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

(Mark One)

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

For the quarterly period ended June 30, 2022
OR

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

For the transition period from ______________ to
Commission File Number: 001-38125

CHICKEN SOUP FOR THE SOUL ENTERTAINMENT, INC.

(Exact name of registrant as specified in its charter)

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

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

Not Applicable
Former Name or Former Address, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock	CSSE	The Nasdaq Stock Market LLC
9.75% Series A Cumulative Redeemable Perpetual Preferred Stock	CSSEP	The Nasdaq Stock Market LLC
9.50% Notes Due 2025	CSSEN	The Nasdaq Stock Market LLC

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

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

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

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

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

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

The number of shares of Common Stock outstanding as of August 10, 2022 totaled 15,049,264 as follows:

Title of Each Class	
Class A Common Stock, $.0001 par value per share	7,394,758
Class B Common Stock, $.0001 par value per share*	7,654,506

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

Chicken Soup for the Soul Entertainment, Inc.
Table of Contents

PART I: FINANCIAL INFORMATION

Item 1: Financial Statements

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

	June 30, 2022 (unaudited)	December 31, 2021
ASSETS		
Cash, cash equivalents and restricted cash	$ 23,483,187	$ 44,286,105
Accounts receivable, net of allowance for doubtful accounts of $817,395, and $786,830, respectively	67,522,346	60,213,807
Prepaid expenses and other current assets	2,591,236	1,904,273
Operating lease right-of-use assets	10,900,297	—
Content assets, net	114,880,908	63,645,396
Intangible assets, net	17,827,323	18,035,091
Indefinite lived intangible assets	12,163,943	12,163,943
Goodwill	45,463,240	39,986,530
Other assets, net	5,441,580	5,190,954
Total assets	$ 300,274,060	$ 245,426,099
LIABILITIES AND EQUITY		
Accounts payable and accrued other expenses	$ 49,373,363	$ 34,984,226
Due to affiliated companies	3,145,536	489,959
Programming obligations	17,547,500	1,641,250
Film library acquisition obligations	38,738,033	24,673,866
Accrued participation costs	19,689,040	12,323,329
Film acquisition advances	19,121,686	6,196,909
Revolving loan	22,993,443	17,585,699
9.50% Notes due 2025, net of deferred issuance costs of $2,005,118 and $1,402,880, respectively	42,850,782	31,493,020
Contingent consideration	4,709,556	9,764,256
Put option obligation	11,400,000	11,400,000
Operating lease liabilities	12,724,357	—
Other liabilities	5,046,142	3,274,432
Total liabilities	247,339,438	153,826,946
Commitments and contingencies (Note 15)		
Equity		
Stockholders' Equity:		
Series A cumulative redeemable perpetual preferred stock, $.0001 par value, liquidation preference of $25.00 per share, 10,000,000 shares authorized; 3,943,148 and 3,698,318 shares issued and outstanding, respectively; redemption value of $98,578,700 and $92,457,950, respectively	394	370
Class A common stock, $.0001 par value, 140,000,000 shares authorized; 9,608,332 and 8,964,330 shares issued, 7,253,794 and 8,019,828 shares outstanding, respectively	964	899
Class B common stock, $.0001 par value, 20,000,000 shares authorized; 7,654,506 shares issued and outstanding, respectively	766	766
Additional paid-in capital	250,874,126	240,609,345
Deficit	(171,372,394)	(136,462,244)
Accumulated other comprehensive loss	(11,314)	571
Class A common stock held in treasury, at cost (2,354,538 and 944,502 shares, respectively)	(27,158,429)	(13,202,407)
Total stockholders' equity	52,334,113	90,947,300
Noncontrolling interests	600,509	651,853
Total equity	52,934,622	91,599,153
Total liabilities and equity	$ 300,274,060	$ 245,426,099

See accompanying notes to unaudited condensed consolidated financial statements.

Chicken Soup for the Soul Entertainment, Inc.
Condensed Consolidated Statements of Operations
(unaudited)

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Net revenue	$ 37,636,947	$ 22,134,934	$ 66,843,144	$ 45,331,776
Cost of revenue	31,596,524	15,433,719	54,171,932	31,676,653
Gross profit	6,040,423	6,701,215	12,671,212	13,655,123
Operating expenses:				
Selling, general and administrative	17,373,018	10,964,362	30,189,538	20,199,181
Amortization and depreciation	1,680,443	1,337,678	3,328,701	2,575,705
Management and license fees	3,763,695	2,213,493	6,684,315	4,533,177
Total operating expenses	22,817,156	14,515,533	40,202,554	27,308,063
Operating loss	(16,776,733)	(7,814,318)	(27,531,342)	(13,652,940)
Interest expense	2,022,770	1,141,044	3,333,229	2,228,988
Other non-operating income, net	(279,405)	(144,569)	(481,197)	(145,139)
Loss before income taxes and preferred dividends	(18,520,098)	(8,810,793)	(30,383,374)	(15,736,789)
Provision for income taxes	14,000	15,000	34,000	29,000
Net loss before noncontrolling interests and preferred dividends	(18,534,098)	(8,825,793)	(30,417,374)	(15,765,789)
Net loss attributable to noncontrolling interests	(142,350)	—	(180,735)	—
Net loss attributable to Chicken Soup for the Soul Entertainment, Inc.	(18,391,748)	(8,825,793)	(30,236,639)	(15,765,789)
Less: preferred dividends	2,391,442	2,253,385	4,673,511	4,506,770
Net loss available to common stockholders	$ (20,783,190)	$ (11,079,178)	$ (34,910,150)	$ (20,272,559)
Net loss per common share:				
Basic and diluted	$ (1.39)	$ (0.79)	$ (2.30)	$ (1.46)
Weighted-average common shares outstanding:				
Basic and diluted	14,950,458	14,059,211	15,152,222	13,848,655

See accompanying notes to unaudited condensed consolidated financial statements.

Chicken Soup for the Soul Entertainment, Inc.
Condensed Consolidated Statements of Comprehensive Loss
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Net loss	$ (18,534,098)	$ (8,825,793)	$ (30,417,374)	$ (15,765,789)
Other comprehensive income (loss):				
Foreign currency translation adjustments	(25,008)	—	(26,612)	—
Comprehensive loss attributable to noncontrolling interests	13,712	—	14,727	—
Comprehensive loss	$ (18,545,394)	$ (8,825,793)	$ (30,429,259)	$ (15,765,789)

See accompanying notes to unaudited condensed consolidated financial statements.

Chicken Soup for the Soul Entertainment, Inc
Condensed Consolidated Statements of Stockholders' Equity
(unaudited)

	Preferred Stock		Common Stock				Additional			Accumulated		
			Class A		Class B		Paid-In		Treasury	Other Comprehensive	Noncontrolling	
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Capital	Deficit	Stock	Income (Loss)	Interests	Total
Balance, December 31, 2021 (audited)	**3,698,318**	**$ 370**	**8,964,330**	**$ 899**	**7,654,506**	**$ 766**	**$ 240,609,345**	**$ (136,462,244)**	**$ (13,202,407)**	**$ 571**	**$ 651,853**	**$ 91,599,153**
Share based compensation - stock options							933,047					933,047
Share based compensation - common stock							63,750					63,750
Issuance of preferred stock, net	52,060	5					1,288,734					1,288,739
Purchase of treasury stock									(8,584,102)			(8,584,102)
Acquisition of subsidiary noncontrolling interest			84,000	8			(2,200,008)					(2,200,000)
Locomotive business combination											144,118	144,118
1091 business combination	80,000	8	375,000	38			5,283,705					5,283,751
Net income attributable to noncontrolling interest											(38,385)	(38,385)
Other comprehensive loss, net										(1,604)		(1,604)
Comprehensive loss attributable to noncontrolling interests										1,015	(1,015)	—
Dividends on preferred stock								(2,282,069)				(2,282,069)
Net loss								(11,844,891)				(11,844,891)
Balance, March 31, 2022	**3,830,378**	**$ 383**	**9,423,330**	**$ 945**	**7,654,506**	**$ 766**	**$ 245,978,573**	**$ (150,589,204)**	**$ (21,786,509)**	**$ (18)**	**$ 756,571**	**$ 74,361,507**
Share based compensation - stock options							894,108					894,108
Share based compensation - common stock							63,750					63,750
Issuance of preferred stock, net	112,770	11					2,727,469					2,727,480
Issuance of common stock			155,871	16			1,120,403					1,120,419

Common stock issued under employee stock purchase plan			12,133	1			89,825					89,826
Shares issued to directors			16,998	2			(2)					—
Purchase of treasury stock									(5,371,920)			(5,371,920)
Net income attributable to noncontrolling interest											(142,350)	(142,350)
Other comprehensive loss, net										(25,008)		(25,008)
Comprehensive loss attributable to noncontrolling interests										13,712	(13,712)	—
Dividends on preferred stock								(2,391,442)				(2,391,442)
Net loss								(18,391,748)				(18,391,748)
Balance, June 30, 2022	**3,943,148**	**$ 394**	**9,608,332**	**$ 964**	**7,654,506**	**$ 766**	**$ 250,874,126**	**$ (171,372,394)**	**$ (27,158,429)**	**$ (11,314)**	**$ 600,509**	**$ 52,934,622**

See accompanying notes to unaudited condensed consolidated financial statements.

	Preferred Stock		Common Stock									
			Class A		Class B		Additional			Subsidiary convertible		
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Paid-In Capital	Deficit	Treasury Stock	Preferred Stock	Noncontrolling Interests	Total
Balance, December 31, 2020 (audited)	**2,098,318**	**$ 210**	**5,157,053**	**$ 516**	**7,654,506**	**$ 766**	**$ 106,425,548**	**$ (77,247,982)**	**$ (632,729)**	**$ 36,350,000**	**$ 205,462**	**$ 65,101,791**
Share based compensation - stock options							200,594					200,594
Share based compensation - common stock							31,250					31,250
Issuance of common stock			1,122,727	112			23,858,435					23,858,547
Stock options exercised			77,415	8			(8)					—
Warrant exercises - Class W and Z			43,571	4			(4)					—
Issuance of preferred stock, net	1,600,000	160					36,349,840			(36,350,000)		—
Dividends on preferred stock								(2,253,385)				(2,253,385)
Elimination of noncontrolling interests								205,462			(205,462)	—
Net loss								(6,939,996)				(6,939,996)
Balance, March 31, 2021	**3,698,318**	**$ 370**	**6,400,766**	**$ 640**	**7,654,506**	**$ 766**	**$ 166,865,655**	**$ (86,235,901)**	**$ (632,729)**	**$ —**	**$ —**	**$ 79,998,801**
Share based compensation - stock options							200,594					200,594
Share based compensation - common stock							31,250					31,250
Issuance of common stock			26,000	3			952,263					952,266
Stock options exercised			282,360	28			2,123,757					2,123,785
Warrant exercises - Class W and Z			64,400	6			267,159					267,165
Shares issued to directors			2,290	1			(1)					—
Sonar business combination											100,000	100,000

Dividends on preferred stock								(2,253,385)				(2,253,385)
Net loss								(8,825,793)				(8,825,793)
Balance, June 30, 2021	**3,698,318**	**$ 370**	**6,775,816**	**$ 678**	**7,654,506**	**$ 766**	**$ 170,440,677**	**$ (97,315,079)**	**$ (632,729)**	**$ —**	**$ 100,000**	**$ 72,594,683**

See accompanying notes to unaudited condensed consolidated financial statements.

