingly, the Company considers the reseller to be the customer in these transactions and revenue is presented as the gross receipts from the resellers.

- Advertisement representation revenues are generated by selling ad inventory on behalf of affiliated and third party over-the-top platforms (collectively, "Ad Rep Partners"). The Company earns revenues as placed advertisements are run on the available ad inventory of its Ad Rep Partners. The Company collects on an invoice and remits a portion due to the Ad Rep Partners derived as a percentage of the total consideration invoiced, measured on a CPM basis, to the end advertiser. While the Company sells ad inventory on behalf of the Ad Rep Partner platforms, the Company has determined that it acts as the principal in the arrangement as it controls the ad inventory prior to its transfer to the end advertiser. Control is evidenced through the Company's ability to choose the advertiser, the ultimate responsibility to fulfill the ad inventory and ability to set pricing. Accordingly, advertising representation revenues are presented as the gross receipts from advertisers and the amount remitted to the Ad Rep Partners are recorded as cost of sales. In addition, in the fiscal year ended March 31, 2019 an advertising representation arrangement with an affiliated platform was terminated, and the Company received consideration for certain ongoing and future advertisements for which the affiliated platform became the principal. The consideration received from the affiliated platform under the terminated arrangement is presented in Other Revenues. Refer to Note 10, Related party transactions for additional information related to the affiliated Ad Rep Partners.

Contracts with customers are generally evidenced through the combination of a master agreement and an insertion order ("IO"). Advertising revenues are recognized over time as a single performance obligation as a series as the ad impressions are delivered per the IO. Contracts with customers are generally short term in nature and billing generally occurs on a monthly basis as monthly activity is reported. Customers are generally billed in arrears with payment due in 30 days.

d) Accounts receivable

Accounts receivable is recorded at the invoiced amount and do not bear interest. The Company monitors the collection of receivables and maintains an allowance for doubtful accounts based upon the aging of such receivables and specific collection issues that may be identified. When receivables are deemed to be uncollectible, amounts are written off to bad debt expense.

e) Equipment

Equipment is stated at cost less accumulated depreciation. Equipment is depreciated on the straight-line method over an estimated useful life of 3 years. Maintenance and repairs are expensed as incurred.

f) Goodwill

Goodwill represents the excess of the purchase price over the fair value assigned to assets acquired and liabilities assumed in a business acquisition. Goodwill is tested for impairment on an annual basis, and between annual tests if an event occurs and circumstances change that will more likely than not reduce the fair value of the goodwill below its carrying value. The Company has a single reporting unit, and tests goodwill based on a comparison of the estimated fair value of the reporting unit with the carrying amount for the reporting unit. If the carrying amount of the reporting unit exceeds its fair value, an impairment loss is recognized. The Company uses valuation models with significant unobservable inputs and assumptions to determine the current fair value of its reporting unit.

g) 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 a straight line method beginning with the first month of availability. Programming rights expected to be amortized within one year are classified as current within the Carve-Out Balance Sheets. The amortization expense is included in Cost of sales within the Carve-Out Statements of Operations.

Programming obligations represent the gross commitment amounts to be paid to program suppliers over the life of the contracts. Payments for programming obligations, which are due within one year, are classified as current within the Carve-Out Balance Sheets.

h) Fair value measurements

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The framework for measuring fair value provides a hierarchy that gives the highest priority to observable inputs that reflect market data obtained from independent sources and the lowest priority to unobservable inputs that represent market assumptions.

The three levels of the fair value hierarchy are as follows:

- Level 1: unadjusted quoted prices that are available in active markets for the identical assets or liabilities.
- Level 2: other observable inputs available at the measurement date, other than quoted prices included in Level 1.
- Level 3: significant unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment.

The fair value of the Company’s financial instruments including accounts receivable, prepaid expenses, accounts payable and accrued expenses as of March 31, 2019 and 2018, approximated their carrying value due to the relative short-term nature of these instruments.

i) Cost of sales

Costs classified as cost of sales relate to the advertisement representation fees earned by the Ad Rep Partners and costs of maintaining the AVOD platform, and include items such as hosting bandwidth costs, website traffic report costs, royalty fees, and music costs. Cost of sales also includes content license fees payable to an affiliate and the amortization expense associated with programming rights.

j) Selling, general and administrative

Costs classified as Selling, general and administrative expenses relate to promoting and selling products and include items such as advertising, marketing expenses, officers’ salaries and personnel expenses.

k) Advertising

Advertising costs are expensed as incurred. Advertising expense are included within Selling, general and administrative expenses and amounted to $12,439,685 and $24,501,864 for the fiscal years ended March 31, 2019 and 2018, respectively.

l) Income taxes

The Company’s operations have historically been included in Parent’s combined U.S. income tax returns. Income tax expense included in the financial statements has been calculated following the separate return method, as if the Company was a stand-alone enterprise and a separate taxpayer for the periods presented. The calculation of income taxes on a separate return basis requires considerable judgment and the use of both estimates and allocations that affect the calculation of certain tax liabilities and the determination of the recoverability of certain deferred tax assets, which arise from temporary differences between the tax and financial statement recognition of revenues and expenses. As a result, the Company’s deferred income tax rate and deferred tax balances may differ from those in Parent’s historical results.

