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 21, 2021**

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 the registrant 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 ☒

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
9.50% Notes due 2025	CSSEN	The Nasdaq Stock Market LLC

EXPLANATORY NOTE

On May 27, 2021, 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 completed the acquisition of the principal assets of Sonar Entertainment, Inc. ("SEI") and certain of the direct and indirect subsidiaries of SEI (collectively, "Sonar"), pursuant to the terms of an asset purchase agreement, dated as of April 8, 2021, by and among the Company, Halcyon Television LLC, a Delaware limited liability company and wholly owned subsidiary of the Company, and, with respect to certain provisions, Parkside Entertainment Inc., a Canadian company, on the one hand, and Sonar, on the other hand.

This Amendment No. 1 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 Balance Sheets of Sonar Entertainment, Inc. as of December 31, 2020 and 2019 and the Statements of Operations and Comprehensive Loss, Statement of Stockholders' Deficit, and Statement of Cash Flows for the years ended December 31, 2020 and 2019, and the related notes to the 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, 2021 and for the year ended December 31, 2020 are filed as Exhibit 99.2 to this Amendment and are incorporated herein by reference.

(b) Exhibits:

Exhibit	Description
23.1	Consent of Moss Adams LLP, independent registered public accounting firm.
99.1	Audited Consolidated Financial Statements of Sonar Entertainment, Inc. as of and for the years ended December 31, 2020 and 2019.
99.2	Unaudited Pro Forma Condensed Combined Financial Information as of and for the three months ended March 31, 2021 and for the year ended December 31, 2020.

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: June 10, 2021

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

MOSSADAMS

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-223780), Form S-3 (No. 333-228482, 333-238588 and 333-238589) and on Form S-1 (No. 333-232588, 333-239201 and 333-252405) of Chicken Soup for the Soul Entertainment, Inc. of our report dated May 12, 2021, relating to the financial statements of Sonar Entertainment, Inc., appearing in this Current Report on Form 8-K/A of Chicken Soup for the Soul Entertainment, Inc.

/s/ Moss Adams LLP

Los Angeles, California
June 10, 2021

Table of Contents

MOSSADAMS

Report of Independent Auditors

The Board of Directors and Stockholders
Sonar Entertainment, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Sonar Entertainment, Inc. and its subsidiaries (the “Company”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations and comprehensive loss, stockholders’ deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated 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 entity’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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency and has stated that substantial doubt exists. Management’s evaluation of the events and conditions and management’s plans regarding these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Change in Accounting Principle

As disclosed in Note 2 to the consolidated financial statements, in 2019, the Company adopted Accounting Standards Codification Topic 606. Our opinion is not modified with respect to this matter.

Los Angeles, California
May 12, 2021

Sonar Entertainment, Inc.
Consolidated Balance Sheets
(In Thousands, Except Share and Per Share Amounts)

	December 31, 2020	December 31, 2019
ASSETS		
Cash	$ 422	$ 2,543
Accounts receivable, net of allowance for doubtful accounts	25,381	32,218
Content assets, net	118,666	151,971
Property and equipment, net	-	106
Prepaid expenses and other assets	731	631
Total assets	$ 145,200	$ 187,469
LIABILITES AND STOCKHOLDERS' DEFICIT		
Accounts payable and accrued expenses	$ 10,341	$ 10,152
Accrued film production costs	12,103	10,398
Related-party debt	476,808	444,802
Related-party accrued interest	214,260	173,735
Third-party debt facilities	54,280	62,676
Third-party accrued interest	1,146	228
Deferred revenue	1,526	1,642
Total liabilities	770,464	703,633
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIT		
Common stock, $0.01 par value. 1,000,000,000 shares authorized, and 849,887,500 issued and outstanding as of December 31, 2020 and 2019	8,499	8,499
Additional paid-in capital	167,756	167,756
Accumulated other comprehensive income	370	56
Accumulated deficit	(801,889)	(692,475)
Total stockholders' deficit	(625,264)	(516,164)
Total liabilities and stockholders' deficit	$ 145,200	$ 187,469

See accompanying notes.

Sonar Entertainment, Inc.
Consolidated Statements of Operations and Comprehensive Loss
(In Thousands)

	Years Ended December 31,	
	2020	2019
REVENUES	$ 17,314	$ 62,921
COST OF SALES (see Note 2)	15,590	53,245
Gross profit (loss)	1,724	9,676
OPERATING EXPENSES		
Selling, general, and administrative	9,367	12,341
Depreciation and amortization	104	122
Loss from operations	(7,747)	(2,787)
OTHER (EXPENSE) INCOME		
Related-party interest expense	(65,991)	(66,317)
Third-party interest expense	(7,228)	(6,584)
Film library impairment expense	(28,339)	(24,674)
Other expense	(19)	(23)
Other income	3	23
Loss before income taxes	(109,321)	(100,362)
INCOME TAXES	93	233
NET LOSS	(109,414)	(100,595)
OTHER COMPREHENSIVE INCOME (LOSS)		
Foreign currency translation adjustment	314	494
COMPREHENSIVE LOSS	$ (109,100)	$ (100,101)

See accompanying notes.

(In Thousands, Except Share Data)

	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Income (Loss)	Deficit	Deficit
BALANCES at January 1, 2019	849,887,500	$ 8,499	$ 167,756	$ (438)	$ (591,880)	$ (416,063)
Translation adjustment	-	-	-	494	-	494
Net loss	-	-	-	-	(100,595)	(100,595)
BALANCES at December 31, 2019	849,887,500	8,499	167,756	56	(692,475)	(516,164)
Translation adjustment	-	-	-	314	-	314
Net loss	-	-	-	-	(109,414)	(109,414)
BALANCES at December 31, 2020	849,887,500	$ 8,499	$ 167,756	$ 370	$ (801,889)	$ (625,264)

See accompanying notes.

Sonar Entertainment, Inc.
Consolidated Statements of Cash Flows
(In Thousands)

	Years Ended December 31, 2020	Years Ended December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (109,414)	$ (100,595)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Content assets impairment charge	28,339	24,674
Amortization of content assets	15,474	51,389
Depreciation	104	122
Paid in-kind interest	26,883	26,682
Amortization of deferred debt financing costs	1,137	645
Increase (decrease) in cash due to changes in assets and liabilities		
Accounts receivable	6,838	11,456
Prepaid expenses and other assets	(100)	1,029
Content assets	(10,508)	(63,259)
Accounts payable and accrued liabilities	187	(3,480)
Accrued film production costs	1,705	2,225
Accrued interest	41,443	39,248
Deferred revenue	(116)	(12,130)
Net cash provided by (used in) operating activities	1,972	(21,994)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	(62)
Net cash used in investing activities	-	(62)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings (repayments) under third-party revolving credit facilities, net	(4,477)	7,839
Borrowings under related-party revolving credit facility, net	5,123	16,270
Repayment of third-party term loan, net	(4,500)	(4,500)
Payment of third-party debt issuance cost	(556)	-
Net cash (used in) provided by financing activities	(4,410)	19,609
EFFECT OF EXCHANGE RATE CHANGES ON CASH	317	505
Net change in cash and cash equivalents	(2,121)	(1,942)
CASH AND CASH EQUIVALENTS, beginning of year	2,543	4,485
CASH AND CASH EQUIVALENTS, end of year	$ 422	$ 2,543

See accompanying notes.