Chicken Soup for the Soul Entertainment, Inc
Condensed Consolidated Statements of Cash Flows
(unaudited)

	Six months ended June 30, 2022	Six months ended June 30, 2021
Cash flows from Operating Activities:		
Net loss	$ (30,417,374)	$ (15,765,789)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based compensation	1,954,655	463,688
Content asset amortization	15,145,637	16,687,920
Amortization of deferred financing costs	366,748	212,122
Amortization and depreciation of intangibles, property and equipment	5,044,338	3,342,371
Bad debt and video return expense	1,274,127	1,602,049
Changes in operating assets and liabilities:		
Trade accounts receivable	(3,905,533)	(3,075,796)
Prepaid expenses and other assets	(1,339,116)	(602,516)
Content assets	(58,810,149)	(41,988,250)
Accounts payable, accrued expenses and other payables	8,406,731	41,219
Film library acquisition and programming obligations	29,970,417	9,312,097
Accrued participation costs	7,365,711	12,204,737
Other liabilities	2,145,770	667,588
Net cash used in operating activities	(22,798,038)	(16,898,560)
Cash flows from Investing Activities:		
Expenditures for property and equipment	(1,254,747)	(527,752)
Business combination, net of cash acquired	(6,672,474)	(19,416,449)
Decrease in due from affiliated companies	—	4,943,153
Net cash (used in) provided by investing activities	(7,927,221)	(15,001,048)
Cash flows from Financing Activities:		
Principal payments on debt	(179,996)	(5,716,123)
Repurchase of common stock	(13,956,022)	—
Payment of contingent consideration	(5,054,700)	—
Acquisition of subsidiary noncontrolling interest	(750,000)	—
Proceeds from revolving loan, net	5,406,518	18,272,931
Proceeds from 9.50% notes due 2025, net	11,094,946	—
Proceeds from film acquisition advance	10,129,999	—
Proceeds from issuance of Class A common stock	1,120,419	24,810,813
Proceeds from issuance of Series A preferred stock, net	4,016,219	—
Proceeds from issuance of common stock under ESPP	89,826	—
Proceeds from exercise of stock options and warrants	—	2,385,325
Increase in due to affiliated companies	2,655,577	—
Dividends paid to preferred stockholders	(4,623,833)	(4,181,810)
Net cash provided by financing activities	9,948,953	35,571,136
Effect of foreign exchanges on cash, cash equivalents and restricted cash	(26,612)	—
Net (decrease) increase in cash, cash equivalents and restricted cash	(20,802,918)	3,671,528
Cash, cash equivalents and restricted cash at beginning of period	44,286,105	14,732,726
Cash, cash equivalents and restricted cash at end of the period	$ 23,483,187	$ 18,404,254
Supplemental data:		
Cash paid for interest	$ 2,634,140	$ 2,437,623
Non-cash investing activities:		
Property and equipment in accounts payable and accrued expenses	$ 180,764	$ 327,460
Non-cash financing activities:		
Class A common stock and additional consideration for acquisition of noncontrolling interest	$ 2,228,680	$ —
Non-cash film acquisition advance	$ 2,876,000	$ —
Preferred stock issued for Crackle Plus acquisition	$ —	$ 40,000,000

See accompanying notes to unaudited condensed consolidated financial statements.

Chicken Soup for the Soul Entertainment, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 1 – Description of the Business

Chicken Soup for the Soul Entertainment, Inc. is a Delaware corporation formed on May 4, 2016, and is a leading streaming video-on-demand (VOD) company. We operate Crackle Plus, a portfolio of ad-supported streaming services, as well as Screen Media, Halcyon Television, the newly formed Chicken Soup for the Soul Television Group, and a number of affiliates that collectively enable us to acquire, produce, co-produce and distribute content, including our original and exclusive content, all in support of our streaming services. References to “CSSE,” the “Company,” “we,” “us” and “our” refer to Chicken Soup for the Soul Entertainment, Inc. and its consolidated subsidiaries, unless the context otherwise requires.

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

Financial Condition and Liquidity

As of June 30, 2022, the Company has a deficit of $171,372,394 and for the three and six months ended June 30, 2022, the Company had a net loss attributable to common stockholders of $20,783,190 and $34,910,150, respectively. On August 11, 2022, the Company closed its merger with Redbox Entertainment Inc. (“Redbox”). See Note 18 *Subsequent Events* for additional information.

The Company believes that with the cash on hand, together with equity and debt offerings, and film financings, if necessary, will be sufficient to meet the Company’s operational cash requirements, programming commitments, debt service requirements (i.e., principal and interest payments) and dividend payments of the preferred stock for the next twelve months and the foreseeable future. The Company monitors cash flow liquidity, availability, capital base, operational spending and leverage ratios to ensure the Company maintains its credit worthiness.

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies

The accompanying interim condensed consolidated financial statements of Chicken Soup for the Soul Entertainment, Inc. have been prepared in conformity with accounting principles generally accepted in the United States and are consistent in all material respects with those applied in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021 filed with the Securities and Exchange Commission (the “SEC”) on March 31, 2022. These condensed consolidated financial statements are unaudited and have been prepared by the Company following the rules and regulations of the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted as permitted by such rules and regulations; however, the Company believes the disclosures are adequate to make the information presented not misleading.

The interim financial information is unaudited, but reflects all normal recurring adjustments that are, in the opinion of management, necessary to fairly present the information set forth herein. The interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021. Interim results are not necessarily indicative of the results for a full year. Certain prior year amounts have been reclassified to conform to the current year presentation.

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant items subject to such estimates and assumptions include revenue recognition, estimated film ultimate revenues, allowance for doubtful accounts, intangible assets, share-based compensation expense, valuation allowance for

Chicken Soup for the Soul Entertainment, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

deferred income taxes and amortization of programming and film library costs. The Company bases its estimates on historical experience and on various other assumptions that the Company believes to be reasonable under the circumstances. On a regular basis, the Company evaluates the assumptions, judgments and estimates. Actual results may differ from these estimates.

There have been no material changes in the Company's significant accounting policies as compared to the significant accounting policies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, except for the adoption of ASU 2016-02, Leases (Topic 842) as further described in Note 3.

Cash and Cash Equivalents

Cash and cash equivalents includes restricted cash of $484,297 at June 30, 2022 and $1,552,052 at December 31, 2021.

Note 3 – Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under current GAAP. ASU 2016-02 requires that a lessee should recognize a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term on the balance sheet. ASU 2016-02 was effective for public companies' fiscal years beginning after December 15, 2018 (including interim periods within those periods) using a modified retrospective approach. Because the Company is an emerging growth company, the Company adopted the new lease accounting standard by applying the new lease guidance at the adoption date on January 1, 2022, and as allowed under the standard, elected not to restate comparative periods. As of January 1, 2022, in connection with the adoption of the new lease accounting standard, the Company recorded an operating lease right-of-use asset totaling $8,612,596 with a corresponding lease liability totaling $9,991,977. Refer to Note 10, Leases, for further details on our adoption of the new standard.

In March 2020, FASB issued Accounting Standards Update ("ASU") No. 2020-04, "Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The amendments in this update provide optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The amendments in this update apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022. The Company adopted ASU-2020-04 in the second quarter of 2021 on a prospective basis and will apply this guidance as contracts are modified through December 2022. The adoption did not have an immediate direct impact on our financial statements. We do not expect there to be a material impact on our financial statements.

Recently Issued Accounting Standards

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"), which requires an entity to assess impairment of its financial instruments based on its estimate of expected credit losses. Since the issuance of ASU 2016-13, the FASB released several amendments to improve and clarify the implementation guidance. The provisions of ASU 2016-13 and the related amendments are effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2022 (fiscal year 2023 for the Company). Entities are required to apply these changes through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The

Company does not expect the adoption of the amendments to have a material impact on its consolidated financial statements.

In October 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU 2021-08") 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which requires an acquirer in a business combination to recognize and measure contract assets and contract liabilities in accordance with Accounting Standards Codification Topic 606, Revenue from Contracts with Customers. The Company does not expect the adoption of the amendments to have a material impact on its consolidated financial statements.

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

Note 4 – Business Combinations

1091 Pictures Acquisition

On March 4, 2022, the Company consummated its acquisition of certain of the assets of 1091 Media, LLC, including all of the outstanding equity of its operating subsidiary, TOFG LLC, which does business under the name 1091 Pictures ("1091 Pictures"). 1091 Pictures provides full-service distribution services to film and series owners, including access to platforms that reach more than 100 countries, and related marketing support, and has a library of approximately 4,000 licensed films and television shows. The Company paid consideration of $13,283,750 through the payment of $8,000,000 in cash, the issuance of 375,000 shares of the Company's Class A common stock and the issuance of 80,000 shares of the Company's Series A preferred stock.

The Company has allocated the purchase price to the identifiable net assets acquired, including intangible assets and liabilities assumed, based on the estimated fair values at the date of acquisition. The excess of the purchase price over the amount allocated to the identifiable assets and liabilities was recorded as goodwill.

Chicken Soup for the Soul Entertainment, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

The purchase price allocation is preliminary and subject to change up to one year after the date of acquisition and could result in changes to the amounts recorded below. The preliminary allocation of the purchase price to the fair values of the assets acquired and liabilities assumed at the date of the acquisition was as follows:

Accounts receivable, net	$ 4,677,133
Content assets	4,695,000
Other assets	49,348
Intangibles	2,810,000
Total identifiable assets acquired	12,231,481
Accounts payable and accrued expenses	129,244
Revenue share payable	1,623,177
Accrued third party share	3,999,544
Total liabilities assumed	5,751,965
Net identifiable assets acquired	6,479,516
Goodwill	5,476,710
Net assets acquired	$ 11,956,226

Cash consideration	$ 8,000,000
Equity consideration - Class A common stock	3,303,750
Equity consideration - Series A Preferred Stock	1,980,000
Purchase price consideration	13,283,750
Less: cash acquired	(1,327,524)
Total Estimated Purchase Price	$ 11,956,226

The $2,810,000 of acquired intangibles represents the estimated fair value of the quality control certification process, trademarks, technology and noncompete agreements. These definite lived intangible assets are being amortized on a straight-line basis over there estimated useful life of 24 to 36 months.

Sonar Acquisition

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”). Sonar is an award-winning independent television studio that owns, develops, produces, finances and distributes content for global audiences. In consideration for the assets purchased from Sonar (“Purchased Assets”), the Company paid to Sonar an initial cash purchase price of $18,902,000 and from time to time will be required to pay additional purchase price based on the performance of the acquired assets.

During the 18-month period following the closing, the Company has the right (the “Buyout Option”), exercisable upon written notice to Sonar during such period, to buy out all future entitlements (i.e., additional purchase price and other entitlements not yet due and payable to Sonar as of the date of such notice) in exchange for a one-time payment to Sonar. In connection with the transaction, the Company formed a new subsidiary, CSS AVOD Inc., and issued shares of common stock, representing 5% of the after-issued equity of CSS AVOD, to MidCap Financial Trust, as Agent. At any time during the three-year period immediately following the 18-month anniversary of the asset purchase agreement closing, MidCap, as Agent, shall have the right upon 60 days’ prior written notice to CSSE to require CSSE to purchase such CSS AVOD Shares for $11,500,000 (“Put Election”).