The provision for income taxes is determined using the asset and liability approach. Deferred taxes represent the future tax consequences expected when the reported amounts of assets and liabilities are recovered or paid. Deferred taxes result from differences between financial statement and tax bases of the Company's assets and liabilities. 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 recovered or settled. In evaluating the Company's ability to recover our deferred tax assets within the jurisdiction from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and results of operations. Any tax carryforwards reflected in the financial statements have also been determined using the separate return method. Tax carryforwards include net operating losses.

The complexity of tax regulations requires assessments of uncertainties in estimating taxes the Company will ultimately pay. The Company recognizes liabilities for anticipated tax audit uncertainties based on its estimate of whether, and the extent to which additional taxes would be due on a separate return basis. Tax liabilities are presented net of any related tax loss carryforwards.

(4) Revenues

Contract balances

Contract assets are rights to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditional on something other than the passage of time. Receivables represent an unconditional right to consideration. Contract liabilities arise when consideration is received in advance of providing the goods or services promised in the contract.

The Company generally invoices customers in arrears on a monthly basis in accordance with the number of advertisements placed or impressions delivered during the month. The Company generally invoices customers when the right to consideration becomes unconditional, and as such, the only contract balances the Company recognizes are accounts receivable as presented on the Carve-Out Balance Sheets.

Remaining performance obligations

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.

Contract costs

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.

(5) Goodwill, net

Goodwill, net is as follows:

Balance as of March 31, 2017	**$**	**57,817,709**
Accumulated impairment losses		-
Additional goodwill recognized		-
Impairment losses recognized during the period		-
Balance as of March 31, 2018		**57,817,709**
Accumulated impairment losses		-
Additional goodwill recognized		-
Impairment losses recognized during the period		(8,800,000)
Balance as of March 31, 2019	**$**	**49,017,709**

Goodwill impairment analysis

As of March 31, 2018, the Company performed its goodwill impairment analysis, which indicated that the estimated fair value of the reporting unit exceeded its carrying value. Therefore, no impairment charge was recorded.

The third quarter of the fiscal year ended March 31, 2019 saw a continued challenging market environment in which the Company operates. The Company’s operating underperformance versus management expectations in the third quarter, with an expectation that such trends may continue into the fourth quarter, led management to reconsider the Company’s operating model. Concurrently, management opened an exploratory sale process to gauge market interest in the Company. Bids received during this process were lower than management’s fair value expectations. The Company concluded that these factors represented triggering events which required the Company to test its goodwill for impairment. The market-based valuation model used in the test utilized multiples ranging from 0.5x to 1.25x, depending on the source of the Company’s revenues for the nine months ended December 31, 2018 and the forecast through March 31, 2019. The inputs and assumptions utilized in the goodwill impairment analysis for the nine months ended December 31, 2018 are classified as Level 3 inputs in the fair value hierarchy. As a result of the impairment test, the Company recorded a goodwill impairment loss of $4,700,000 during the third quarter ended December 31, 2018.

The Company performed its annual goodwill impairment analysis as of March 31, 2019. The Company’s determination of the estimated fair value of the reporting unit for the goodwill impairment analyses during the fiscal year ended March 31, 2019 was based on the Transaction Consideration. The Company believes that this approach is the most reliable indication of fair value as it utilizes the price for the Transaction ultimately entered into during the fourth quarter of the fiscal year ended March 31, 2019. This measurement is based on both significant observable inputs classified as Level 1 and unobservable inputs classified as Level 3. The significant inputs and assumptions are as follows:

- The fair value of the CSSE Preferred Shares was determined using the measurement date close price from a public stock exchange.

- The fair value of the warrants was determined using the Black-Scholes option valuation model. The risk free rate was 2.53% and the expected volatility of the underlying stock price was 30%.

As a result of the goodwill impairment test as of March 31, 2019, the Company recorded an additional impairment loss of $4,100,000 for a total goodwill impairment loss for the fiscal year ended March 31, 2019 of $8,800,000.

(6) Accrued expenses

Accrued expenses consist of the following:

	March 31,	
	2019	**2018**
Accrued expenses	$ 4,191,641	$ 4,637,744
Accrued marketing expenses	1,136,511	3,527,745
Accrued bonuses	1,930,179	1,518,641
Other	289,322	460,228
Total accrued expenses	**$ 7,547,653**	**$ 10,144,358**

(7) Restructuring charges

As part of its effort to improve the performance of the AVOD business, the Company has undertaken a number of restructuring initiatives. The restructuring activities are generally short term in nature and are generally completed within one year of initiation.

The Company has undergone a headcount reduction program to further reduce operating costs primarily in an effort to improve its performance. These activities resulted in restructuring charges primarily consisting of severance payments totaling $642,320 and $75,090 for the fiscal years ended March 31, 2019 and 2018, respectively.

The accrued employee termination benefits costs in the table below are included in Accrued expenses within the Carve-Out Balance Sheets and the corresponding expenses are included in Selling, general and administrative within the Carve-Out Statements of Operations.

	Employee termination benefits
Accrual Balance as of March 31, 2017	**$ -**
Restructuring charges	75,090
Payments	(5,090)
Accrual Balance as of March 31, 2018	**70,000**
Restructuring charges	642,320
Payments	(712,320)
Accrual Balance as of March 31, 2019	**$ -**

(8) Income tax

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act ("TCJA"), which made substantial changes to corporate income tax laws. Among the key provisions are a U.S. corporate tax rate reduction from 35% to 21% effective for tax years beginning January 1, 2018; an acceleration of expensing for certain business assets; a one-time transition tax on the deemed repatriation of cumulative earnings from foreign subsidiaries; and changes to U.S. taxation of foreign earnings from a worldwide to a territorial tax system effective for tax years beginning January 1, 2018. As of March 31, 2019, the Company has recognized the effects of TCJA in the Carve-Out Financial Statements.