Note 1 – Organization

Description of business – Sonar Entertainment, Inc. and Subsidiaries (the “Company” or “Sonar”) was incorporated in the state of Delaware. It is a multi-faceted independent entertainment company designed to meet today’s ever-changing landscape in global television production and distribution. With headquarters in Los Angeles and offices around the world, Sonar is uniquely positioned to produce and distribute premium television content for global audiences. The Company develops, produces, acquires, finances, packages, and distributes content both internationally and domestically such as *Hunters, Mr. Mercedes*, *The Shannara Chronicles*, *Taboo*, *The Son*, and *Das Boot*.

While primarily focused on the development, production, and distribution of new content, Sonar is also the distributor of over 1,000 library titles totaling more than 4,000 hours comprised of award-winning programs from RHI Entertainment, Hallmark Entertainment, and Hal Roach Studios, among others. Titles in the library have captured 446 Emmy® Nominations, 105 Emmy® Awards, 15 Golden Globe® Awards, and numerous Peabody, SAG, Christopher, and Genesis Awards. These titles include *Lonesome Dove, Merlin*, *Gulliver’s Travels*, *Dinotopia*, *The Odyssey*, *The Ten Commandments, The Temptations, Human Trafficking, Moby Dick, Cleopatra, Earthsea, The Lion in Winter,* and *Tin Man*.

Impact of COVID-19 – During fiscal 2020 and continuing into fiscal 2021, the world has been, and continues to be, impacted by the novel coronavirus (COVID-19) pandemic. COVID-19 and measures to prevent its spread impacted our business. Since March 2020, we have experienced significant disruptions in production of most film and television content. The impact of these disruptions and the extent of their adverse impact on our financial and operating results will be dictated by the length of time that such disruptions continue, which will, in turn, depend on the currently unknowable duration and severity of the impacts of COVID-19.

Going concern – The Company’s operations in fiscal 2020 and 2019 were largely financed through borrowings under credit facilities provided by related parties in addition to a revolving credit facility and term loan provided by third-party lenders (see Note 5 and Note 6). The Company’s consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company has had recurring losses and an accumulated deficit since its inception, related primarily to production of film content and other operations.

Management has concluded that there is substantial doubt about the entities ability to continue as a going concern within one year after the date that the financial statements are issued.

On April 8, 2021, the Company entered into an asset purchase agreement (“Agreement”) with Chicken Soup for the Soul Entertainment, Inc. (“CSSE”). CSSE is an SEC registrant (ticker: CSSE) which operates video-on-demand networks and is an independent television and film distribution company. Based on the terms of this proposed agreement, CSSE will acquire substantially all of the Company’s film library and other related assets.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The consolidated financial statements of the Company are presented on the basis of generally accepted accounting principles in the United States of America (GAAP) and include the accounts of Sonar Entertainment, Inc. and its wholly owned subsidiaries. References to the Accounting Standards Codification (ASC) and Accounting Standards Updates (ASU) included hereafter refer to the ASC and ASUs established by the Financial Accounting Standards Board (FASB) as the source of authoritative GAAP.

Principles of consolidation – The accompanying consolidated financial statements of the Company include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The Company's accounts include wholly owned subsidiaries whose principal operations are denominated in the Canadian dollar. The assets and liabilities of the wholly owned Canadian subsidiaries are translated from their local functional currencies at the exchange rate in effect at the consolidated balance sheet date, and income and expense accounts are translated at the average exchange rate during the reporting period. Gains or losses from translational adjustments are presented as comprehensive income (loss) on the consolidated statement of comprehensive loss. The cumulative effect of such translation adjustments are included within accumulated other comprehensive income (loss) which is presented as a separate component of stockholders' deficit on the consolidated statement of stockholders' deficit.

Use of estimates – The preparation of consolidated financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and notes thereto. Significant estimates and judgments relied upon in preparing these consolidated financial statements affect the following items:

- Story development costs recoverability,
- Recoverability of content assets and other long-lived assets,
- Ultimate revenue estimates per title,
- Allowance for uncollectible accounts receivable,
- Useful lives of tangible and intangible assets,
- Income taxes,
- Accrued participation liabilities, and
- Contingencies.

The Company regularly assesses these estimates and records changes to estimates in the period in which they become known. The Company bases its estimates on historical experience and various other assumptions believed to be reasonable under the circumstances. Changes in the economic environment, financial markets, and any other parameters used in determining these estimates could cause actual results to differ from those estimates.

Concentrations of credit risk – The Company regularly assesses the adequacy of its allowance for uncollectible accounts receivable by evaluating historical bad debt experience, customer creditworthiness, and changes in our customer payment history and records an allowance for doubtful accounts based on such factors. At December 31, 2020 and 2019, the Company recorded an allowance for doubtful accounts of $20 and $206, respectively.

Note 2 – Summary of Significant Accounting Policies (continued)

The Company's significant customers include networks and other licensees of programming. For the years ended December 31, 2020 and 2019, two customers individually comprised greater than 10% of consolidated revenues.

Financial instruments, which potentially subject the Company to a concentration of credit risk, consist primarily of accounts receivable. At December 31, 2020 and 2019, approximately 7% and 8% of the Company's accounts receivable was due from foreign customers, respectively. At December 31, 2020, the Company had a total of $16,561 of accounts receivable due from two major customers. At December 31, 2019, the Company had a total of $16,111 of accounts receivable due from one major customer.

Fair value – Fair value is defined as the amount that would be received upon sale of an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The authoritative guidance establishes a fair value hierarchy which prioritizes the types of inputs to valuation techniques that companies may use to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1). The next highest priority is given to inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2). The lowest priority is given to unobservable inputs in which there is little or no market data available and which require the reporting entity to develop its own assumptions (Level 3).

In estimating the fair value of financial instruments, the Company has assumed that the carrying amount of cash, current receivables and payables approximates the fair value because of the short-term maturity of these instruments. Long-term receivables arising from licensing agreements are reflected discounted to their present value. The carrying amount of the Company's debt approximates fair value as the interest rates approximate market rates.

Content assets, net – The Company acquires, produces, and licenses content. The Company capitalizes costs incurred for the acquisition and development of story rights, film production costs and overhead, and licensing costs. Story development costs are stated at the lower of cost or net realizable value.