Chicken Soup for the Soul Entertainment, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

The Sonar acquisition was accounted for as a purchase of a business in accordance with ASC 805 and the aggregate purchase price consideration of $53,812,000 has been allocated to the assets acquired and liabilities assumed, based on the estimated fair values at the date of acquisition. The excess of the purchase price over the amount allocated to the identifiable assets and liabilities was recorded as goodwill.

The allocation of the purchase price to the fair values of the assets acquired assumed at the date of the acquisition was as follows:

	May 21, 2021
Accounts receivable, net	$ 17,373,257
Film library	13,000,000
Intangible asset	3,600,000
Total identifiable assets acquired	33,973,257
Goodwill	19,838,743
Net assets acquired	$ 53,812,000

The amount related to the acquired intangible asset represent the estimated fair value of the distribution network. This definite lived intangible asset is being amortized on a straight-line basis over its estimated useful life of 36 months.

Goodwill was 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 fair values of assets acquired were based upon valuations performed by independent third party valuation experts.

Cash	$ 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	11,500,000
Total Estimated Purchase Price	$ 53,812,000

Based on the terms of the asset purchase agreement, 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 included a 5% interest in CSS AVOD and a Put Option that requires the Company to purchase the shares of CSS AVOD, Inc. (5.0% of the entity) from the investor 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.

Chicken Soup for the Soul Entertainment, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

The following tables illustrates the stand-alone financial performance attributable to acquisitions included in the Company's condensed consolidated statement of operations:

	Three Months Ended June 30, 2022		
	Sonar	Other	Total
Net revenue	$ 6,875,499	$8,324,514	$ 15,200,013
Net income (loss)	$ 3,539,177	$(364,267)	$ 3,174,910

	Six Months Ended June 30, 2022		
	Sonar	Other	Total
Net revenue	$ 14,067,201	$12,703,090	$ 26,770,291
Net income (loss)	$ 6,860,148	$(232,170)	$ 6,627,978

Note 5 – Revenue Recognition

The following table disaggregates our revenue by source:

	Three Months Ended June 30,			
	2022	% of revenue	2021	% of revenue
Revenue:				
VOD and streaming	$ 29,510,365	78 %	$ 15,086,175	68 %
Licensing and other	8,126,582	22 %	7,048,759	32 %
Net revenue	$ 37,636,947	100 %	$ 22,134,934	100 %

	Six Months Ended June 30,			
	2022	% of revenue	2021	% of revenue
Revenue:				
VOD and streaming	$ 50,857,728	76 %	$ 28,977,124	64 %
Licensing and other	15,985,416	24 %	16,354,652	36 %
Net revenue	$ 66,843,144	100 %	$ 45,331,776	100 %

Chicken Soup for the Soul Entertainment, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

VOD and streaming

VOD and streaming revenue included in this revenue source is generated as the Company distributes and exhibits VOD content through the Crackle Plus network directly to consumers across all digital platforms, such as connected TV's, smartphones, tablets, gaming consoles and the web through our owned and operated AVOD or FAST channel networks. In addition, this revenue source includes third party streaming platform license revenues, including transactional video on demand (TVOD) revenues, AVOD or FAST channel revenue share or performance based revenue, SVOD, cable tv and barter syndication generated revenues. The Company generates VOD and streaming revenues for our VOD networks in three primary ways, selling advertisers product and content integrations and sponsorships related to our productions, selling advertisers the ability to present content to our viewers, often with fewer commercials, and selling advertisers video ad inventory on our VOD networks.

Licensing and other

Licensing and other revenue included in this revenue source is generated as the Company licenses movies and television series worldwide, through Screen Media Ventures and 1091 Pictures, through license agreements across channels, including theatrical and home video. Additionally, Licensing and other also includes the sale of content and content services revenue, including development, non-writing executive producer fees and production services.

For the three and six months ended June 30, 2022, total licensing revenues, including VOD and streaming, were $23,133,992 and $39,367,550, respectively.

For the three and six months ended June 30, 2021, total licensing revenues, including VOD and streaming, were $10,372,918 and $24,993,891, respectively.

Contract balances include the following:

	June 30, 2022	December 31, 2021
Accounts receivable, net	$ 28,100,328	$ 25,818,447
Contract assets (included in accounts receivable)	39,422,018	34,395,360
Total accounts receivable, net	$ 67,522,346	$ 60,213,807
Deferred revenue (included in other liabilities)	$ 3,210,083	$ 1,536,687

Chicken Soup for the Soul Entertainment, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 6 – Share-Based Compensation

Effective January 1, 2017, the Company adopted the 2017 Long Term Incentive Plan (the “Plan”) to attract and retain certain employees. The Plan provides for the issuance of up to 5,000,000 common stock equivalents, inclusive of an additional 2,500,000 shares authorized by the shareholders of the Company on June 30, 2022, subject to the terms and conditions of the Plan. The Plan generally provides for quarterly and bi-annual vesting over terms ranging from two to three years. The Company accounts for the Plan as an equity plan.

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

The compensation expense associated with these stock options is amortized on a straight-line basis over their respective vesting periods. For the three months ended June 30, 2022 and 2021, the Company recognized $894,108 and $200,594, respectively, and for the six months ended June 30, 2022 and 2021, the Company recognized $1,827,155 and $401,188, respectively, of non-cash share-based compensation expense in selling, general and administrative expenses in the condensed consolidated statements of operations.

Stock options activity as of June 30, 2022 is as follows:

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (Yrs.)	Aggregate Intrinsic Value
Outstanding at December 31, 2021	1,377,339	$ 16.13	3.37	$ 2,579,201
Granted	260,500	8.83		
Forfeited	(46,205)	19.28		
Exercised	—	—		
Expired	—	—		
Outstanding at June 30, 2022	1,591,634	$ 14.84	3.41	$ 21,200
Vested and exercisable at December 31, 2021	648,119	$ 11.64	2.77	$ 2,407,521
Vested and exercisable at June 30, 2022	818,766	$ 12.94	2.62	$ 6,250

As of June 30, 2022 the Company had unrecognized pre-tax compensation expense of $7,034,249 related to non-vested stock options under the Plan of which $1,806,670, $3,354,137, $1,769,214 and $104,228 will be recognized in 2022, 2023, 2024 and 2025, respectively.

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

	Six Months Ended June 30,	
Weighted Average Assumptions:	**2022**	**2021[(a)]**
Expected dividend yield	0.0 %	— %
Expected equity volatility	68.3 %	— %
Expected term (years)	5	—
Risk-free interest rate	2.62 %	— %
Exercise price per stock option	$ 8.83	$ —
Market price per share	$ 8.83	$ —
Weighted average fair value per stock option	$ 4.95	$ —

(a) There were no stock options granted during the six months ended June 30, 2021.

The risk-free rates are based on the implied yield available on U.S. Treasury constant maturities with remaining terms equivalent to the respective expected terms of the options.

The Company estimates expected terms for stock options awarded to employees using the simplified method in accordance with ASC 718, *Stock Compensation*, because the Company does not have sufficient relevant information to develop reasonable expectations about future exercise patterns. The Company estimates the expected term for stock options using the contractual term. Expected volatility is calculated based on the Company's peer group because the Company does not have sufficient historical data and will continue to use peer group volatility information until historical volatility of the Company is available to measure expected volatility for future grants.

The Company also awards common stock under the Plan to directors, employees and third-party consultants that provide services to the Company. The value is based on the market price of the stock on the date granted and amortized over the vesting period. For the three months ended June 30, 2022 and 2021, the Company recognized in selling, general and administrative expense, non-cash share-based compensation expense relating to common stock grants of $63,750 and $31,250, respectively. For the six months ended June 30, 2022 and 2021, the Company recognized in selling, general and administrative expense, non-cash share-based compensation expense relating to common stock grants of $127,500 and $62,500, respectively.

Chicken Soup for the Soul Entertainment, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 7 - Earnings Per Share

Basic earnings (loss) per share is computed based on the weighted average number of shares of common stock outstanding during the period. Diluted earnings (loss) per share is computed by dividing the net income (loss) available to common stockholders by the weighted-average number of common shares outstanding and potentially dilutive common shares outstanding during the period. Potentially dilutive common shares include stock options and warrants outstanding during the period, using the treasury stock method. Potentially dilutive common shares are excluded from the computations of diluted earnings per share if their effect would be anti-dilutive. A net loss available to common stockholders causes all potentially dilutive securities to be anti-dilutive and are not included.

Basic and diluted loss per share are computed as follows:

	Three Months Ended June 30,	
	2022	2021
Net loss available to common stockholders	$ (20,783,190)	$ (11,079,178)
Basic weighted-average common shares outstanding	14,950,458	14,059,211
Dilutive effect of options and warrants	—	—
Weighted-average diluted common shares outstanding	14,950,458	14,059,211
Basic and diluted loss per share	$ (1.39)	$ (0.79)
Anti-dilutive stock options and warrants	16,813	3,892,936

	Six Months Ended June 30,	
	2022	2021
Net loss available to common stockholders	$ (34,910,150)	$ (20,272,559)
Basic weighted-average common shares outstanding	15,152,222	13,848,655
Dilutive effect of options and warrants	—	—
Weighted-average diluted common shares outstanding	15,152,222	13,848,655
Basic and diluted loss per share	$ (2.30)	$ (1.46)
Anti-dilutive stock options and warrants	236,267	3,658,102

Chicken Soup for the Soul Entertainment, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 8 – Content Assets

Content assets consists of the following:

	June 30, 2022	December 31, 2021
Original productions:		
Programming costs released	$ 25,972,632	$ 25,669,921
In production	2,522,136	562,808
In development	7,435,383	6,662,591
Accumulated amortization [(a)]	(24,331,829)	(23,268,306)
Programming costs, net	11,598,322	9,627,014
Film library:		
Film library acquisition costs	177,516,509	134,463,191
Accumulated amortization [(b)]	(93,018,230)	(80,847,748)
Film library costs, net	84,498,279	53,615,443
Licensed program rights:		
Programming rights	21,502,362	1,209,362
Accumulated amortization	(2,718,055)	(806,423)
Programming rights, net	18,784,307	402,939
Content assets, net	$ 114,880,908	$ 63,645,396

(a) As of June 30, 2022 and December 31, 2021, accumulated amortization includes impairment expense of $8,262,663, respectively.

(b) As of June 30, 2022, and December 31, 2021, accumulated amortization includes impairment expense of $5,506,069, respectively.

Original productions programming costs consists primarily of episodic television programs which are available for distribution through a variety of platforms, including Crackle. Amounts capitalized include development costs, production costs and direct production overhead costs.

Film library consists primarily of the cost of acquiring film distribution rights and related acquisition costs.

Costs related to original productions and film library are amortized in the proportion that revenues bear to management's estimates of the ultimate revenues expected to be recognized from various forms of exploitation.

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

Amortization of content assets is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Original productions	$ 760,109	$ 712,043	$ 1,063,523	$ 2,917,904
Film library	7,807,244	6,840,009	12,170,482	13,743,925
Licensed program rights	1,700,052	1,340	1,911,632	26,091
Total content asset amortization	$ 10,267,405	$ 7,553,392	$ 15,145,637	$ 16,687,920

Chicken Soup for the Soul Entertainment, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

During the six months ended June 30, 2022 and 2021, the Company did not record any impairments related to content assets.