During 2017, the Company recorded a tax benefit of $24 million as a result of the remeasurement of deferred tax assets and liabilities and other provisions of U.S. tax reform. This was offset by a tax expense of $24 million for the valuation allowance recorded against the net change in deferred tax assets as a result of tax reform.

The components of loss from continuing operations before income taxes for the periods were as follows (in thousands):

	Fiscal Year Ended March 31,	
	2019	**2018**
Domestic	$ (52,932)	$ (43,358)
Foreign	-	-
Total loss from continuing operations before income taxes	$ (52,932)	$ (43,358)

The principal items of the U.S. and foreign net deferred tax assets and liabilities are as follows (in thousands):

	Fiscal Year Ended March 31,	
	2019	**2018**
Deferred tax assets:		
Net operating losses	$ 68,028	$ 55,981
Amortization	9	20
Accrued expenses	543	425
Allowance for doubtful accounts and other reserves	139	115
Less: valuation allowance	(68,716)	(56,534)
Total deferred tax assets	3	7
Deferred tax liabilities:		
Depreciation	(3)	(7)
Total deferred tax liabilities	$ (3)	$ (7)
Net deferred tax asset (liability)	$ -	$ -

As of March 31, 2019, the Company had U.S. federal net operating loss carry forwards ("Federal NOL") of approximately $243 million, which generated a deferred tax asset of $51 million. Losses generated during the fiscal year ended March 31, 2019 have indefinite lives but may only offset 80% of taxable income. Currently, the Company records a valuation allowance on its U.S. federal tax loss carry forwards as it is more likely than not that the Federal NOL carry forwards will not be utilized in the future. As of March 31, 2019, the Company had state net operating loss carry forwards ("State NOL") which generated a deferred tax asset of $17 million, offset with a valuation allowance as it is more likely than not that the State NOL carry forwards will not be utilized in the future. In addition, the Company recorded an additional valuation allowance of $0.7 million against its remaining federal and state deferred tax assets.

As of March 31, 2018, the Company had U.S. Federal NOL carry forwards of approximately $200 million, which generated a deferred tax asset of $42 million. Currently, the Company records a valuation allowance on its U.S. federal tax loss carry forwards as it is more likely than not that the Federal NOL carry forwards will not be utilized in the future. As of March 31, 2018, the Company had State NOL carry forwards which generated a deferred tax asset of $14 million, offset with a valuation allowance as it is more likely than not that the State NOL carry forwards will not be utilized in the future. In addition, the Company recorded an additional valuation allowance of $0.6 million against its remaining federal and state deferred tax assets.

The net operating losses discussed and included in the table above are applicable for the Carve-Out Financial Statements, and do not reflect the actual net operating losses available for future use. These net operating losses were utilized by the Company's Parent in its consolidated return, and as such, would not exist for the Company's future use.

In determining valuation allowances, an assessment of positive and negative evidence was performed regarding realization of the net deferred tax assets. This assessment included the evaluation of cumulative earnings and losses in recent years, scheduled reversals of net deferred tax liabilities, the availability of carry forwards and the remaining period of the respective carry forward, future taxable income and any applicable tax-planning strategies that are available.

The significant items in the reconciliation of the statutory and effective income tax rates consisted of the following:

	Fiscal Year Ended March 31,	
	2019	**2018**
Statutory federal income tax expense (benefit) rate	21.0%	31.5%
State and local income tax expense, net of federal income tax effect	5.7%	6.1%
Domestic permanent differences	-3.7%	-0.3%
Tax Reform	0.0%	-56.3%
Valuation allowance	-23.0%	19.0%
Effective income tax expense (benefit)	0.0%	0.0%

For the fiscal years ended March 31, 2019 and 2018, the Company did not record any tax benefit (expense). This is as a result of the Company recording a valuation allowance against its net deferred tax assets.

As of March 31, 2019 and 2018, there were no unrecognized tax benefits.

(9) Commitments and contingencies

Programming obligations

The Company enters into long-term contracts for programming content that cover various periods up to 5 years.

Programming obligations are recognized when the license period begins and the content is available for showing. At March 31, 2019 and 2018, $3,850,243 and $3,675,093 of programming obligations met the recognition criteria, respectively.

As of March 31, 2019, $6,746,725 of obligations are not reflected within the Carve-Out Balance Sheets as they did not yet meet the criteria for recognition. The following is a schedule of future contractual obligations under the Company's programming obligations as of March 31, 2019:

Years ending March 31,	Future Contractual Obligations
2020	$ 3,147,500
2021	1,354,225
2022	1,020,000
2023	525,000
2024	700,000
Total	**$ 6,746,725**

Litigation and other claims

From time to time, the Company may be subject to certain litigation and other claims that arise in the ordinary course of business. Pending settlements and final judgments that are considered probable of being rendered against the Company and that can be reasonably estimated are accrued. At March 31, 2019, there are no pending legal matters that would have a material adverse effect on the financial position, results of operations or cash flows.