Parties involved in the production of a title may be compensated in part by contingent payments based on the financial results of a title pursuant to contractual formulas (participations) and by contingent amounts due under provisions of collective bargaining agreements (residuals). Such costs are collectively referred to as participation costs. Participations may be given to creative talent, such as actors or writers, or to entities from whom distribution rights are licensed. As of December 31, 2020 and 2019, the Company has recorded accrued participation liabilities of $10,527 and $9,548, respectively.

Note 2 – Summary of Significant Accounting Policies (continued)

Capitalized content assets are amortized, and participation and residual costs are accrued in the proportion of each title's current revenue to management's estimate of total revenue. Estimates of total revenue and expense are periodically evaluated by management and can change due to a variety of factors, including the level of market acceptance of films. These evaluations may result in revised amortization rates and, if applicable, write-downs to net realizable value. Refer to Note 3 "Content Assets, Net" for discussion of the content asset impairments recorded during the years ended December 31, 2020 and 2019. Film development costs for projects that have been abandoned or have not been set for production within three years are generally written off. Film abandonment charges amounted to $7,256 and $5,899 for the years ended December 31, 2020 and 2019, respectively.

Amortization of capitalized content assets are expensed on a title-by-title basis over a period not exceeding 10 years which begins when a title is released, and the Company begins to recognize revenue from that title. For episodic television series, the Company utilizes a period not to exceed 10 years from the date of delivery of the first episode or, if still in production, 5 years from the date of delivery of the most recent episode, if later. Acquired film libraries are amortized as a single film asset using the same methodology described above over a period not exceeding 20 years.

The Company's produced content primarily consists of films that were made or acquired for initial exhibition on a broadcast or cable network in the United States. Films initially produced for domestic networks are licensed for pay television, free television, and home video throughout the world.

Property and equipment, net – Property and equipment are recorded at cost net of accumulated depreciation and amortization. Depreciation and amortization of property and equipment are computed using the straight-line method over the estimated useful lives of the respective assets, ranging from three to ten years. The cost of normal repairs and maintenance is expensed as incurred.

Impairment of other long-lived assets – The Company reviews its long-lived assets, such as property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Deferred rent – Rent expense is recorded on a straight-line basis over the term of the lease. The difference between rent expense and amounts paid under the lease agreement is recorded as deferred rent. Lease incentives, including tenant improvement allowances, are also recorded as deferred rent and amortized on a straight-line basis over the lease term.

(In Thousands, except for share amounts)

Note 2 – Summary of Significant Accounting Policies (continued)

Deferred debt financing costs – The costs incurred in connection with the issuance of debt obligations, principally financing, and legal costs, are deferred and amortized over the term of the related debt facility using the using the straight-line method, which approximates the effective interest method. Amortization expense related to deferred debt financing costs amounted to $556 and $625 for the years ended December 31, 2020 and 2019, respectively, and is included in interest expense on the accompanying consolidated statement of operations and comprehensive loss. Deferred financing costs are presented net of debt in the consolidated balance sheets.

Revenue recognition – In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09, is a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services.

The Company adopted ASC 606 effective January 1, 2019, using the modified retrospective method. The adoption of ASC 606 did not have a significant effect on timing or amount recognized as revenue for the Company's most significant types of transactions, and therefore, the cumulative effect of initially applying the new guidance was not material and no adjustment was made to retained earnings as of January 1, 2019.

The Company primarily earns revenue from production revenue, library revenue, and other revenue. The table below includes the Company's revenue by major source for the years ended December 31, 2020 and 2019:

	December 31,	
	2020	2019
Production revenue	$ 11,421	$ 57,207
Library revenue	2,848	3,081
Other revenue	3,045	2,633
	$ 17,314	$ 62,921

Under ASC 606, the Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer,
- Identification of the performance obligations in the contract,
- Determination of the transaction price,
- Allocation of the transaction price to the performance obligations in the contract, and
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

Note 2 – Summary of Significant Accounting Policies (continued)

The Company’s revenue recognition policies associated with each major source of revenue from contracts with customers are as follows:

Production revenue – Revenue under these contracts are associated with titles delivered in the past three calendar years and executive producer fees earned.

Library revenue – Library revenue represents revenue from titles delivered earlier than three years.

Other revenue – These represent revenue that do not arise from television and distribution licensing agreements in the broadcast and pay TV medium, primarily from third-party royalties.

Foreign currency – Certain revenue and receivable transactions are designated in foreign currencies. Realized foreign exchange transaction gains/(losses) are included in Revenue, net, in the Consolidated Statements of Comprehensive Loss. Unrealized foreign exchange transaction gains/(losses) have been included in Other Income/Other Expense, in the Consolidated Statements Comprehensive Loss. For both realized and unrealized foreign exchange transaction gains/(losses), the amounts recognized were not material for 2020 and 2019.

Cost of sales – Cost of sales for the years ended December 31, 2020 and 2019, includes the amortization of capitalized content assets of $15,474 and $51,389, respectively.

Included in cost of sales are also participation and residual costs as well as exploitation costs associated with bringing a title to market such as freight, mastering and film specific marketing. The Company expenses exploitation costs as incurred.

Income taxes – The provision for income taxes includes U.S. federal, state and local, and foreign taxes. Income taxes are accounted for under the liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences of temporary differences between the financial statement carrying amounts and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates that the Company expects to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effects on deferred tax assets and liabilities of a change in tax rates are recognized in income in the period that includes the enactment date.

A valuation allowance to reduce deferred tax assets to the amount that is more-likely-than-not to be realized is recognized based on existing facts and circumstances. Valuation allowances are assessed and adjusted during each reporting period.

Uncertain tax positions are recorded based on a cumulative probability assessment if it is more-likely-than-not that the tax position will be sustained upon examination by the appropriate tax authorities. Amounts recorded for uncertain tax positions are periodically assessed, including the evaluation of new facts and circumstances, to ensure sustainability of the position. The Company’s policy is to classify interest and penalties accrued on unrecognized tax benefits as a component of income tax expense.

(In Thousands, except for share amounts)

Note 2 – Summary of Significant Accounting Policies (continued)

Recent accounting pronouncements – In March 2019, the FASB issued ASU 2019-02, *Entertainment-Films-Other Assets-Film Costs (Subtopic 926-20)* and *Entertainment-Broadcasters-Intangibles-Goodwill and Other (Subtopic 920-350)*. Amongst other changes, the amendments in this standard align the accounting for production costs of an episodic television series with the accounting for production costs of films by removing the content distinction for capitalization. The amendments also require that an entity reassess estimates of the use of a film for a film in a film group and account for any changes prospectively.

The amendments further address presentation, require that an entity provide new disclosures about content that is either produced or licensed, and address cash flow classification for license agreements. For nonpublic entities, the amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Nonpublic entities are permitted to adopt the guidance early for periods for which financial statements have not yet been made available for issuance. The Company is currently evaluating the impact of the guidance on the Company's consolidated financial statements.