Note 9 - Intangible Assets

Intangible assets, net, consists of the following:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
June 30, 2022:			
Crackle Plus content rights	$ 1,708,270	$ 1,708,270	$ —
Crackle Plus brand value	18,807,004	8,395,984	10,411,020
Crackle Plus partner agreements	4,005,714	2,503,571	1,502,143
Distribution network	3,600,000	1,300,000	2,300,000
Locomotive contractual rights	1,500,986	352,382	1,148,604
1091 intangible assets	2,810,000	344,444	2,465,556
Total	$ 32,431,974	$ 14,604,651	$ 17,827,323
December 31, 2021:			
Crackle Plus content rights	$ 1,708,270	$ 1,494,736	$ 213,534
Crackle Plus brand value	18,807,004	7,052,626	11,754,378
Crackle Plus partner agreements	4,005,714	2,103,000	1,902,714
Distribution network	3,600,000	700,000	2,900,000
Locomotive contractual rights	1,356,868	92,403	1,264,465
Total	$ 29,477,856	$ 11,442,765	$ 18,035,091

Amortization expense was $1,712,668 and $1,305,451 for the three months ended June 30, 2022 and 2021, respectively, and $3,161,886 and 2,510,903, for the six months ended June 30, 2022 and 2021, respectively.

As of June 30, 2022 amortization expense for the next 5 years is expected be:

Remainder of 2022	$ 3,110,760
2023	6,221,520
2024	4,676,921
2025	2,810,604
2026	1,007,518
Total	$ 17,827,323

Chicken Soup for the Soul Entertainment, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

Total goodwill on our Condensed Consolidated Balance Sheets was $45,463,240 and $39,986,530 as of June 30, 2022 and December 31, 2021, respectively, and is comprised of the following:

	June 30, 2022		
	Online Networks	Distribution & Production	SVOD
Beginning balance	$ 18,911,027	$ 21,075,503	$ —
Acquisitions	—	5,476,710	—
Total	$ 18,911,027	$ 26,552,213	$ —

	December 31, 2021		
	Online Networks	Distribution & Production	SVOD
Beginning balance	$ 18,911,027	$ 1,236,760	$ 1,300,319
Acquisitions	—	19,838,743	—
Accumulated impairment losses	—	—	(1,300,319)
Total	$ 18,911,027	$ 21,075,503	$ —

There was no impairment recorded related to goodwill and intangible assets in the six months ended June 30, 2022 and 2021, respectively.

Note 10 – Leases

At June 30, 2022, the following amounts were recorded on the Condensed Consolidated Balance Sheets relating to operating our leases.

	June 30, 2022
Right-of-Use Assets	
Operating lease right-of-use assets	$ 10,900,297
Lease Liabilities:	
Operating lease liabilities	$ 12,724,357

	June 30, 2022
Weighted average remaining lease term	7.9 years
Weighted average discount rate	6%

As our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the lease commencement date. Upon transition to ASC Topic 842, the Company used the incremental borrowing rate on January 1, 2022 for all operating leases that commenced prior to that date. We have operating leases primarily for office space. Lease costs are generally fixed, with certain contracts containing escalations in the lessors' annual costs.

For the three months ended June 30, 2022 and 2021, rent expense including short-term leases was $777,248 and $499,711, respectively, and $1,325,917 and $999,422, for the six months ended June 30, 2022 and 2021, respectively. Cash paid for amounts included in operating lease liabilities was $407,423 as of June 30, 2022.

Chicken Soup for the Soul Entertainment, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

The expected future payments relating to our operating lease liabilities at June 30, 2022 are as follows:

Remainder of 2022	$ 1,248,181
2023	1,904,310
2024	1,948,832
2025	1,994,439
2026	2,104,048
2027 and thereafter	6,909,533
Total minimum payments	16,109,343
Less amounts representing interest	3,384,986
Present value of minimum payments	$ 12,724,357

Note 11 – Debt

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

	June 30, 2022	December 31, 2021
Notes due 2025	$ 44,855,900	$ 32,895,900
Revolving loan	22,993,443	17,585,699
Film acquisition advances	19,121,686	6,196,909
Total debt	86,971,029	56,678,508
Less: debt issuance costs	2,005,118	1,402,880
Less: current portion	12,246,130	6,196,909
Total long-term debt	$ 72,719,781	$ 49,078,719

Revolving Loan

On May 21, 2021, the Company entered into a Credit Agreement with Midcap Financial Trust. The credit agreement provides the Company with a revolving loan in an aggregate principal amount not to exceed $30,000,000 at any time outstanding. On the closing date, the Company made an initial draw down on the loan of $18,272,931 in connection with funding the SEI acquisition. The availability under the loan at any time is subject to the borrowing base, which is equal to 85% of the eligible accounts receivable minus the sum of all reserves and is adjusted monthly, as necessary.

The loan bears interest at 4% plus the greater of LIBOR or 0.75% per annum. In addition the loan contains an unused line fee of 0.5% per annum and a collateral management fee of 0.504% per annum. Interest and fees on the loan are payable in arrears on the first day of each month and on the maturity of the loan.

The Credit Agreement and other loan documents contain customary representations and warranties and affirmative and negative covenants. Under the Credit Agreement, the Company is required to maintain minimum liquidity in the form of borrowing base availability or cash on hand in an aggregate amount of not less than $6,000,000. The Company is in compliance with all covenants as of June 30, 2022.

9.50% Notes Due 2025

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

Chicken Soup for the Soul Entertainment, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

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

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

On April 20, 2022, the Company completed a public offering of 9.50% Notes due 2025 (the "Notes") in the aggregate principal amount of $10,400,000. On May 5, 2022, the Company sold an additional $1,560,000 of Notes pursuant to the exercise of the overallotment option. The stated principal of $25.00 per note was discounted 2% to the public offering price of $24.85 per note. The sale of the Notes resulted in net proceeds of approximately $11,094,946 after deducting underwriting discounts and commissions of approximately $865,054.

Film Acquisition Advances: Great Point Media Limited

On August 27, 2020, the Company entered into a Film Acquisition Advance Agreement with Great Point Media Limited ("GPM"). GPM advanced to the Company $10,210,000 of acquisition advances on August 28, 2020 (the "Acquisition Advance") and may, directly, or through affiliated entities, fund additional acquisition advances in the future. Pursuant to the agreement, GPM has formed a US-based special purpose vehicle (the "SPV"), which has been assigned the territorial licenses and distribution rights in certain films and productions owned or to be acquired by Screen Media Ventures Inc., CSSE's wholly owned subsidiary. The Company pays the SPV on a quarterly basis adjusted gross receipts generated on each of the assigned productions during the two-year term of the agreement, until the SPV has recouped the full Acquisition Advance for each of the productions together with interest and additional participation amounts on gross receipts generated by the productions. The Acquisition Advance bears interest at 10% per annum compounded monthly on the amount outstanding. In the event the SPV has not recouped the full Acquisition Advance from gross receipts generated within the two-year contractual term, the Company shall pay the remaining balance outstanding, if any, by no later than November 30, 2022. During the six months ended June 30, 2022, the Company repaid $81,222 of the principal outstanding under the Film Acquisition Advance.

Film Acquisition Advances: Media Entertainment Partners

In January 2022, the Company began entering into individual film acquisition advance agreements with Media Entertainment Partners ("MEP"). Under the agreements, MEP financed the Company $13,006,000 of acquisition advances and may, directly, or through affiliated entities, fund additional acquisition advances in the future. Pursuant to an arrangement, MEP has formed a US-based special purpose vehicle (the "SPV"), which has been assigned the territorial licenses and distribution rights in certain films and productions owned or to be acquired by Screen Media Ventures Inc., CSSE's wholly owned subsidiary. Generally, the Company will pay the SPV on a quarterly basis over 30 months the advance plus interest at 12% per annum compounded monthly on the amount outstanding. Under the distribution agreement with the SPV, after Screen Media Ventures recoupment, the SPV is entitled to receive a profit participation in the net receipts of the film and also, provides Screen Media Venture a bargain purchase option to reacquire the film rights after 6 years.

Chicken Soup for the Soul Entertainment, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

As of June 30, 2022, the expected aggregate maturities of debt for each of the next five years are as follows:

Remainder of 2022	$	9,758,130
2023		4,976,000
2024		27,380,999
2025		44,855,900
Total	$	86,971,029

Note 12 – Put Option Obligation

As part of the additional purchase price for the Sonar Entertainment, Inc business acquisition, the Company issued a 5% interest in CSS AVOD, Inc and a Put Option that, if exercised, requires the Company to purchase the issued investor shares of CSS AVOD, Inc. from the investor for $11,500,000 in cash. The Put Option is exercisable, with 60 day's written notice, by the investor at any time during a three year period commencing on October 8, 2022 and expiring on October 7, 2025 ("Put Election Period").

As of June 30, 2022, the 5% interest in CSS AVOD, Inc consists of the following,

		June 30, 2022
Put Option Obligation	$	11,400,000
Noncontrolling Interests		84,247
Total	$	11,484,247

Chicken Soup for the Soul Entertainment, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 13 – Income Taxes

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Current provision:				
States	$ 14,000	$ 15,000	$ 34,000	$ 29,000
Total current provision	$ 14,000	$ 15,000	$ 34,000	$ 29,000

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

	June 30, 2022	December 31, 2021
Deferred tax assets:		
Net operating loss carry-forwards	$ 21,997,000	$ 14,503,000
Acquisition-related costs	517,000	539,000
Film library and other intangibles	16,418,000	16,883,000
State taxes and other	737,000	337,000
Less: valuation allowance	(38,828,000)	(31,412,000)
Total deferred tax assets	841,000	850,000
Deferred tax liabilities:		
Programming costs	304,000	299,000
Other assets	537,000	551,000
Total deferred tax liabilities	841,000	850,000
Net deferred tax asset	$ —	$ —

The Company and its subsidiaries have combined net operating losses of approximately $81,550,000, 10,843,000, of which were incurred before 2018 and expire between 2031 and 2037 with the balance of $70,707,000 having no expiration under changes made by the Tax Cuts and Jobs Act but may only be utilized generally to offset only 80 percent of taxable income. The ultimate realization of the tax benefit from net operating losses is dependent upon future taxable income, if any, of the Company.

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

The deferred tax asset valuation allowance increased by $4,409,000 and $2,589,000 during the three months ended June 30, 2022 and 2021, respectively. The deferred tax asset valuation allowance increased by $7,416,000 and $3,885,000 during the six months ended June 30, 2022 and 2021, respectively.

Chicken Soup for the Soul Entertainment, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 14 – Related Party Transactions

Chicken Soup For The Soul Productions, LLC

Chicken Soup For The Soul Productions LLC ("CSS") is the parent and controlling stockholder of the Company. At June 30, 2022, CSS directly owns approximately 100% of the Company Class B common stock. CSS ownership of Class B common stock represents an ownership interest of 51.3% of the total outstanding common stock and 91% control of the voting power of the Company. CSS is controlled by Mr. William J. Rouhana, Jr., the Company's CEO. The Company has agreements with CSS and its affiliated companies that provide the Company with access to important assets and resources including key personnel and office space. The assets and resources provided are included as a part of a management services agreement and a license agreement, where combined, the Company pays 10% of its net revenue earned to CSS. For the three and six months ended June 30, 2022 and 2021, the Company recorded management and license fees of $3,763,695 and $6,684,315, respectively and $2,213,493 and $4,533,177, respectively.