(10) Related party transactions

In the normal course of business, the Company enters into transactions with related parties. Related parties include entities that share common control or management. The outstanding related party balances presented within the Carve-Out Balance Sheets will be settled following the consummation of the Transaction.

Due to related parties

The Company's due to related parties' balances are comprised of the following:

	March 31, 2019	March 31, 2018
Participation payable	$ 12,970,955	$ 15,595,412
Programming Obligations	2,676,836	2,262,250
Other	83,124	394,682
Total	**$ 15,730,915**	**$ 18,252,344**

Participation payable – The revenues earned from the transactions with Sony Interactive and Funimation (collectively the “Sony affiliates”), arise through advertisement sales representation arrangements whereby the Company sells advertisement on behalf of the Sony affiliates. Revenue is recognized as the gross receipts, and the amounts due to the Sony affiliates are recorded as cost of sales in the corresponding period of the revenue recognized. For the fiscal years ended March 31, 2019 and 2018, the gross revenues earned through the ad representation transactions were $28,451,842 and $47,291,738 and the corresponding payable to the Sony affiliates were $22,493,983 and $35,144,108, respectively. For the fiscal year ended March 31, 2019, the consideration received under the terminated advertising representation arrangement included within Other Revenues was $2,027,234.

Programming obligations – Content license fees for the right to use programming owned or developed by Parent are included in this balance.

Other – The fees to place the Crackle application on different Sony affiliated platforms such as Playstation and Sony TV are included in this balance.

Content licensing fees with SPE affiliate

The Company has a revenue share arrangement for content and services acquired from an affiliate. Under this arrangement, the Company has agreed to remit a percentage of the ad revenues generated from advertisements placed during content produced by the affiliate. Revenue is recognized as the gross receipts and the amounts due to the SPE affiliates are recorded as cost of sales in the corresponding period of the revenue recognized.

For the fiscal years ended March 31, 2019 and 2018, the gross revenues earned under this licensing arrangement were $9,839,487 and $6,859,360, respectively, and the portion of the ad revenues to remit to the affiliate were $5,903,692 and $4,115,616, respectively.

(11) Subsequent events

The Company has evaluated subsequent events through July 30, 2019, the date these financial statements were available for issuance, for disclosure or recognition within the Carve-Out Financial Statements as appropriate.

Exhibit 99.2

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On May 14, 2019, Chicken Soup for the Soul Entertainment, Inc. a Delaware corporation (the "Company" ", or "us", "our" or similar terms) consummated (the "Closing") the creation of a joint venture entity to be known as "*Crackle Plus*" (the "Crackle Transaction"), contemplated by the previously announced Contribution Agreement, dated as of March 27, 2019 (the "Contribution Agreement") by and among the Company, Crackle Plus, LLC, a Delaware limited liability company (the "JV Entity"), 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" or "Crackle U.S."). The Contribution Agreement provides, among other things, for the creation of a new streaming video joint venture to be known as "*Crackle Plus*" and for the contribution by CPEH and its affiliates of certain U.S. and Canadian assets of the *Crackle* branded advertising-based video on demand streaming business to the JV Entity and for the contribution by the Company and its affiliates of certain assets of their advertising-based and subscription-based video on demand businesses to the JV Entity.

The following unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting (ASC 805 *"Business Combinations"*), with the Company considered the acquirer of Crackle U.S. Under the acquisition method of accounting, the purchase price is allocated to the underlying tangible and intangible assets acquired and liabilities assumed based on their respective fair values at the date of acquisition, with any excess purchase price allocated to goodwill. To date, the Company has completed only a preliminary allocation of the purchase price to the assets acquired and liabilities assumed in the Crackle transaction and is in the process of completing a final allocation of such purchase price. The final purchase price allocation may differ from that reflected in the following unaudited pro forma condensed combined financial information, and these differences may be material.

The unaudited pro forma condensed combined financial information included herein presents the combination of the historical consolidated financial statements of Chicken Soup for the Soul Entertainment and Crackle U.S. adjusted to give effect to events and circumstances that are (i) directly attributable to the acquisition, (ii) factually supportable and (iii) with respect to the statements of operations, expected to have a continuing impact on the combined company's results. Specifically, at the time of the consummation of the business combination, the Company has changed the way that Crackle operates by identifying four key areas to reduce costs and improve margins; technology, marketing, content and SG&A. Directly attributable pro forma adjustments consist of:

- The Company worked with Sony to consolidate technology costs onto Sony's shared platform.
- Upon creation of the JV Entity, technology costs were reduced significantly.
- Marketing spend was also significantly reduced as the Company excluded Sony's marketing agreements from transferred assets and will use its owned-and-operated networks and brand related social media to drive growth through cross-promotion.
- Fixed fee content agreements were replaced with revenue sharing agreements between Crackle Plus, the Company and Sony.
- Duplicative roles within the Company's and Crackle's operations teams were evaluated, and staff was reduced to streamline operations.

The unaudited pro forma condensed combined statements of operations of Chicken Soup for the Soul Entertainment for the quarter ended March 31, 2019 and for the year ended December 31, 2018 give effect to the Crackle transaction as if the transaction had been consummated on January 1, 2018. The unaudited pro forma condensed combined balance sheet information at March 31, 2019 has been prepared as if the transaction was consummated as of March 31, 2019.

The unaudited pro forma condensed combined balance sheet and statements of operations were prepared based on the historical: (i) consolidated statements of operations of Chicken Soup for the Soul Entertainment; and (ii) carve-out statements of operations of Crackle U.S.