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date but before the consolidated financial statements are available to be issued. The Company recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Company's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheet but arose after the balance sheet date and before the consolidated financial statements are available to be issued.

The Company has evaluated subsequent events through May 12, 2021, which is the date the consolidated financial statements are available for issuance.

Note 3 – Content Assets, Net

Content assets consist of the following:

	December 31,	
	2020	2019
Acquired film libraries, net	$ 40,519	$ 44,380
Licensed content, net	32,041	34,368
Produced content, net	42,439	60,943
Films in process and development	3,667	9,282
Other	-	2,998
	$ 118,666	$ 151,971

Note 3 – Content Assets, Net (continued)

The Company reviews the ultimate revenues associated with its titles. This analysis considers various data points, including current market conditions, library sales activity, pricing, the delivery of the Company's annual film slate, and the results of the annual independent valuation of the unsold rights to the Company's acquired film library. A reduction in the ultimate revenue associated with a title results in a higher rate of amortization over that title's remaining useful life and causes a reduction in that title's prospective profit margin.

As of December 31, 2020 and 2019, the Company performed a fair value assessment of titles produced prior to April 1, 2011. These titles are treated as if they were an acquired "film library" due to the application of fresh start accounting effective April 1, 2011. Based on the assessment as of December 31, 2020 and 2019, impairment charges totaling $2,340 and $11,843, respectively, were booked in order to reduce the net book value of the film library to an amount approximating fair value.

As of December 31, 2020 and 2019, the Company also performed a title-by-title analysis of ultimate revenue of those titles produced since April 1, 2011. Based on this analysis as of December 31, 2020 and 2019, impairment charges totaling $15,746 and $6,937, respectively, were booked.

In using the income approach to test the film library for impairment as of December 31, 2020 and 2019, the Company made the following assumptions: (a) the discount rate range was based on weighted-average cost of capital, and (b) cash flow projections were based upon management's estimates of future performance.

The Company expects to amortize approximately 44% of unamortized, released titles, excluding acquired film libraries, at December 31, 2020, within the next three years and expects to reach 75% amortization level in fiscal 2023. As of December 31, 2020, the unamortized acquired film libraries remain to be amortized using respective film ultimate's over a period of 10 years.

(In Thousands, except for share amounts)

Note 4 – Property and Equipment, Net

Property and equipment, net is comprised of the following:

		December 31,	
	Average useful life	2020	2019
Production equipment	3 years	$ -	$ 109
Vehicles	5 years	-	1
Furniture and fixtures	3 years	490	492
Leasehold improvements	Shorter of useful life or lease term	578	578
Computers and other equipment	3 years	593	698
		1,661	1,878
Accumulated depreciation and amortization		(1,661)	(1,772)
		$ -	$ 106

Depreciation and amortization expense for the years ended December 31, 2020 and 2019, was $104 and $122, respectively.

Note 5 – Related-Party Debt

At December 31, 2020 and 2019, the Company's related-party debt payable to stockholders and affiliates of the Company consists of the following:

	December 31,	
	2020	2019
First Lien Revolver	$ 157,493	$ 152,370
Second Lien Term Loan	27,039	25,450
Third Lien Term Loan	285,181	259,887
Receivables Discount Agreement	1,595	1,595
Promissory Note	5,500	5,500
	$ 476,808	$ 444,802

The Company is required to repay in full its senior third-party credit facility (see Note 6) prior to making any payments, including interest payments, on the related-party debt. As such, the maturity dates of the related-party debt are effectively extended to November 2021.

(In Thousands, except for share amounts)

Note 5 – Related-Party Debt (continued)

- **First Lien Revolver, Second Lien Term Loan, and Third Lien Term Loan**

  The First Lien Revolver bears interest at 20%. The Second Lien Term Loan bears paid in-kind interest at 6% per annum with accruals made on the last day of each quarter. The Third Lien Term Loan is split into two tranches. Tranche A bears interest at LIBOR or an Alternate Base Rate (ABR) as defined in the debt agreement plus an applicable margin, payable monthly in arrears. Tranche B bears paid in-kind interest at LIBOR or ABR plus an applicable margin, with accruals made on the last day of each calendar quarter. As of December 31, 2020, the outstanding balance under Tranche A and Tranche B was $67,500 and $217,681, respectively. As of December 31, 2019, the outstanding balance under Tranche A and Tranche B was $67,500 and $192,387, respectively.

  The First Lien Revolver, Second Lien Term Loan, and Third Lien Term Loan are collateralized by substantially all of the Company's assets. The loans contain certain non-financial covenants which can trigger an event of default. Compliance with the covenants has been effectively waived until the third-party debt is repaid in full.

- **Working Capital Credit Agreement**

  The Company has entered into a working capital credit agreement with certain affiliated parties. The facility is collateralized by the Company's accounts receivable and bears interest at 20%.

- **Promissory Note**

  At December 31, 2020 and 2019, the Company has a $5,500 note payable to an affiliate of the Company, which bears interest at 20%.

Note 6 – Third-Party Debt Facilities

At December 31, 2020 and 2019, the Company's third-party debt facilities consist of the following:

	December 31, 2020	December 31, 2019
Revolving credit facilities	$ 28,165	$ 32,617
Term loan	26,625	31,125
Unamortized deferred financing costs	(510)	(1,066)
	$ 54,280	$ 62,676

The Company maintains a credit facility with a maximum revolving loan commitment of $85,000 ("Revolver") and a term loan commitment of $36,000 ("Term Loan")

Note 6 – Third-Party Debt Facilities (continued)

The Revolver bears interest at LIBOR plus an applicable margin which was approximately 9.95%. Interest is payable monthly and the outstanding principal balance under the Revolver is due on November 13, 2021. Borrowings under the facility are subject to an availability calculation as stipulated in the agreement. The Revolver is also subject to commitment fees on the undrawn portion of the facility. As of December 31, 2020 and 2019, the outstanding balance under the facility was $12,060 and $18,192, respectively.

The Company maintains a separate third-party revolving credit facility (“Facility”) from a Canadian financial institution, Bank of Montreal, in order to fund the production of certain projects. The credit facility has availability equal to the lesser of and agreed upon amount at the time of the draw (“Production Tranche”) or a calculation in accordance with the agreement which is largely based on the sum of the cash receipts generated or due from the exploitation of the production and a percentage of the related film tax credit. The facility bears interest at Canadian prime rate plus 1.25%, payable monthly and is guaranteed by the assets of Sonar Canada Inc., the Company’s wholly owned Canadian subsidiary. The following projects were funded with from the Facility:

Go Away Unicorn in January 2018 – Maximum proceeds from the Production Tranche were $7,810 The Production Tranche term was extended to August 31, 2021. As of December 31, 2020, and 2019, the outstanding balance (in USD) under the Productions Tranche was $1,662 and $1,918, respectively.