Due To/From Affiliated Companies

The Company is part of CSS's central cash management system whereby payroll and benefits are administered by CSS and the related expenses are charged to its subsidiaries and funds are transferred between affiliates to fulfill joint liquidity needs and business initiatives. Settlements fluctuate period over period due to timing of liquidity needs. As of June 30, 2022 and December 31, 2021, the Company had an intercompany payable, with affiliated companies.

	June 30, 2022	December 31, 2021
Due to affiliated companies	$ 3,145,536	$ 489,959
Due from affiliated companies	—	—
Total due to/due from affiliated companies	$ 3,145,536	$ 489,959

Other Related Parties

In the ordinary course of business, the Company is involved in transactions with certain minority shareholders of a consolidated subsidiary related to licensing of television and film programming properties. For the three and six months ended June 30, 2022 the amount of revenue recognized was $0 and for the three and six months ended June 30, 2021, revenue recognized was $2,000,000 and $6,880,000, respectively. At June 30, 2022 and December 31, 2021, the Company had accounts receivable of $5,530,940 and $6,363,951, respectively.

Note 15 - Commitments and Contingencies

Content Obligations

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

As of June 30, 2022, the Company had $75,974,573 of content obligations, comprised of $38,738,033 in film library acquisition obligations, $17,547,500 of programming obligations and $19,689,040 of accrued participation costs.

As of December 31, 2021, the Company had $38,638,445 of content obligations, comprised of $24,673,866 in film library acquisition obligations, $1,641,250 of programming obligations and $12,323,329 of accrued participation costs.

Chicken Soup for the Soul Entertainment, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

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

Sonar Acquisition

The Company owes contingent consideration related to the acquisition of Sonar of $4,709,556 at June 30, 2022. The liability is an estimate and is payable upon the collection of receipts from defined receivables, noncontracted TV business receipts and profit participation on a slate of development projects. Additionally, the Company has a Put obligation for $11,500,000 to acquire 5% of the shares of CSS AVOD Inc., that can be triggered any time during the three-year period immediately following the 18-month anniversary of the asset purchase agreement. See Notes 4 and 12 for additional information.

Redbox Merger

The Company is contingenly liable to pay $15,000,000 for professional services related to the successful consummation of our merger with Redbox Entertainment Inc. Under the services agreement, the services fee is payable over nine months after closing. See Note 18 *Subsequent Events* for additional information.

Legal and Other Matters

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

Chicken Soup for the Soul Entertainment, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 16 – Stockholders' Equity

Amendment to Authorized Shares

On June 30, 2022, the shareholders of the Company approved an increase in the total authorized shares from 100,000,000 to 200,000,000, comprised of 140,000,000 million shares of Class A common stock, 20,000,000 share of Class B common stock and 40,000,000 shares of preferred stock, of which, 10,000,000 are classified as Series A preferred stock.

Treasury Stock

On February 28, 2022, the Board of Directors increased the total authorization under the Company's stock repurchase program by $10,000,000 to $30,000,000. At June 30, 2022, the Company had $3,474,300 of authorization remaining under the stock repurchase program. During the six months ended June 30, 2022, the Company repurchased 1,410,036 shares of Class A Common Stock at an average price of $9.90.

At the Market Offering

During the period ended June 30, 2022, the Company completed the sale of an aggregate of 164,830 shares of Series A preferred stock, generating net proceeds of $4,016,219.

During the period ended June 30, 2022, the Company completed the sale of an aggregate of 155,871 shares of Class A common stock, generating net proceeds of $1,120,419.

Common Stock Private Placement

On January 20, 2021, the Company completed a private placement of 1,022,727 shares of common stock at a price of $22.00 per common share, generating net proceeds of $21,374,994.

Subsidiary Convertible Preferred Stock

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

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

Noncontrolling Interests

Noncontrolling interests represent an equity interest in consolidated subsidiaries, including CSS AVOD, Locomotive Global and Landmark Studio Group. On March 3, 2022, the Company purchased the remaining equity interest in Landmark Studio Group in exchange for 84,000 shares of Class A common stock and $2,200,000, of which $1,450,000 is payable two years from the acquisition date. The purchase increased the Company's ownership in Landmark Studio Group from 78.5% to 100%.

Chicken Soup for the Soul Entertainment, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

Warrants

Warrant activity for the six months ended June 30, 2022 is as follows:

Warrants	Outstanding at December 31, 2021	Exercised	Outstanding at June 30, 2022	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (Yrs.)
Class W	526,362	—	526,362	$ 7.50	1.00
Class Z	123,109	—	123,109	12.00	2.00
CSSE Class I	800,000	—	800,000	8.13	1.87
CSSE Class II	1,200,000	—	1,200,000	9.67	1.87
CSSE Class III-A	380,000	—	380,000	11.61	1.87
CSSE Class III-B	1,620,000	—	1,620,000	11.61	1.87
Total	4,649,471	—	4,649,471	$ 10.06	1.78

Note 17 – Segment Reporting and Geographic Information

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

Net revenue generated in the United States accounted for approximately 82% and 98% of total net revenue for the three months ended June 30, 2022 and 2021, respectively, and 84% and 96% for the six months ended June 30, 2022 and 2021, respectively. All of the Company’s long-lived assets are based in the United States.

Chicken Soup for the Soul Entertainment, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 18 – Subsequent Events

Merger with Redbox Entertainment Inc.

As previously announced, we entered into a merger agreement to acquire Redbox Entertainment Inc. on May 10, 2022. The merger was consummated on August 11, 2022 in accordance with the terms described in Form S-4 as declared effective by the SEC on July 15, 2022 (the "July 2022 S-4"). Immediately prior to the merger closing, CSSE entered a definitive financing arrangement with HPS Investment Partners, LLC ("HPS"), that amended Redbox's existing credit facility, which had $357.5 million of debt outstanding, and includes an $80 million revolving credit facility. Additionally, the Company issued a warrant to HPS to acquire 4.5% of CSSE on a fully diluted post-merger basis. On closing of the merger, based on the exchange rate of 0.087 for each outstanding Redbox Class A common share, each vested and unvested restricted stock unit and the common units of Redbox's Redwood Intermediate LLC subsidiary, the Company expects to issue approximately 4.6 million shares of Class A common stock and to assume the outstanding warrants of Redbox. The Company will provide definitive information regarding the consummation the merger on form 8-K to be filed in the coming days.

The following summary unaudited pro forma condensed combined financial information presents the unaudited pro forma condensed combined balance sheet and unaudited pro forma condensed combined statements of operations based upon the combined historical financial statements of CSSE and Redbox, after giving effect to the consummation of the Mergers contemplated by the Merger Agreement and the related adjustments described in the accompanying notes. The Mergers will be accounted for under the acquisition method of accounting, which requires determination of the accounting acquirer. The accounting guidance provides that in identifying the acquiring entity in a business combination effected through an exchange of equity interests, all pertinent facts and circumstances must be considered, including; the relative voting rights of the stockholders of the constituent companies in the combined company, the existence of a large minority voting interest in the combined entity if no other owner or organized group of owners has a significant voting interest, the composition of the board of directors and senior management of the combined company, the relative size of each company and the terms of the exchange of equity securities in the business combination, including payment of any premium.

The unaudited pro forma condensed combined balance sheet data as of March 31, 2022 gives effect to the Mergers as if they occurred on that date. The unaudited pro forma condensed combined statement of operations for the three months ended March 31, 2022, and for the year ended December 31, 2021, gives effect to the Mergers as if they had occurred on January 1, 2021. Additionally, the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2021 gives effect to CSSE's acquisition of certain assets of Sonar Entertainment, Inc. ("Sonar") on May 21, 2021, as if it had occurred on January 1, 2021.

The unaudited pro forma condensed combined financial information was prepared in accordance with Article 11 of Regulation S-X. The unaudited pro forma adjustments reflecting the transaction have been prepared in accordance with business combination accounting guidance as provided in FASB ASC Topic 805 and reflect the preliminary allocation of the estimated merger consideration to the acquired assets and liabilities assumed based upon their estimated fair values, using the assumptions set forth in the notes to the unaudited pro forma condensed combined financial information. CSSE's historical consolidated financial information has been adjusted in the unaudited pro forma condensed combined financial information to give pro forma effect to events that are (1) directly attributable to the merger transaction, (2) factually supportable, and (3) with respect to the statement of operations, expected to have a continuing impact on the combined results.

The unaudited pro forma condensed combined financial information is provided for informational purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the merger transaction had been completed as of the dates set forth above, nor is it indicative

Chicken Soup for the Soul Entertainment, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

of the future results or financial position of the combined company. In connection with the pro forma condensed combined financial information, CSSE allocated the estimated purchase price using its best estimates of fair value. The allocation is dependent upon certain valuation and other analyses that are not yet final. Accordingly, the pro forma acquisition price adjustments are preliminary and subject to further adjustments as additional information becomes available and as additional analyses are performed. There can be no assurances that the final valuations will not result in material changes to the preliminary estimated purchase price allocation. The unaudited pro forma condensed combined financial information also does not give effect to the potential impact of current financial conditions, any anticipated synergies, operating efficiencies or cost savings that may result from the transaction or any integration costs. Furthermore, the unaudited pro forma condensed combined statements of operations do not include certain nonrecurring charges and the related tax effects that result directly from the transaction as described in the notes to the unaudited pro forma condensed combined financial information.

The pro forma financial statements should be read in conjunction with the separate historical consolidated financial statements and related notes of each of CSSE and Redbox included in or incorporated by reference in the July 2022 S-4. For more information, see the sections of proxy statement/prospectus titled "Unaudited Pro Forma Condensed Combined Financial Information," "Selected Historical Consolidated Financial Data of CSSE," "Selected Historical Consolidated Financial Data of Redbox," and "Where You Can Find More Information" and the risk factors described in the section titled "Risk Factors."