The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2018 were prepared utilizing the Crackle U.S. March 31, 2019 year-end carve-out financial statements. As per SEC FRM 1440 the fiscal year end of Crackle U.S. is within 93 days of the Company fiscal year end of December 31, 2018 and thus no adjustments to conform the year ended March 31, 2019 carve-out financial statements of the Crackle U.S. have been made. Further, the periods combined are comparable because the number of months combined are the same, therefore no adjustment is necessary. Given this combination, the inclusion of the quarter to date period March 31, 2019 of Crackle U.S. in the unaudited pro forma condensed combined statements of operations presented periods has been duplicated. The duplicative inclusion of this period has not resulted in the inclusion of any unusual charges or adjustments in the prepared and presented unaudited pro forma periods, except for the goodwill impairment expense recorded in the quarter, which we have not deemed to be unusual requiring adjustment. Given the consistent nature of the results of the business and the fair presentation of comparable periods we have deemed it an accurate depiction of the quarter for purposes of the presented unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined financial information should be read in conjunction with the Company's audited historical consolidated financial statements as of and for the year ended December 31, 2018, which have been filed with the Securities and Exchange Commission ("SEC"), and the audited historical carve-out financial statements as of and for the years ended March 31, 2019 and 2018 of Crackle U.S., incorporated by reference or included in this Current Report on Form 8-K/A (Exhibit 99.1).

In management's opinion, all adjustments necessary to reflect the significant effects of the Crackle transaction have been made. These combined financial statements are based on assumptions and estimates considered appropriate by our management; however, they are unaudited and are not necessarily, and should not be assumed to be, an indication of our financial position or results of operations that would have been achieved had the acquisitions been completed as of the dates indicated or that may be achieved in the future. The unaudited pro forma condensed combined statements of operations do not include all of the effects of cost savings that may result from operating efficiencies as a result of the Crackle transaction. The historical financial information has been adjusted in the accompanying unaudited pro forma condensed combined financial information to give effect to pro forma events that are (1) directly attributable to the Crackle transaction, (2) factually supportable and (3) with respect to the unaudited pro forma condensed combined statements of operations, are expected to have a continuing impact on the combined results.

The unaudited pro forma condensed combined financial information is being provided for illustrative purposes only and does not purport to represent what the actual results of operations of Crackle Plus would have been had the Crackle Transaction occurred on the date assumed or any other date, nor is it necessarily indicative of Crackle Plus's future results of operations for any future period or as of any future date. The unaudited pro forma condensed combined financial information is based upon currently available information and estimates and assumptions that the Company's management believes are reasonable as of the date hereof. Any of the factors underlying these estimates and assumptions may change or prove to be materially different.

The actual amounts recorded as of the closing of the Crackle Transaction may differ materially from the information presented in the unaudited pro forma condensed combined financial information as a result of several factors, including the following:

- completion of final valuation procedures on Crackle U.S.'s net assets, which could result in materially different fair values of acquired assets and liabilities;

- changes in Crackle U.S.'s net assets between the pro forma balance sheet as of March 31, 2019 and the closing of the Transaction, which could impact the estimated fair values as of the consummation of the Crackle Transaction;

- the impact of our streamlining of the combined Crackle Plus operations

Chicken Soup for the Soul Entertainment, Inc.
Pro Forma Condensed Combined Balance Sheet
As of March 31, 2019
(unaudited)

	CSS Entertainment	Crackle U.S. (1)	Pro Forma Adjustments		Pro Forma Combined
ASSETS					
Cash and cash equivalents	$ 3,043,110	$ -	$ -		$ 3,043,110
Restricted cash	750,000				750,000
Accounts receivable, net	10,305,684	17,086,178			27,391,862
Prepaid expenses	358,384	1,562,767			1,921,151
Inventory, net	286,601				286,601
Current programming rights, net	-	2,516,101			2,516,101
Goodwill	2,537,079	49,017,709	10,705,069	**(A)**	62,259,857
Indefinite lived intangible assets	12,163,943		30,487,527	**(A)**	42,651,470
Intangible assets, net	2,780,505		20,974,761	**(A)**	23,755,266
Film library, net	27,287,110				27,287,110
Due from affiliated companies	3,198,936				3,198,936
Programming costs, net	12,876,296				12,876,296
Non-current programming rights	-	8,500,120			8,500,120
Equipment, net	-	8,687	(8,687)	**(B)**	-
Deferred tax asset	917,000				917,000
Other assets, net	337,362				337,362
Total assets	$ 76,842,010	$ 78,691,562	$ 62,158,670		$ 217,692,242
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current maturities of commercial loan	$ 1,000,000				1,000,000
Current programming obligations	-	670,907			670,907
Non-current programming obligations	-	502,500			502,500
Commercial loan and revolving line of credit, net of unamortized deferred finance cost of $308,731 and $334,554, respectively	6,347,578				6,347,578
Accounts payable and accrued expenses	3,860,127	8,883,610	22,896,236	**(C)**	35,639,973
Due to related parties	-	15,730,915	(15,730,915)	**(C)**	-
Representation fees payable	-	1,018,603			1,018,603
Film library acquisition obligations	2,988,850				2,988,850
Accrued participation costs	1,507,124				1,507,124
Other liabilities	64,107				64,107
Deferred revenue	12,938				12,938
Total liabilities	15,780,724	26,806,535	7,165,321		49,752,580
Redeemable noncontrolling interest			51,672,531	**(D)**	51,672,531
Stockholders' equity					
Series A cumulative redeemable perpetual preferred stock, $.0001 par value, liquidation preference of $25.00 per share, 10,000,000 shares authorized; 1,058,497 and 918,497 shares issued and outstanding, respectively, redemption value of $26,462,425 and $22,962,425, respectively	106				106
Class A common stock, $.0001 par value, 70,000,000 shares authorized; 4,227,740 shares issued, 4,153,505 outstanding	421				421
Class B common stock, $.0001 par value, 20,000,000 shares authorized; 7,817,238 shares issued and outstanding	782				782
Net Parent investment	-	51,885,027	(51,885,027)	**(E)**	-
Additional paid-in capital	62,788,256		62,371,166	**(E)**	125,159,422
Retained (deficit) earnings	(1,095,550)		(7,165,321)	**(E)**	(8,260,871)
Class A common stock held in treasury, at cost (74,235 shares)	(632,729)				(632,729)
Total stockholders' equity	61,061,286	51,885,027	3,320,818		116,267,131
Total liabilities, redeemable noncontrolling interest and stockholders' equity	$ 76,842,010	78,691,562	62,158,670		217,692,242