Texas Metal – Season 2 in September 2018 – Maximum proceeds from the Production Tranche were CDN $360. The facility expired June 30, 2020, and was guaranteed by the assets of Sonar Canada Inc., the Company’s wholly owned Canadian subsidiary. As of December 31, 2019, the outstanding balance (in USD) under the Production Tranche was $251.

Utopia Falls in May 2019 – Maximum proceeds from the Production Tranche were CDN $22,082. The facility expired January 31, 2021. As of December 31, 2020 and 2019, the outstanding balance (in USD) under the Production Tranche was $5,146 and $5,756, respectively.

Texas Metal – Season 3 in July 2019 – Maximum proceeds from the Production Tranche were CDN $410. The facility expires June 30, 2021. No amounts were outstanding under this agreement as of December 31, 2020 and 2019.

Farmhouse Facelift in September 2019 – Maximum proceeds from the Production Tranche were CDN $1,660. This was funded in fiscal 2020 and the facility expires June 31, 2021. As of December 31, 2020, the outstanding balance (in USD) under the Production Tranche was $645.

(In Thousands, except for share amounts)

Note 6 – Third-Party Debt Facilities (continued)

The Company entered into a separate third-party revolving credit facility from C&C Financial Services Lending II, LLC, in order to fund the production of certain projects. The credit facility has availability equal to the lesser of and agreed upon amount or a calculation in accordance with the agreement which is largely based on the sum of the cash receipts generated or due from the exploitation of the production and a percentage of the related film tax credit ("Production Tranche II") The following projects were funded with from the Facility:

Mr. Mercedes – Season 3 in June 2019 – At December 31, 2020 and 2019, the Company has a $6,500 promissory note, which bears interest at 15%.

Constance in May 2020 – Maximum proceeds from the Production Tranche II were $2,153. The Production Tranche II bears interest at 4.5% and interest is payable monthly with term date of January 30, 2023. As of December 31, 2020, the outstanding balance under the facility was $2,153.

The Term Loan requires monthly principal payments of $375 beginning December 1, 2018, with a balloon payment upon maturity in November 2021. It bears interest at LIBOR plus an applicable margin, and interest is payable monthly. Scheduled principal payments for future fiscal years are as follows:

2021	$	26,625
	$	26,625

Note 7 – Stockholder's Deficit

Common stock – At December 31, 2020 and 2019, there were 1,000,000,000 shares of common stock authorized and 849,887,500 shares of common stock issued and outstanding, respectively, with a par value $0.01. The Company did not hold any shares as treasury shares as of December 31, 2020 or December 31, 2019. The Company's common stockholders are entitled to one vote per share.
As of December 31, 2020 and 2019, 15% of the Company's equity is reserved for issuance of restricted stock to the Company's management and 112,500 shares are reserved for warrants.

Share-reservation plan – There were 77.5 million shares granted to former members of management in February 2013 under the share-reservation plan. The grant date fair value of the restricted stock units was determined to be de minimis. Approximately 69.3 million of these shares were vested as of December 31, 2018 and 2017. While these shares may be vested, issuance of these shares is conditional on a successful Initial Public Offering (IPO) and other certain restrictions.

Warrants – The Company has warrants outstanding to the providers of the Second Lien Term Loan as additional equity compensation. The exercise of those warrants is dependent upon the Fair Market Price, as defined in the warrant agreement, of one share of the common stock being greater than $722.53. Shares reserved for warrant holders are held for such time as the warrant can be exercised.

Note 8 – Income Taxes

The provision for income taxes for the years ended December 31, 2020 and 2019, is a current provision of $93 and $233, respectively, primarily attributable to foreign withholding taxes. The Company has recorded a full valuation allowance for years ended December 31, 2020 and 2019, on its net deferred tax assets because of uncertainties related to the realization of the net deferred tax assets. The significant types of deferred tax assets are primarily attributable to current and prior years' net operating losses (NOLs) tax over book basis in the film library and investment in partnership. The federal NOLs are carried forward indefinitely and the use of NOLs is limited to 80% of taxable income for losses from tax years beginning after December 31, 2017. Federal NOLs for 2019, are $44,883, and total accumulated federal NOLs as of December 31, 2019, amounted to $449,723. Federal NOLs for 2020, are estimated to be approximately $48,945. Federal net operating losses will begin to expire in 2033. State net operating losses will vary and begin expiring 2023.

In accordance with ASC 740, *Income Taxes*, the Company evaluates its deferred income taxes to determine if valuation allowances are required or should be adjusted. ASC 740 requires that companies assess whether valuation allowances should be established against their deferred tax assets based on a consideration of all available evidence, both positive and negative, using a "more-likely-than-not" standard. This assessment considers, among other matters, the nature, frequency, and severity of recent losses and forecasts of future profitability. In making such judgments, significant weight is given to evidence that can be objectively verified. After analyzing these factors, in light of the cumulative losses in recent periods and the Company's substantial doubt about its ability to continue as a going concern, the Company has concluded there is insufficient assurance of future sources of taxable income to realize the benefit of the net deferred tax assets.

Pursuant to Section 382 of the Internal Revenue Code, the Company underwent an ownership change for tax purposes (i.e., a more than 50% change in the equity ownership) on the March 29, 2011 emergence date from bankruptcy. As a result, the use of any of the Company's NOL carryforwards and tax credits generated prior to the ownership change (that were not reduced pursuant to the provisions discussed in the preceding paragraph) will be subject to an annual limitation. To the extent there has been an additional change or there are future changes in the Company's equity ownership, Section 382 limitations are likely to be applicable and could limit the amount of NOLs, tax credits, and certain tax deductions that can be used in a given year.

The Company follows the provision of ASC 740-10, which prescribes a comprehensive model for the financial statement recognition, measurement, presentation, and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. For each tax position, an enterprise must determine whether it is more-likely than-not-that the position will be sustained upon examination based on the technical merits of the position, including resolution of any related appeals or litigation. A tax position that meets the more-likely-than-not recognition threshold is then measured to determine the amount of benefit to recognize within the consolidated financial statements. No benefits may be recognized for tax positions that do not meet the more-likely-than-not threshold. There were no unrecognized tax benefits recorded as of December 31, 2020 and 2019.

(In Thousands, except for share amounts)

Note 8 – Income Taxes (continued)

The Company files federal income tax returns in the U.S. and various states, local, and foreign income tax returns. The Company's federal and state years open to examination are 2017 and 2016, respectively.

Note 9 – Retirement Plan

The Company has a savings and investment plan (a 401(k) plan), which allows eligible employees to allocate up to 50% of their salary through payroll deductions. The Company matches 50% of employees' pre-tax contributions, up to plan limits. During the years ended December 31, 2020 and 2019, the Company matched 50% of employees' pre-tax contributions totaling approximately $132 and $57, respectively. The Company may make additional matching contributions of up to 50% at the discretion of its Board of Directors.