	Three Months Ended March 31, 2022	Year Ended December 31, 2021
	(unaudited)	
Pro Forma Condensed Combined Statement of Operations Data:		
Net revenue	$ 92,433,000	$ 404,889,000
Net loss attributable to common stockholders	$ (40,789,000)	$ (190,234,000)
Basic and diluted net loss per share attributable to common stockholders	$ (2.05)	$ (9.71)

	March 31, 2022
	(unaudited)
Pro Forma Condensed Combined Balance Sheet Data:	
Total assets	$ 728,659,000
Total liabilities	$ 658,144,000
Total equity	$ 70,515,000

Midcap Financial Trust Credit Facility

On August 11, 2022, the Company paid $26.0 million to repay and cancel its revolving credit facility with Midcap Financial Trust ("Midcap"). Upon termination of this facility all liens in favor of Midcap securing the obligations thereunder were terminated.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our consolidated financial condition and results of operations should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the Securities and Exchange Commission ("SEC") on March 31, 2022 ("Form 10-K"), our Current Report on Form 8-K as filed with the SEC on May 27, 2021 (and amended on each of June 11, 2021 and July 1, 2021) and our S-4 declared effective by the SEC on July 11, 2022 (the "July 2022 S-4"). Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q, includes forward-looking statements involving risks and uncertainties and should be read together with the "Risk Factors" section of our report on Form 10-K and the July 2022 S-4 for a discussion of important factors which could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Forward-Looking Statements

This Quarterly Report contains forward-looking statements. Forward-looking statements include, but are not limited to, statements regarding expectations, intentions and strategies regarding the future. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words "target," "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "possible," "potential," "predicts," "project," "should," "would" and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. The forward-looking statements contained in this Quarterly Report are based on current expectations and beliefs concerning future developments and their potential effects on our company and its subsidiaries. There can be no assurance that future developments will be those that have been anticipated. These forward-looking statements involve many risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

Important factors that may affect our actual results include:

- our merger with Redbox Entertainment Inc., including the risk factors included in the July 2022 S-4;
- we have and may continue to incur losses in the operation of our business;
- we may not be able to generate sufficient cash to service our debt, preferred stock dividend and other obligations or our ability to pay our preferred stock dividends could be adversely affected or prohibited upon default under our current or future indebtedness;
- difficult conditions in the economy generally and our industry specifically resulting from the COVID 19 pandemic may cause interruptions in our operations, a slow-down in the production or acquisition of new content, and changes in demand for our products and services, which may have a material adverse effect on our business operations and financial condition;
- potential effects of a challenging economy, for example, on the demand for our advertising and marketing services, on our clients' financial condition and on our business or financial condition;
- the occurrence of cyber-incidents, or a deficiency in our cybersecurity or in those of any of our third party service providers, could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information or damage to our business relationships or reputation, all of which could negatively impact our business and results of operations;
- the ability of our content offerings to achieve market acceptance;
- our success in retaining or recruiting, or changes required in retaining, our officers, key employees or directors;

- our potential ability to obtain additional financing when and if needed;
- our ability to protect our intellectual property;
- our ability to complete strategic acquisitions, including joint ventures and co-production arrangements;
- our ability to manage growth and integrate acquired operations;
- uninterrupted service by the third-party service providers we rely on for the distribution of our content and delivery of ad impressions;
- the potential liquidity and trading of our securities;
- regulatory or operational risks;
- downward revisions to, or withdrawals of, our credit ratings by third-party rating agencies;
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing; and
- the time during which we will be an Emerging Growth Company under the Jumpstart Our Business Startups Act of 2012, or JOBS Act.

Merger with Redbox Entertainment Inc.

As previously announced, we entered into a merger agreement to acquire Redbox Entertainment Inc. on May 10, 2022. The merger was consummated on August 11, 2022 in accordance with the terms described in the July 2022 S-4. Immediately prior to the merger closing, CSSE entered a definitive financing arrangement with HPS Investment Partners, LLC ("HPS"), that amended Redbox's existing credit facility, which had $357.5 million of debt outstanding, and includes an $80 million revolving credit facility. Additionally, the Company issued a warrant to HPS to acquire 4.5% of CSSE on a fully diluted post-merger basis. On closing of the merger, based on the exchange rate of 0.087 for each outstanding Redbox Class A common share, each vested and unvested restricted stock unit and the common units of Redbox's Redwood Intermediate LLC subsidiary, the Company expects to issue approximately 4.6 million shares of Class A common stock and to assume the outstanding warrants of Redbox. The Company will provide definitive information regarding the consummation the merger on form 8-K to be filed in the coming days.

Overview

Chicken Soup for the Soul Entertainment, Inc. is a leading streaming video-on-demand (VOD) company. We operate Crackle Plus, a portfolio of ad-supported VOD streaming services (AVOD) and free ad-supported television linear channels (FAST), as well as Screen Media, Halcyon Television, the newly formed Chicken Soup for the Soul Television Group, and a number of affiliates that collectively enable us to acquire, produce, co-produce and distribute content, including our original and exclusive content, all in support of our streaming services.

Crackle Plus is comprised of unique curated streaming services, each delivering popular and original premium content focused on specific themes such as drama, comedy, horror, paranormal, documentaries, and sports. Through our recently launched Chicken Soup for the Soul streaming service, we offer lifestyle, family and kids content. Our Crackle Plus portfolio of streaming services are branded and includes Crackle (among the most watched ad-supported independent VOD streaming services), Chicken Soup for the Soul, Popcornflix, Popcornflix Kids, Truli, Españolflix and FrightPix. As of December 31, 2021, Crackle Plus served more than 40 million monthly active visitors through many distribution platforms including Roku, Amazon Fire, Vizio and others. These visitors viewed content produced through our various television production affiliates, acquired by Screen Media, or licensed from Sony Pictures Television (SPT), Lionsgate, Paramount Global, Fox, Warner Media and more than 100 other production and distribution companies, as well as through our media partners. Crackle Plus networks have access to approximately 14,500 films and 24,000 television episodes of licensed or company-owned original or exclusive programming. The acquisition of 1091 Pictures in March of 2022, added approximately 4,000 films and episodes of licensed content as well as established FAST and AVOD channels in genre specific verticals with approximately 1 billion yearly ad-impressions.

Screen Media manages one of the industry's largest independently owned television and film libraries consisting of approximately 20,000 films and television episodes. Screen Media also acquires between approximately 10 and 20 new feature films each year and a few hundred genre titles. Screen Media provides content for the Crackle Plus portfolio and also distributes its library to other exhibitors and third-party networks to generate additional revenue and operating cash flow. Our Halcyon Television subsidiary manages the extensive film and television library we acquired from Sonar Entertainment in 2021. This library is distributed by Screen Media and contains more than 1,000 titles, and 4,000 hours of programming, ranging from classics, including *The Little Rascals*, *Laurel & Hardy* and *Blondie* (produced by Hal Roach Studios), to acclaimed epic event mini-series such as *Lonesome Dove* and *Dinotopia*. Our Halcyon library titles have received 446 Emmy Award nominations, 105 Emmy Awards and 15 Golden Globe Awards.

Chicken Soup for the Soul Television Group, which was formed in the fourth quarter of 2021, houses our film and television production activities and produces or co-produces original content for Crackle Plus as well as content for other third-party networks. This group's production efforts are conducted through a number of affiliates, including Landmark Studio Group, Chicken Soup for the Soul Studios, APLUS.com, the recently acquired Locomotive Global Inc., and Halcyon Studios, which was formed in connection with our acquisition of the assets of Sonar Entertainment. Halcyon Studios develops, produces, finances and distributes high-caliber content for our company for all platforms across a broad spectrum in the U.S. and internationally, including shows such as *Hunters* (Amazon Prime) and *Mysterious Benedict Society* (Disney+).

Collectively, Screen Media and Chicken Soup for the Soul Television Group enable us to acquire, produce, co-produce and distribute content, including our original and exclusive content, in support of our streaming services. We believe that we are the only independent, AVOD business with the proven capability to acquire, create and distribute original programming, and that we have one of the largest libraries of company-owned and third-party content in the AVOD industry. We believe this differentiation is important as consumers materially shift their viewing habits from network-scheduled viewing to individual, personal on-demand viewing in response to the ever-growing availability of high-speed content delivery across devices.

For the three months ended June 30, 2022 and 2021, our net revenue was approximately $37.6 million and $22.1 million, respectively, and $66.8 million and $45.3 million for the six months ended June 30, 2022 and 2021, respectively. Our Adjusted EBITDA for the three months ended June 30, 2022 and 2021 was $5.6 million and $3.2 million, respectively, and $9.2 million and $7.7 million for the six months ended June 30, 2022 and 2021, respectively. As described below in "Use of Non-GAAP Financial Measure", we use Adjusted EBITDA as an important metric for management of our business.

JOBS Act Accounting Election

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

Use of Non-GAAP Financial Measure

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). We use a non-GAAP financial measure to evaluate our results of operations and as a supplemental indicator of our operating performance. The non-GAAP financial measure that we use is Adjusted EBITDA. Adjusted EBITDA (as defined below) is considered a non-GAAP financial measure as defined by Regulation G promulgated by the SEC under the Securities Act of 1933, as amended. Due to the significance of non-cash, cash and non-recurring expenses recognized during the three and six months ended June 30, 2022 and 2021, and the likelihood of material non-cash, cash and non-recurring, and acquisition related expenses to occur in future periods, we believe that this non-GAAP financial measure enhances the understanding of our historical and current financial results as well as provides investors with measures used by management for the planning and forecasting of future periods, as well as for measuring performance for compensation of executives and other members of management. Further, we believe that Adjusted EBITDA enables our board of directors and management to analyze and evaluate financial and strategic planning decisions that will directly affect operating decisions and investments. We believe this measure is an important indicator of our operational strength and performance of our business because it provides a link between operational performance and operating income. It is also a primary measure used by management in evaluating companies as potential acquisition targets. We believe the presentation of this measure is relevant and useful for investors because it allows investors to view performance in a manner similar to the method used by management. We believe it helps improve investors' ability to understand our operating performance and makes it easier to compare our results with other companies that have different capital structures or tax rates. In addition, we believe this measure is also among the primary measures used externally by our investors, analysts and peers in our industry for purposes of valuation and comparing our operating performance to other companies in our industry.

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

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

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

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for our working capital needs;
- Adjusted EBITDA does not reflect the effects of preferred dividend payments, or the cash requirements necessary to fund;
- Although amortization and depreciation is a non-cash charge, the assets being depreciated will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such future replacements;
- Adjusted EBITDA does not reflect the effects of film library amortization, film library revenue shares and participation costs, theatrical release costs as well as amortization for certain program rights;
- Adjusted EBITDA does not reflect the impact of stock-based compensation upon our results of operations;
- Adjusted EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments on our debt;
- Adjusted EBITDA does not reflect our income tax expense (benefit) or the cash requirements to pay our income taxes;
- Adjusted EBITDA does not reflect the impact of acquisition related expenses; and the cash requirements necessary;

- Adjusted EBITDA does not reflect the impact of other non-recurring, infrequent in nature and unusual income and expenses, including acquisition related cash participation payments received and other fee income items generated in normal course of business practices; and

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

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

Reconciliation of Unaudited Results to Adjusted EBITDA

The following table presents a reconciliation of Adjusted EBITDA to our unaudited net loss for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net loss available to common stockholders	$ (20,783,190)	$ (11,079,178)	$ (34,910,150)	$(20,272,559)
Preferred dividends	2,391,442	2,253,385	4,673,511	4,506,770
Provision for income taxes	14,000	15,000	34,000	29,000
Other taxes	178,403	103,854	258,775	188,347
Interest expense[(a)]	2,022,770	1,141,044	3,333,229	2,228,988
Film library amortization and related costs[(b)]	14,666,992	6,841,349	24,354,016	13,770,016
Share-based compensation expense[(c)]	957,859	231,844	1,954,656	463,688
Expense for bad debt and video returns	692,295	907,837	1,274,129	1,602,049
Amortization and depreciation[(d)]	2,674,893	1,721,011	4,678,966	3,342,371
Other non-operating income, net[(e)]	(279,405)	(144,569)	(481,197)	(145,139)
Transitional expenses[(f)]	255,615	192,054	363,400	192,054
All other nonrecurring costs[(g)]	2,777,637	967,848	3,698,069	1,807,898
Adjusted EBITDA	$ 5,569,311	$ 3,151,479	$ 9,231,404	$ 7,713,483

(a) Includes amortization of deferred financing costs of $217,679 and $113,234 for the three months ended June 30, 2022 and 2021, respectively, and $366,748 and $212,123 for the six months ended June 30, 2022 and 2021, respectively,

(b) Includes film library amortization, film library revenue shares and participation costs, theatrical release costs as well as amortization for certain program rights.