(1) Certain reclassifications were made to conform to CSS Entertainments' financial statement presentation.

See accompanying notes to unaudited pro forma condensed combined information.

Chicken Soup for the Soul Entertainment, Inc.
Pro Forma Condensed Combined Statement of Operations
For the Year Ended December 31, 2018
(unaudited)

	CSS Entertainment	Crackle U.S. (1)	Pro Forma Adjustments		Pro Forma Combined
Revenue, net	26,859,519	65,784,308			92,643,827
Cost of revenue	12,345,590	65,558,710	(29,629,305)	**(F)**	48,274,995
Gross profit	14,513,929	225,598	29,629,305		44,368,832
Operating expenses:					
Selling, general and administrative	10,745,235	44,357,634	(35,943,445)	**(G)**	19,159,424
Management and license fees	2,666,907	-	6,578,431	**(H)**	9,245,338
Total operating expenses	13,412,142	44,357,634	(29,365,014)		28,404,762
Operating (loss) / income before Amortization	1,101,787	(44,132,036)	58,994,319		15,964,070
Amortization	326,988	-	4,194,952	**(I)**	4,521,940
Operating (loss) / income	774,799	(44,132,036)	54,799,367		11,442,130
Interest income	39,058	-			39,058
Interest expense	(388,036)	-	-		(388,036)
Acquisition-related costs	(396,793)	-	-		(396,793)
Goodwill impairment expense		(8,800,000)	-		(8,800,000)
Income / (loss) before income taxes and preferred dividends	29,028	(52,932,036)	54,799,367		1,896,359
Provision for (benefit from) income taxes	874,000	-	(363,310)	**(J)**	510,690
Net (loss) / income before noncontrolling interests and preferred dividends	(844,972)	(52,932,036)	55,162,677		1,385,669
Net (loss) / income attributable to noncontrolling interests			38,100	**(K)**	38,100
Net (loss) / income attributable to Chicken Soup for the Soul Entertainment, Inc.	(844,972)	(52,932,036)	55,124,577		1,347,569
Preferred dividends	1,112,910	-	-		1,112,910
Net (loss) / income available to common Stockholders	$ (1,957,882)	(52,932,036)	55,124,577		234,659
Net (loss) / income per common share:					
Basic and diluted	$ (0.16)				0.02
Weighted average number of common shares outstanding:					
Basic and diluted	11,944,528				11,944,528

(1) Crackle U.S. financial information presented is for the year ended March 31, 2019, while the Company's presented financial information is for the year ended December 31, 2018. Given the combined year end dates are within 93 days and the combined periods are the same as per SEC FRM 1440, no adjustments have been made to conform the financial statements.

See accompanying notes to unaudited pro forma condensed combined information.

Chicken Soup for the Soul Entertainment, Inc.
Pro Forma Condensed Combined Statement of Operations
For the Three Months Ended March 31, 2019
(unaudited)

	CSS Entertainment	Crackle U.S.	Pro Forma Adjustments		Pro Forma Combined
Revenue, net	2,193,154	15,040,554	-		17,233,708
Cost of revenue	1,632,101	16,992,166	(8,004,622)	**(L)**	10,619,645
Gross profit	561,053	(1,951,612)	8,004,622		6,614,063
Operating expenses:					
Selling, general and administrative	2,822,057	6,237,890	(5,156,864)	**(M)**	3,903,083
Management and license fees	219,270	-	1,504,055	**(N)**	1,723,325
Total operating expenses	3,041,327	6,237,890	(3,652,809)		5,626,408
Operating (loss) / income before Amortization	(2,480,274)	(8,189,502)	11,657,431		987,655
Amortization	205,623	-	1,048,738	**(O)**	1,254,361
Operating (loss) / income	(2,685,897)	(8,189,502)	10,608,693		(266,706)
Interest income	13,525	-	-		13,525
Interest expense	(141,123)	-	-		(141,123)
Acquisition-related costs	(397,935)	-	397,935	**(P)**	(0)
Goodwill impairment expense	-	(4,100,000)	-		(4,100,000)
(loss) / income before income taxes and preferred dividends	(3,211,430)	(12,289,502)	11,006,628		(4,494,304)
Provision for (benefit from) income taxes	(438,000)	-	(772,316)	**(Q)**	(1,210,316)
Net (loss) / income before noncontrolling interests and preferred dividends	(2,773,430)	(12,289,502)	11,778,944		(3,283,988)
Net (Loss) / income attributable to noncontrolling interests			(17,690)	**(R)**	(17,690)
Net (loss) / income attributable to Chicken Soup for the Soul Entertainment, Inc.	(2,773,430)	(12,289,502)	11,796,634		(3,266,298)
Preferred dividends	603,307	-	-		603,307
Net (loss) / income available to common Stockholders	$ (3,376,737)	(12,289,502)	11,796,634		(3,869,605)
Net (loss) per common share:					
Basic and diluted	$ (0.28)				(0.32)
Weighted average number of common shares outstanding:					
Basic and diluted	11,970,743				11,970,743