Note 10 – Commitments and Contingencies

The Company is involved in various legal proceedings and claims incidental to the normal conduct of its business. Although it is impossible to predict the outcome of any outstanding legal proceedings, the Company believes that such outstanding legal proceedings and claims, individually and in the aggregate, are not likely to have a material effect on its financial position or results of operations.

Lease commitments – The Company leases office facilities and various types of office equipment under non-cancelable operating leases. The leases expire at various dates through 2027, and some contain escalation clauses and renewal options. Rent expense amounted to approximately $1,042 and $1,062 for the years ended December 31, 2020 and 2019, respectively.

Future minimum annual rental commitments under the leases are as follows:

Years Ending December 31,		
2021	$	773
2022		808
2023		845
2024		883
2025		923
Thereafter		1,045
Total	$	5,277

Other commitments – The Company enters into production and other commitments that are customary in the ordinary course of business.

Note 10 – Commitments and Contingencies (continued)

Litigation – The Company from time to time may be involved in claims and legal proceedings in the ordinary course of its business. In the opinion of management, the Company is adequately insured against such claims and any ultimate liability arising from such proceedings will not have a material adverse effect on the financial condition, operations, or cash flows of the Company.

Exhibit 99.2

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On May 21, 2021, the Company consummated its acquisition of the principal assets of Sonar Entertainment, Inc. ("SEI") and certain of the direct and indirect subsidiaries of SEI (collectively, "Sonar"), pursuant to the terms of asset purchase agreement ("APA"), dated as of April 8, 2021, by and among the Company, Halcyon Television LLC, a Delaware limited liability company and wholly owned subsidiary of the Company ("Halcyon"), and with respect to certain provisions, Parkside Entertainment Inc., a Canadian company ("Parkside" and, collectively with the Company and Halcyon, the "CSSE Buyer"), on the one hand, and Sonar, on the other hand.

The Company believes that its acquisition of the Sonar assets (which we refer to as the "Sonar Transaction") accelerates the Company's strategy to build the leading independent AVOD streaming service in four key ways:

- expanding its original television content development pipeline;
- improving margins by increasing its IP rights ownership;
- accelerating the Company's ability to launch the Chicken Soup for the Soul branded AVOD network; and
- providing a faster path to growing the Company's international television production and distribution activities.

The Company will use the Sonar assets and other assets of the Company to form a new television studio to be called Halcyon, which will be headed by David Ellender. Ellender and his team have developed, produced, financed and distributed shows such as The Shannara Chronicles (MTV/Netflix), Taboo (BBC/FX), The Son (AMC), Mr. Mercedes (DirecTV), Das Boot (Sky Europe), Hunters (Amazon Prime), Alien Xmas (Netflix) and Mysterious Benedict Society (Disney+). The new Halcyon studio will continue developing and producing current and future high-caliber content for all platforms in the U.S. and internationally.

The Company's wholly owned subsidiary, Screen Media Ventures LLC, will distribute the extensive film and television library acquired by the Company in the Sonar Transaction. The acquired library consists of over 1,000 titles, totaling over 4,000 hours of programming, ranging from classic series such as Little Rascals, Laurel & Hardy and Blondie (produced by Hal Roach Studios) to acclaimed epic event mini-series such as Lonesome Dove and Dinotopia (produced by RHI, Robert Halmi International). Sonar's library titles have received 446 Emmy® Award nominations, 105 Emmy Awards®, 15 Golden Globe® Awards, and numerous Peabody, SAG, Christopher, and Genesis Awards.

In connection with the closing of the Sonar Transaction, the Company and certain of its subsidiaries entered into a $20 million secured credit facility with MidCap Financial Trust as agent and a lender, the proceeds of which were used, in part, to fund part of the initial $18.9 million purchase price for the Sonar assets pursuant to the APA. From time to time the Company will be required to pay additional purchase price based on the performance of the acquired assets, as prescribed by Section 3.1 of the APA.

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 Sonar Entertainment Inc. 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 Sonar 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 statements of operations of Chicken Soup for the Soul Entertainment for the three months ended March 31, 2021 and for the year ended December 31, 2020 give effect to the Sonar Transaction as if the transaction had been consummated on January 1, 2020. The unaudited pro forma condensed combined balance sheet information at March 31, 2021 has been prepared as if the transaction was consummated as of March 31, 2021.

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) consolidated statements of operations of Sonar Entertainment, Inc.

The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2020 were prepared utilizing the audited Sonar Entertainment, Inc. December 31, 2020 year-end financial statements. The unaudited pro forma condensed combined statements of operations for the three months ended March 31, 2021 were prepared utilizing the unaudited Sonar Entertainment, Inc. March 31, 2021 interim financial statements.

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, 2020, which have been filed with the Securities and Exchange Commission ("SEC"), and the audited historical financial statements as of and for the years ended December 31, 2020 and 2019 of Sonar Entertainment, Inc., 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 Sonar 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 Sonar 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 depict the accounting for the transaction ("Transaction Accounting Adjustments") and present the reasonably estimable synergies and other transaction effects that have occurred or are reasonably expected to occur.

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 the combined companies would have been had the Sonar Transaction occurred on the date assumed or any other date, nor is it necessarily indicative of the combined company'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 Sonar 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 Sonar Entertainment, Inc's net assets, which could result in materially different fair values of acquired assets and liabilities;

- changes in Sonar Entertainment, Inc's net assets between the pro forma balance sheet as of March 31, 2021 and the closing of the Transaction, which could impact the estimated fair values as of the consummation of the Sonar Transaction;

- the impact of our streamlining of the combined company's operations.

Chicken Soup for the Soul Entertainment, Inc.
Pro Forma Condensed Combined Balance Sheet
As of March 31, 2021
(unaudited)