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

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

(e) Other non-operating income is primarily comprised of interest income earned on cash deposits. and other non operating income including settlements and contract cancellation fees.

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

(g) Includes legal, consulting, accounting and other non recurring operating expenses.

Results of Operations

Items Impacting Comparability

Acquisition of 1091 Pictures

On March 4, 2022, the Company consummated its acquisition of certain of the assets of 1091 Media, LLC, including all of the outstanding equity of its operating subsidiary, TOFG LLC, which does business under the name 1091 Pictures ("1091 Pictures"). 1091 Pictures provides full-service distribution services to film and series owners, including access to platforms that reach more than 100 countries, and related marketing support, and has a library of approximately 4,000 licensed films and television shows. The Company paid consideration of $13.3 million through the payment of $8.0 million in cash, the issuance of 375,000 shares of the Company's Class A common stock and the issuance of 80,000 shares of the Company's Series A preferred stock.

Acquisition of Locomotive Global

On October 21, 2021, the Company acquired a 51% ownership stake in Locomotive Global Inc. for $0.7 million. Locomotive Global develops and produces content, including production services.

Acquisition of Sonar Entertainment Assets

In April 2021, we entered into an asset purchase agreement ("Asset Purchase Agreement") by and among our company, Halcyon Television, and with respect to certain provisions, Parkside Entertainment Inc., a Canadian company ("Parkside" and, collectively with us and Halcyon Television, the "CSSE Buyer"), on the one hand, and Sonar Entertainment Inc. ("SEI") and the direct and indirect subsidiaries of SEI identified in the Asset Purchase Agreement (collectively, "Sonar"), on the other hand. On May 21, 2021, pursuant to the Asset Purchase Agreement, the CSSE Buyer purchased the principal assets of Sonar for $18.9 million in cash and additional consideration of $34.9 million, that will be funded through the seller's participation in the underlying acquired assets future cash flows. Parkside separately purchased the outstanding equity of Sonar Canada Inc.

Revenue

Our revenue is derived from content generated by online streaming of films and television programs on our advertising-supported video on demand (AVOD) streaming services consisting of Crackle, our YouTube channel and Popcornflix®, all of which collectively form The Crackle Plus Network. Additionally, we derive revenue from the distribution of television series and films in all media, including theatrical, home video, and pay-per-view, free, cable and pay television, VOD and new digital media platforms worldwide as well as owned and operated networks, (i.e., Crackle, Popcornflix® and A Plus). Additionally, we derive revenue from production services, as well as, executive produce fees on produced content.

Cost of Revenue

Our cost of revenue is derived from platform costs which are related to the various expenses incurred by the Company to support and maintain our AVOD streaming services. These costs are comprised of hosting and bandwidth costs, website traffic costs, royalty fees, and music costs. Also, included in cost of revenue are advertisement representation fees earned by our advertising representation partners ("Ad Rep Partners") and license fees payable to third parties and the related amortization associated with programming rights. With regards to distribution and production services, included in our cost of revenue is the amortization of capitalized programming and film library costs relating to both television and short-form online videos as well as film library costs, distribution costs, film profit participations, revenue shares related to distribution agreements and costs associated with production services. For original productions and film rights acquired, we record the cost of revenue based on the individual-film-forecast method. This method requires costs to be amortized in the proportion that the current period's revenue bears to management's estimate of ultimate revenue expected to be recognized from each production or film. We have a growing list of independent production companies that we work with. We generally acquire distribution rights of our films covering periods of ten or more years.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses include compensation, non-cash share-based compensation, public and investor relations fees, outside director fees, professional fees and other overhead. A portion of selling, general and administrative expenses are covered by our management and license agreements with CSS, a related party, as noted below.

Management and License Fees – Related Party

We pay management fees of five percent (5%) of our net revenue to CSS pursuant to the CSS Management Agreement as amended. CSS provides us with the operational expertise of its personnel, and we also receive other services, including accounting, legal, marketing, management, data access and back office systems, office space and equipment usage. We believe that the terms and conditions of the CSS Management Agreement, as amended, are more favorable and cost effective to us than if we hired the full staff to operate the company.

We pay license and marketing support fees of five percent (5%) of our net revenue to CSS pursuant to a License Agreement, which we refer to as the CSS License Agreement. Four percent (4%) of this fee is a recurring license fee for the right to use all video content of the Brand. One percent (1%) of this fee relates to marketing support activities through CSS' email distribution, blogs and other marketing and public relations resources. We believe that the terms and conditions of the CSS License Agreement, which provides us with the rights to use the trademark and intellectual property in connection with our video content, are more favorable to us than any similar agreement we could have negotiated with an independent third party.

Interest Expense

Our interest expense is comprised of interest paid on our 9.50% Notes Due 2025, the Film Acquisition Advances and the Revolving Loan.

Income Taxes

We provide for federal and state income taxes currently payable, as well as those deferred resulting from temporary differences between reporting income and expenses for financial statement purposes versus income tax purposes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recoverable. The effect of the change in the tax rate, if it occurs, will be recognized as income or expense in the period of the enacted change in tax rate. A valuation allowance is established, when necessary, to reduce deferred income tax assets to the amount that is more-likely-than-not to be realized.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2022 COMPARED WITH THE THREE MONTHS ENDED JUNE 30, 2021

Revenue

The following table presents revenue by revenue source for the three months ended June 30, 2022 and 2021 and for the period-over-period dollar and percentage changes:

	Three Months Ended June 30,				Change Period over Period	
	2022	% of revenue	2021	% of revenue		
Revenue:						
VOD and streaming	$ 29,510,365	78 %	$ 15,086,175	68 %	$ 14,424,190	96 %
Licensing and other	8,126,582	22 %	7,048,759	32 %	1,077,823	15 %
Net revenue	$ 37,636,947	100 %	$ 22,134,934	100 %	$ 15,502,013	70 %

Our net revenue increased by $15.5 million for the three months ended June 30, 2022, compared to 2021.

VOD and streaming revenue increased $14.4 million for the three months ended June 30, 2022, compared to 2021. This increase was primarily driven by a $11.8 million increase in AVOD streaming revenues, principally due to the licensing of AVOD rights across the SMV, Sonar and 1091 Media film libraries, as well as, a $1.7 million increase in TVOD revenues related to the acquisition 1091 Media. The remaining $0.9 million increase is due to a $3.0 million increase in ad representation revenues, partially offset by lower sponsorship and advertising sales due to the timing of lapping the premiere of *Going For Broke* Season 2, which occurred in second quarter of 2021.

Licensing and other revenue increased $1.1 million for the three months ended June 30, 2022, compared to 2021. Production services revenues increased $1.8 million, related to the acquisition of Locomotive Global and was partially offset by lower international distribution revenues.

Content and services from the acquisitions of 1091 Pictures, Locomotive Global and Sonar contributed $11.3 million or 30% of total revenue in second quarter of 2022.

Cost of Revenue

The following table presents cost of revenue line items for the three months ended June 30, 2022 and 2021 and the period-over-period dollar and percentage changes for those line items:

	Three Months Ended June 30,				Change Period over Period	
	2022	% of revenue	2021	% of revenue		
Cost of revenue:						
Content amortization and other costs	$ 20,119,073	53 %	$ 7,553,392	34 %	$ 12,565,681	166 %
Revenue share and partner fees	5,314,571	15 %	2,861,389	13 %	2,453,182	86 %
Distribution and platform costs	6,162,880	16 %	5,018,938	23 %	1,143,942	23 %
Total cost of revenue	$ 31,596,524	84 %	$ 15,433,719	70 %	$ 16,162,805	105 %
Gross profit	$ 6,040,423		$ 6,701,215		$ (660,792)	(10)%
Gross profit margin	*16 %*		*30 %*			

Our cost of revenue increased by $16.2 million for the three months ended June 30, 2022.

The increase in content amortization and other costs primarily relates to a $5.7 million increase in profit participations related to content licensing by 1091 Media, acquired in March 2022, a shift in production-related sales mix from high gross margin fee revenue in the prior year quarter to lower margin, but strategic, cost plus production service revenue in the current quarter, a $2.7 million increase in film amortization related to increased content licensing, including the acceleration of program amortization cost for a title sold after quarter end. Revenue share and partner fees of $2.4 million are due to higher ad representation and partner distribution revenues in the quarter. The increase in distribution and platform costs of $1.1 million principally relates to the acceleration of older technology platform costs as a result of launching our new streaming apps. Normalizing for the production sales mix and the acceleration of program and technology platform costs, our gross margins for the quarter would be in line with prior year quarter.

Operating Expenses

The following table presents operating expense line items for the three months ended June 30, 2022 and 2021 and the period-over-period dollar and percentage changes for those line items:

	Three Months Ended June 30,				Change	
	2022	% of revenue	2021	% of revenue	Period over Period	
Operating expenses:						
Selling, general and administrative	$ 17,373,018	46 %	$ 10,964,362	50 %	$ 6,408,656	58 %
Amortization and depreciation	1,680,443	4 %	1,337,678	6 %	342,765	26 %
Management and license fees	3,763,695	10 %	2,213,493	10 %	1,550,202	70 %
Total operating expenses	$ 22,817,156	60 %	$ 14,515,533	66 %	$ 8,301,623	57 %

Our total operating expenses were 60% of net revenue for the three months ended June 30, 2022 and 66% in the same period in 2021 and increased in absolute dollars by $8.3 million. Excluding amortization and depreciation expense, total operating expenses were 56% and 60% of net revenue for the three months ended June 30, 2022 and 2021, respectively.

Selling, general and administrative expenses increased by $6.4 million for the three months ended June 30, 2022, compared to 2021. The increase is further discussed below in the *Selling, General and Administrative* section.

Amortization and depreciation expense increased by $0.3 million for the three months ended June 30, 2022, compared to 2021. The increase is primarily due to the acquired intangibles as a result of acquiring the Sonar assets and Locomotive in May and October of 2021, respectively, and the acquisition of 1091 Media in March of 2022.

The management and license fee increased $1.6 million or 70% for the three months ended June 30, 2022, compared to 2021. The increase is due to and in line with the $15.5 million or 70% increase in net revenue for the three months ended June 30, 2022 compared to 2021.

Selling, General and Administrative Expenses

The following table presents selling, general and administrative expense line items for the three months ended June 30, 2022 and 2021 and the period-over-period dollar and percentage changes for those line items:

	Three Months Ended June 30,		Change	
	2022	2021	Period over Period	
Compensation expense	$ 7,950,630	$ 5,763,584	$ 2,187,046	38 %
Share-based compensation	957,858	231,844	726,014	313 %
Professional fees	3,986,650	1,581,923	2,404,727	152 %
Public company expenses	287,454	552,807	(265,353)	(48)%
Bad debt expense	37,425	256,966	(219,541)	(85)%
Other operating expenses	4,153,001	2,577,238	1,575,763	61 %
	$ 17,373,018	$ 10,964,362	$ 6,408,656	58 %

Our selling, general and administrative expenses increased by $6.4 million for the three months ended June 30, 2022 compared to 2021.

Our compensation expense increased by $2.2 million for the three months ended June 30, 2022 compared to 2021. This increase is primarily due to a 42% increase in headcount as a result of the continued growth of the Company, including the acquisitions of Sonar assets and 1091 Media.