See accompanying notes to unaudited pro forma condensed combined information.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Note 1 – Basis of Presentation and Purchase Price Allocation

The historical condensed combined financial statements have been adjusted in the pro forma condensed combined financial information to give effect to pro forma events that are (1) directly attributable to the business combination, (2) factually supportable and (3) with respect to the pro forma condensed combined statements of operations, expected to have a continuing impact on the combined results following the business combination.

The Crackle transaction business combination was accounted for under the acquisition method of accounting in accordance with ASC Topic 805, Business Combinations. As the acquirer for accounting purposes, the Company has estimated the fair value of the transaction assets acquired and liabilities assumed.

The pro forma combined financial information does not necessarily reflect what the combined company's financial condition or results of operations would have been had the acquisition occurred on the dates indicated. It also may not be useful in predicting the future financial condition and results of operations of the combined company. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors. The unaudited pro forma combined financial information does not reflect the realization of any expected cost savings or other synergies from the acquisition and other planned cost savings initiatives following the completion of the business combination. The pro forma financial information strictly reflects transactions entered contractually as a part of the Crackle transaction which are directly attributable, factually supportable, and specifically having a continuing impact on the combined results within the pro forma adjustments.

Note 2 – Preliminary Purchase Price Allocation

The following table reconciles the preliminary purchase price for the Crackle transaction to the amount allocated, on a preliminary basis to the estimated fair values of the assets acquired and retained as well as liabilities assumed and retained:

Purchase Price Consideration Allocation:

Fair Value of 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 Sony in the entity. Consideration given has been calculated at the fair market value of the Preferred Units in the JV; 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 based upon the March 27, 2019 Contribution 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 given to Sony 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 that Sony could exercise their Put.

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

The Company has performed a preliminary valuation analysis of the fair market value of the Crackle transaction assets and liabilities. The following table summarizes the preliminary allocation of the estimated purchase price to the estimated fair values of the assets acquired and liabilities assumed in the Crackle transaction:

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

Accounts Receivable, net	$	5,360,667
Programming Rights		754,598
Brand Value (Trademark)		30,487,527
Customer User Base		12,900,088
Content Rights		2,576,140
Partner Agreements		5,498,533
Goodwill		59,722,778
Accounts Payable & Accrued Expenses		(8,999,063)
Programming Obligations		(4,956,206)
Redeemable Noncontrolling Interest		(51,672,531)
Total Net Assets acquired		**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 3-7 years. The impact of the intangible asset amortization has been included as adjustments within the presented periods of unaudited pro forma statements of operations.

Goodwill is calculated as the excess of the consideration transferred over the fair value of the identifiable net assets acquired and liabilities assumed, and represents the future economic benefits expected to arise from the intangible assets acquired that do not qualify for separate recognition. The Company has preliminarily estimated $59.7 million of Goodwill in connection with the Crackle transaction.

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

Note 3 – Unaudited Pro Forma Condensed Combined Balance Sheet Adjustments

Adjustments included in the column under the heading "Pro Forma Adjustments" in the Pro Forma Condensed Combined Balance Sheet as of March 31, 2019 which assume the transaction occurred as of March 31, 2019 consist of the following:

(A)	Represents adjustment to eliminate historical Crackle U.S. Goodwill and record the preliminary business combination determined Goodwill and Intangible assets,	
	Adjustment to eliminate historical Crackle U.S. Goodwill	(49,017,709)
	To record Goodwill resulting from the business combination	59,722,778
	Total adjustments to Goodwill	**10,705,069**
	To record Indefinite lived Intangible Assets resulting from the business combination	30,487,527
	To record Definite lived Intangible Assets resulting from the business combination with useful lives of 3-7 years.	20,974,761
	Total adjustments to Intangible Assets	**51,462,288**
(B)	Represents adjustment to eliminate Crackle U.S. Equipment not contractually contributed as a part of the business combination.	(8,687)
(C)	Represents adjustment to accrue for acquisition related costs directly attributable to the transaction.	7,165,321
	Represents adjustment to reclass Ad Rep Partner liabilities on the balance sheet classified as related parties to Accounts Payable and Accrued Expenses as they are directly attributable to the ongoing business of Crackle Plus.	15,730,915
		22,896,236
	Represents adjustment to reclass related party fees for Ad Rep Partner liabilities previously classified as related parties per above.	(15,730,915)
(D)	Represents adjustment to record redeemable non-controlling interest in Crackle Plus held by Sony at 49% (equity attributable to Sony as a part of the Crackle transaction, as they have the right to increase ownership to 49% in the Crackle Plus entity). Based on the terms of the transaction agreement, the redeemable noncontrolling interest is redeemable into equity as upon exercise of the equity interest the company has the option to transfer equity in the form of Series A cumulative redeemable perpetual preferred stock in the Company or cash at the election of the Company, or into 49% equity stake in the Crackle Plus joint venture.	51,672,531
(E)	Represents adjustment to eliminate Crackle U.S. parent investment not applicable to the Crackle transaction and ongoing business.	(51,885,027)
(E)	Represents adjustment to record the Company controlling equity interests in the Crackle Plus entity.	62,371,166
(E)	Represents adjustment to record acquisition related expenses directly attributable to the transaction.	(7,165,321)
	Total adjustments to Stockholder's Equity	**3,320,818**