	CSSE	Sonar Entertainment (1)	Transaction Accounting Adjustments	Notes	Pro forma Combined
ASSETS					
Cash and cash equivalents	$ 24,569,875	$ 1,211,131	(1,211,131)	**A**	$ 24,569,875
Accounts receivable, net	26,854,738	20,897,775	(1,107,615)	**A**	46,644,898
Prepaid expenses and other current assets	1,612,155	4,222	(4,222)	**A**	1,612,155
Goodwill	21,448,106	—	17,411,840	**B**	38,859,946
Indefinite lived intangible assets	12,163,943	—	—		12,163,943
Intangible assets, net	18,165,038	—	3,600,000	**B**	21,765,038
Film library, net	38,709,850	109,229,345	(96,229,345)	**A**	51,709,850
Due from affiliated companies	4,389,378	—	—		4,389,378
Programming costs and rights, net	13,841,702	—	—		13,841,702
Other assets, net	4,476,459	381,637	(381,637)	**A**	4,476,459
Total assets	$ 166,231,244	$ 131,724,110	$ (77,922,110)		$ 220,033,244
LIABILITIES AND EQUITY					
9.50% Notes due 2025, net	$ 31,196,356	$ —	$ —		$ 31,196,356
Revolving Loan	—	—	18,272,931	**C**	18,272,931
Film acquisition advance	6,195,174	—	—		6,195,174
Accounts payable and accrued other expenses	20,884,463	10,761,746	13,277,323	**D**	44,923,532
Film library acquisition obligations	14,854,918	—	—		14,854,918
Programming obligations	2,804,125	—	—		2,804,125
Accrued participation costs	7,529,515	11,956,562	(11,956,562)	**D**	7,529,515
Other liabilities	2,767,892	753,202,596	(753,202,596)	**E**	2,767,892
Total liabilities	86,232,443	775,920,904	(733,608,904)		128,544,443
Commitments and contingencies					
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; 3,698,318 and 2,098,318 shares issued and outstanding, respectively; redemption value of $92,457,950 and $52,457,950, respectively	370	—	—		370
Class A common stock, $.0001 par value, 70,000,000 shares authorized; 6,400,766 and 5,157,053 shares issued, 6,326,531 and 5,082,818 shares outstanding, respectively	640	—	—		640
Class B common stock, $.0001 par value, 20,000,000 shares authorized; 7,654,506 shares issued and outstanding, respectively	766	—	—		766
Net parent investment	—	(644,196,794)	644,196,794	**F**	—
Additional paid-in capital	166,865,655	—	—		166,865,655
Deficit	(86,235,901)	—	—		(86,235,901)
Class A common stock held in treasury, at cost (74,235 shares)	(632,729)	—	—		(632,729)
Total stockholders' equity	79,998,801	(644,196,794)	644,196,794		79,998,801
Subsidiary noncontrolling interests	—	—	11,490,000	**G**	11,490,000
Total equity	79,998,801	(644,196,794)	655,686,794		91,488,801
Total liabilities and equity	$ 166,231,244	$ 131,724,110	$ (77,922,110)		$ 220,033,244

(1) Certain reclassifications were made to conform to CSSE's 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
As of December 31, 2020
(unaudited)

	CSSE	Sonar Entertainment [1]	Transaction Accounting Adjustments	Notes	Pro forma Combined
Net revenue	$ 66,356,956	$ 17,313,758	$ —		$ 83,670,714
Cost of revenue	52,139,819	15,589,949	—		67,729,768
Gross profit	14,217,137	1,723,809	—		15,940,946
Operating expenses:					
Selling, general and administrative	31,573,368	9,367,203	(4,739,932)	**H**	36,200,639
Amortization and depreciation	16,291,327	103,886	616,114	**I**	17,011,327
Impairment of content assets	3,973,878	28,339,105	(28,339,105)	**J**	3,973,878
Management and license fees	6,635,696	—	1,731,376	**K**	8,367,072
Total operating expenses	58,474,269	37,810,194	(30,731,547)		65,552,916
Operating loss	(44,257,132)	(36,086,385)	30,731,547		(49,611,970)
Interest expense	2,222,106	73,219,382	(72,294,368)	**L**	3,147,120
Loss on extinguishment of debt	169,219	—	—		169,219
Acquisition-related costs	98,926	—	—		98,926
Other non-operating income, net	(6,254,205)	15,452	(15,452)	**M**	(6,254,205)
Loss before income taxes, foreign currency translation and preferred dividends	(40,493,178)	(109,321,219)	103,041,367		(46,773,030)
Provision for income taxes	99,000	92,871	—		191,871
Foreign currency translation adjustments	—	(314,000)	—		(314,000)
Net loss before noncontrolling interests and preferred dividends	(40,592,178)	(109,100,090)	103,041,367		(46,650,901)
Net loss attributable to noncontrolling interests	(182,201)	—	—		(182,201)
Net loss attributable to Chicken Soup for the Soul Entertainment, Inc.	(40,409,977)	(109,100,090)	103,041,367		(46,468,700)
Less: preferred dividends	4,142,376	—	—		4,142,376
Net loss available to common stockholders	$ (44,552,353)	$ (109,100,090)	$ 103,041,367		$ (50,611,076)
Net loss per common share:					
Basic and diluted	$ (3.62)				$ (4.11)
Weighted-average common shares outstanding:					
Basic and diluted	12,301,185				12,301,185

(1) Certain reclassifications were made to conform to CSSE's 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
As of March 31, 2021
(unaudited)

	CSSE	Sonar Entertainment (1)	Transaction Accounting Adjustments	Notes	Pro forma Combined
Net revenue	$ 23,196,842	$ 4,999,708	$ —		$ 28,196,550
Cost of revenue	16,242,934	3,638,690	—		19,881,624
Gross profit	6,953,908	1,361,018	—		8,314,926
Operating expenses:					
Selling, general and administrative	9,234,819	2,509,614	(63,882)	**N**	11,680,551
Amortization and depreciation	1,238,027	—	180,000	**O**	1,418,027
Management and license fees	2,319,684	—	499,971	**P**	2,819,655
Total operating expenses	12,792,530	2,509,614	616,089		15,918,233
Operating loss	(5,838,622)	(1,148,596)	(616,089)		(7,603,307)
Interest expense	1,087,944	17,852,343	(17,635,352)	**Q**	1,304,935
Other non-operating income, net	(570)	(340)	340	**R**	(570)
Loss before income taxes and preferred dividends	(6,925,996)	(19,000,599)	17,018,923		(8,907,672)
Provision for income taxes	14,000	6,047	—		20,047
Net loss before noncontrolling interests and preferred dividends	(6,939,996)	(19,006,646)	17,018,923		(8,927,719)
Net loss attributable to noncontrolling interests	—	—	—		—
Net loss attributable to Chicken Soup for the Soul Entertainment, Inc.	(6,939,996)	(19,006,646)	17,018,923		(8,927,719)
Less: preferred dividends	2,253,385	—	—		2,253,385
Net loss available to common stockholders	$ (9,193,381)	$ (19,006,646)	$ 17,018,923		$ (11,181,104)
Net loss per common share:					
Basic and diluted	$ (0.67)				$ (0.82)
Weighted-average common shares outstanding:					
Basic and diluted	13,635,759				13,635,759

(1) Certain reclassifications were made to conform to CSSE's financial statement presentation.

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 depict the accounting for the transaction (“Transaction Accounting Adjustments”) and present the reasonably estimable synergies and other transaction effects that have occurred or are reasonably expected to occur.

The Sonar 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 assets acquired and liabilities assumed as a result of the transaction.

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 Sonar transaction which depict the accounting for the transaction (“Transaction Accounting Adjustments”) and present the reasonably estimable synergies and other transaction effects that have occurred or are reasonably expected to occur.

Note 2 – Preliminary Purchase Price Allocation

The following table reconciles the preliminary purchase price for the Sonar Transaction to the amount allocated, on a preliminary basis to the estimated fair values of the assets acquired and retained:

Purchase Price Consideration Allocation:

Initial Purchase Price		18,902,000
Fair Value of Additional Purchase Price – Library Account Receivable		1,580,000
Fair Value of Additional Purchase Price – Contracted TV Cash Flow		13,700,000
Fair Value of Additional Purchase Price – % of Film Cash Flow		630,000
Fair Value of Additional Purchase Price – % of Non-TV Business Cash Flow		2,300,000
Fair Value of Additional Purchase Price – Development Slate Cash Flow		5,200,000
Fair Value of Additional Purchase Price – CSS AVOD Equity Put		11,490,000
Total Estimated Purchase Price	**$**	**53,802,000**

Based on the terms of the APA, the Company estimated the fair value of the Additional Purchase Price components based on, but not limited to, expected future collection of receivables, expected future revenue and cash flows, expected growth rates, and estimated discount rates.

The Additional Purchase Price pursuant to Section 3.1.6 of the Asset Purchase Agreement included a 5% interest in CSS AVOD and a Put Option that requires CSSE to purchase the shares of CSS AVOD, Inc. (5.0% of the entity) from the Seller for $11,500,000. The fair value of the 5.0% interest in CSS AVOD, Inc. was estimated based on expected future cash flows. The Put Option was valued by the Company via a Black-Sholes valuation model assuming an initial price of $125,000, a strike price of $11,500,000, volatility of 100.0% and term of 1.5 years.

The Company has performed a preliminary valuation analysis of the fair market value of the Sonar 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 in the Sonar transaction:

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

Accounts Receivable		19,790,160
Film Library		13,000,000
Distribution Network		3,600,000
Goodwill		17,411,840
Total Estimated Purchase Price	**$**	**53,802,000**

In estimating the fair value of the acquired assets, 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 long-term assets represents the estimated fair values of the Film Library (Owned and Licensed Content) and Distribution Network. These long-lived assets are being amortized on a film forecast amortization basis (Film Library) and straight-line basis (Distribution Network Intangible Asset) over their estimated useful lives. 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 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 $17,411,840 million of goodwill in connection with the Sonar 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 in the Sonar Transaction from the preliminary valuations presented would result in a dollar-for-dollar corresponding increase in the amount of goodwill resulting from the transaction. In addition, if the value of the other long-term 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 “Transaction Adjustments” in the Pro Forma Condensed Combined Balance Sheet as of March 31, 2021 which assume the transaction occurred as of March 31, 2021 consist of the following:

A	Represents adjustment to Balance Sheet Assets to reflect total assets acquired as a part of the Sonar transaction.		
	Cash and cash equivalents	$	(1,211,131)
	Accounts receivable, net		(1,107,615)
	Prepaid expenses and other current assets		(4,222)
	Film library, net		(96,229,345)
	Other assets, net		(381,637)
	Total adjustments	$	(98,933,950)
B	Represents adjustment to record Goodwill resulting from the Sonar Transaction business combination.	$	17,411,840
	Adjustment to record Definite lived Intangible Assets resulting from the business combination with useful lives of 5-7 years.		3,600,000
	Total adjustments to Goodwill and Intangible Assets:	$	21,011,840
C	Represents adjustment to record Revolving Loan related to the $20 million secured credit facility with MidCap Financial Trust entered into as a result of the acquisition of Sonar Entertainment.	$	18,272,931
D	Represents adjustment to Balance Sheet liabilities to eliminate liabilities not assumed and liabilities resulting as a part of the Sonar transaction.		
	Accounts payable and accrued other expenses	$	13,277,323
	Accrued participation costs		(11,956,562)
	Total adjustments	$	1,320,761
E	Represents adjustment to eliminate Sonar Entertainment related party loan not applicable to the acquisition or ongoing business.	$	(753,202,596)
F	Represents adjustment to eliminate Sonar Entertainment parent investment not applicable to the Sonar transaction and ongoing business.	$	644,196,794
G	Represents adjustment to record sellers 5% noncontrolling interest investment in CSS AVOD, Inc. made as a part of the acquisition.	$	11,490,000

Note 4 – Unaudited Pro Forma Condensed Combined Statement of Operations Adjustments for the Year Ended December 31, 2020

Adjustments included in the column under the heading “Transaction Adjustments” in the Unaudited Condensed Combined Statement of Operations for the year ended December 31, 2020, which assume the transaction occurred as of January 1, 2020 consist of the following:

H	Represents adjustment to eliminate historical nonrecurring Sonar Entertainment costs included on the financial statements of the company not directly attributable to the transaction including professional, legal and other overhead expenses.	$	(4,739,932)
I	Represents adjustment to eliminate fixed asset depreciation related to fixed assets not directly attributable to the transaction.	$	(103,886)
	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.		720,000
		$	616,114
J	Represents adjustment to eliminate content asset impairment expense as it is not applicable to the transaction or ongoing business.	$	(28,339,105)
K	Represents adjustment to record additional management and license fees to be owed to affiliated company based on revenues earned under existing management & licensing agreements.	$	1,731,376
L	Represents adjustment to eliminate interest expense related to Sonar Entertainment debt facilities, as the debt was not assumed as part of the business combination.	$	(73,219,382)
	Represents adjustment to increase accrued Interest expenses related to MidCap Financial Trust revolving loan during the period.		925,014
			(72,294,368)
M	Represents adjustment to eliminate Sonar Entertainment non operating income not applicable to the transaction and ongoing business.	$	(15,452)

Note 5 – Unaudited Pro Forma Condensed Combined Statement of Operations Adjustments for the three months ended March 31, 2021

Adjustments included in the column under the heading "Transaction Adjustments" in the Unaudited Condensed Combined Statement of Operations for the three months ended March 31, 2021, which assume the transaction occurred as of January 1, 2020 consist of the following:

N	Represents adjustment to eliminate historical nonrecurring Sonar Entertainment costs included on the financial statements of the company not directly attributable to the transaction including professional, legal and other overhead expenses.	$	(63,882)
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.	$	180,000
P	Represents adjustment to record additional management and license fees to be owed to affiliated company based on revenues earned under existing management & licensing agreements.	$	499,971
Q	Represents adjustment to eliminate interest expense related to Sonar Entertainment debt facilities, as the debt was not assumed as part of the business combination.	$	(17,852,344)
	Represents adjustment to record interest expense on the revolving loan agreement entered by the Company directly related to the acquisition of Sonar Entertainment.		216,991
		$	(17,635,353)
R	Represents adjustment to eliminate Sonar Entertainment non operating income not applicable to the transaction and ongoing business.	$	340