Note 4 – Unaudited Pro Forma Condensed Combined Statement of Operations Adjustments for the Year Ended December 31, 2018

Adjustments included in the column under the heading "Pro Forma Adjustments" in the Unaudited Condensed Combined Statement of Operations for the year ended December 31, 2018, which assume the transaction occurred as of January 1, 2018 consist of the following:

(F)	Represents adjustment to reduce content amortization and studio fees resulting from the consummation change in content license fee agreement structures. As a part of the business combination the parties entered into revenue share content AVOD agreements.	(17,957,770)
	Represents adjustment to reduce costs related to maintaining the AVOD platform as the Company entered as part of the business combination into a fixed fee agreement.	(11,671,535)
	Total adjustments to Cost of Revenue:	**(29,629,305)**
(G)	Represents adjustment to reduce marketing spend resulting from the termination of marketing contracts previously utilized by Crackle U.S. and excluded as contracts from assets transferred as a part of the business combination as the company uses its owned-and-operated networks and brand related social media to drive growth through cross-promotion.	(11,444,510)
	Represents adjustment for severed employees of the Crackle U.S. workforce, reducing duplicative roles between the two entities as per agreed and executed severance agreements upon the consummation.	(8,141,518)
	Represents adjustment to eliminate Sony corporate overhead allocation expenses not applicable to the Crackle Plus business. Costs historically allocated by Sony include costs for operating services contractually agreed to be provided by the parent company as a part of the business combination via the executed management fee agreement. Costs associated have been added as pro forma adjustment (H) below.	(16,357,417)
	Total adjustments to Selling, General, and Administrative:	**(35,943,445)**
(H)	Represents adjustment to record management fees agreed to as a part of the business combination for the period presented.	6,578,431
(I)	Represents adjustment to record valued acquisition related Intangible Asset amortization over the useful life of the intangible assets for the period presented on a straight-line basis.	4,194,952
(J)	Represents adjustment to record the effect of pro forma adjustments on income taxes calculated at a statutory tax rate of 26.93%.	(363,310)
(K)	Represents adjustment to record the effect of the noncontrolling equity interest of 1% held by Sony in the results of the Crackle Plus joint venture.	38,100

Note 5 – Unaudited Pro Forma Condensed Combined Statements of Operations Adjustments for the Three Months Ended March 31, 2019

Adjustments included in the column under the heading "Pro Forma Adjustments" in the Unaudited Condensed Combined Statement of Operations for the three months ended March 31, 2019, which assume the transaction occurred as of January 1, 2018 consist of the following:

(L)	Represents adjustment to reduce content amortization and studio fees due to the change in content license fee structures. As a part of the business combination the parties entered into revenue share content AVOD agreements.	(4,779,414)
	Represents adjustment for terminated employees of the workforce of Crackle U.S., reducing duplicative roles between the two entities as per agreed and executed severance agreements entered prior to the consummation.	(3,225,208)
	Total adjustments to Cost of Revenue:	**(8,004,622)**
(M)	Represents adjustment to reduce marketing spend resulting from the termination of marketing contracts previously utilized by Crackle U.S. and excluded as contracts from assets transferred as a part of the business combination as the company uses its owned-and-operated networks and brand related social media to drive growth through cross-promotion.	(84,348)
	Represents adjustment for terminated employees of the workforce of Crackle U.S., reducing duplicative roles between the two entities as per agreed and executed severance agreements entered upon the consummation.	(1,259,337)
	Represents adjustment to eliminate Sony corporate overhead allocation expenses not applicable to the Crackle Plus business. Costs historically allocated by Sony include costs for operating services contractually agreed to be provided by the parent company as a part of the business combination via the executed management fee agreement. Costs associated have been added as pro forma adjustment (N) below.	(3,813,179)
	Total adjustments to Selling General and Administrative:	**(5,156,864)**
(N)	Represents adjustment to record additional management fees to be owed to affiliated company based on revenues earned under existing management & licensing agreements.	1,504,055
(O)	Represents adjustment to record valued acquisition related Intangible Asset amortization over the useful life of the intangible assets for the period presented on a straight-line basis.	1,048,738
(P)	Represents adjustment to eliminate historical nonrecurring transaction costs included on the historical financial statements of the company directly attributable to the transaction.	397,935
(Q)	Represents adjustment to record the effect of pro forma adjustments on income taxes calculated at a statutory tax rate of 26.93%.	(772,316)
(R)	Represents adjustment to record the effect of the noncontrolling equity interest of 1% held by Sony in the results of the Crackle Plus joint venture.	(17,690)