Share-based compensation expense increased $0.7 million for the three months ended June 30, 2022, compared to 2021. This increase is primarily related to a broader issuance of stock options granted and the increase in headcount.

Professional fees increased by $2.4 million for the three months ended June 30, 2022 compared to 2021. This increase is primarily due to an increase in consulting, advisory and legal expenses, related to our merger with Redbox.

Public company expenses decreased $0.3 million for the three months ended June 30, 2022 compared to 2021. This decrease is primarily related to various financing activity fees in the prior period.

Bad debt expense decreased $0.2 million for the three months ended June 30, 2022, compared to 2021 as a result of increased collection efforts in 2022 and certain aged customer balances being reserved in the prior period.

Other operating expenses increased by $1.6 million in the three months ended June 30, 2022 compared to 2021. This increase is primarily related to a $0.6 million increase in marketing expenses related to increased Crackle Plus marketing efforts and a $1.0 million in net combined other overhead expenses as a result of the continued growth of the Company.

Interest Expense

The following table presents interest expense for the three months ended June 30, 2022 and 2021:

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021
9.50% Notes due 2025	$ 1,065,328	$ 781,278
Revolving loan	586,513	98,852
Film acquisition advance	153,250	147,680
Amortization of deferred financing costs	217,679	113,234
	$ 2,022,770	$ 1,141,044

Interest expense increased $0.9 million for the three months ended June 30, 2022, compared to 2021. The increase is related to a higher average outstanding debt balance during 2022, due to the Midcap financing facility entered into in May 2021, related to acquisition of Sonar assets, and the issuance of additional 9.5% Notes in April 2022.

Provision for Income Taxes

The Company's provision for income taxes consists of federal and state taxes in amounts necessary to align our tax provision to the effective rate that we expect for the full year. Our effective tax rate for the three months ended June 30, 2022 and 2021 was 0% and our income tax expense was $0.0 million for each of the respective periods. Our effective rate is impacted by permanent differences which consist primarily of charges for incentive stock options issued under the Company's Long-Term Incentive Plan that are not tax-deductible as well as amortization of pre-acquisition film library costs for Screen Media Ventures.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2022 COMPARED WITH THE SIX MONTHS ENDED JUNE 30, 2021

Revenue

The following table presents revenue by revenue source for the six months ended June 30, 2022 and 2021 and for the period-over-period dollar and percentage changes:

	Six Months Ended June 30, 2022	% of revenue	2021	% of revenue	Change Period over Period	
Revenue:						
VOD and streaming	$ 50,857,728	76 %	$ 28,977,124	64 %	$ 21,880,604	76 %
Licensing and other	15,985,416	24 %	16,354,652	36 %	(369,236)	(2)%
Net revenue	$ 66,843,144	100 %	$ 45,331,776	100 %	$ 21,511,368	47 %

Our net revenue increased by $21.5 million for the six months ended June 30, 2022, compared to 2021.

VOD and streaming revenue increased $21.9 million for the six months ended June 30, 2022, compared to 2021. This increase was primarily driven by a $22.7 million increase in licensing AVOD and TVOD streaming revenues, principally across the Screen Media, Sonar and 1091 Media film libraries. This increase was offset by a net $2.9 million decrease in TVOD revenues on third party platforms principally due to performance, timing and mix of Screen Media releases, partially offset by the impact of 1091 Media titles**.** Advertising revenues increased a net $2.2 million, with a $6.0 million increase in ad representation revenues, partially offset by lower ad sales and sponsorship revenues.

Licensing and other revenue decreased $0.4 million for the six months ended June 30, 2022, compared to 2021. The net decrease was driven by a $4.9 million increase in production services revenue related to acquisition of Locomotive Global, which was fully offset by higher international licensing and distribution revenues in 2021.

Content and services revenue from the acquisitions of 1091 Pictures, Locomotive Global and Sonar assets contributed $22.9 million or 34% of total revenue in six months ended June 30, 2022.

Cost of Revenue

The following table presents cost of revenue line items for the six months ended June 30, 2022 and 2021 and the period-over-period dollar and percentage changes for those line items:

	Six Months Ended June 30,					
	2022	**% of revenue**	**2021**	**% of revenue**	**Change Period over Period**	
Cost of revenue:						
Content amortization and other costs	$ 33,272,752	50 %	$ 16,687,920	37 %	$ 16,584,832	99 %
Revenue share and partner fees	9,527,159	14 %	5,330,629	12 %	4,196,530	79 %
Distribution and platform costs	11,372,021	17 %	9,658,104	21 %	1,713,917	18 %
Total cost of revenue	$ 54,171,932	81 %	$ 31,676,653	70 %	$ 22,495,279	71 %
Gross profit	$ 12,671,212		$ 13,655,123			
Gross profit margin	*19 %*		*30 %*			

Our cost of revenue increased by $22.5 million for the six months ended June 30, 2022 and 2021.

The increase in content amortization and other costs is primarily related to a $10.0 million increase in profit participations due to increased licensing revenues, as well as, the impact content licensing by 1091 Media, acquired in March 2022, a shift in production-related sales mix from high gross margin fee revenue in the prior year quarter to lower margin, but strategic, cost-plus production service revenue in the current quarter. Revenue share and partner fees increased $4.2 million due to the increase in higher ad representation sales and an increased number of distribution touch points. Distribution and platform costs increased $1.7 million related to the acceleration of older technology platform costs as a result of launching our new streaming apps and higher content and hosting costs to maintain and enhance our growing Crackle Plus platforms. Normalizing for the production sales mix and the acceleration of technology platform costs, our gross margins for the period would be in line with the prior year.

Operating Expenses

The following table presents operating expense line items for the six months ended June 30, 2022 and 2021 and the period-over-period dollar and percentage changes for those line items:

	Six Months Ended June 30,				Change Period over Period	
	2022	% of revenue	2021	% of revenue		
Operating expenses:						
Selling, general and administrative	$ 30,189,538	45 %	$ 20,199,181	45 %	$ 9,990,357	49 %
Amortization and depreciation	3,328,701	5 %	2,575,705	6 %	752,996	29 %
Management and license fees	6,684,315	10 %	4,533,177	10 %	2,151,138	47 %
Total operating expenses	$ 40,202,554	60 %	$ 27,308,063	61 %	$ 12,894,491	47 %

Our total operating expenses were 60% of net revenue for the six months ended June 30, 2022 compared to 61% in the same period in 2021 and increased in absolute dollars by $12.9 million. Excluding amortization and depreciation expense, total operating expenses were 55% and 55% of net revenue for the three months ended June 30, 2022 and 2021, respectively.

Selling, general and administrative expenses increased by $10.0 million for the six months ended June 30, 2022, compared to 2021. The increase is further discussed below in the *Selling, General and Administrative* section.

Amortization and depreciation expense increased by $0.8 million for the six months ended June 30, 2022, compared to 2021. The increase is due to the acquired intangibles as a result of acquiring the Sonar assets and Locomotive in May and October of 2021, respectively, and the acquisition of 1091 Media in March of 2022.

The management and license fee increased $2.2 million or 47% for the six months ended June 30, 2022, compared to 2021. The increase is due to and in line with the $21.5 million or 47% increase in net revenue for the six months ended June 30, 2022 compared to 2021.

Selling, General and Administrative Expenses

The following table presents selling, general and administrative expense line items for the six months ended June 30, 2022 and 2021 and the period-over-period dollar and percentage changes for those line items:

	Six Months Ended June 30,		Change Period over Period	
	2022	2021		
Compensation expense	$ 15,356,597	$ 10,805,055	$ 4,551,542	42 %
Share-based compensation	1,954,655	463,688	1,490,967	322 %
Professional fees	5,587,373	2,668,276	2,919,097	109 %
Public company expenses	486,445	688,985	(202,540)	(29)%
Bad debt expense	36,421	576,131	(539,710)	(94)%
Other operating expenses	6,768,047	4,997,046	1,771,001	35 %
	$ 30,189,538	$ 20,199,181	$ 9,990,357	49 %

Our selling, general and administrative expenses increased by $10.0 million for the six months ended June 30, 2022 compared to 2021.

Our compensation expense increased by $4.6 million for the six months ended June 30, 2022 compared to 2021. This increase is primarily due to a 42% increase in headcount as a result of the continued growth of the Company, including the acquisition of Sonar and 1091 Media.

Share-based compensation expense increased $1.5 million for the six months ended June 30, 2022, compared to 2021. This increase is primarily related to a broader issuance of stock options granted under the 2017 Long Term Incentive Plan.

Professional fees increased by $2.9 million for the six months ended June 30, 2022 compared to 2021. This increase is primarily due to an increase in consulting, advisory and legal expenses, related to our merger with Redbox.

Public company expenses decreased $0.2 million for the three months ended June 30, 2022 compared to 2021. This decrease is primarily related to various financing activity fees in the prior period.

Bad debt expense decreased $0.5 million for the three months ended June 30, 2022, compared to 2021 as a result of increased collection efforts in 2022 and certain aged customer balances being reserved in the prior period.

Other operating expenses increased by $1.8 million in the three months ended June 30, 2022 compared to 2021. This increase is primarily related to a $0.4 million increase in marketing expenses related to increased Crackle Plus marketing efforts and a $1.4 million in net combined other overhead expenses as a result of the continued growth of the Company.

Interest Expense

The following table presents interest expense for the six months ended June 30, 2022 and 2021:

	Six Months Ended June 30,	
	2022	**2021**
9.50% Notes due 2025	$ 1,846,605	$ 1,530,835
Revolving loan	498,580	98,852
Film acquisition advance	621,296	336,623
Revolving credit facility	—	50,555
Amortization of deferred financing costs	366,748	212,123
	$ 3,333,229	$ 2,228,988

Interest expense increased $1.1 million for the six months ended June 30, 2022, compared to 2021. The increase is related to a higher average outstanding debt balance during 2022, due to the Midcap financing facility entered into in May 2021, related to acquisition of Sonar assets, the issuance of additional 9.5% Notes in April 2022 and an increase in film acquisition advances during the first six months of 2022.

Provision for Income Taxes

The Company’s provision for income taxes consists of federal and state taxes in amounts necessary to align our tax provision to the effective rate that we expect for the full year. Our effective tax rate for the six months ended June 30, 2022 and 2021 was 0% and our income tax expense was $0.0 million for each of the respective periods. Our effective rate is impacted by permanent differences which consist primarily of charges for incentive stock options issued under the Company’s Long-Term Incentive Plan that are not tax-deductible as well as amortization of pre-acquisition film library costs for Screen Media Ventures.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary sources of liquidity are our existing cash and cash equivalents, operating cash inflows and financing activities. As of June 30, 2022, we had cash and cash equivalents of $23.5 million. Our total debt principal outstanding was $87.0 million as of June 30, 2022, of which $44.9 million is comprised of outstanding principal under our 9.50% Notes due 2025, $23.0 million is comprised of borrowings under our Revolving Loan and $19.1 million on our Film Acquisition Advances.

Debt, net of debt issuance costs, increased $29.7 million primarily due to an increase in the Film acquisition advances during the first six months of 2022 and an issuance of our 9.50% Notes due 2025, in the second quarter. The amount of principal due in the next twelve months is approximately $12.2 million. See Note 11, *Debt* in the accompanying notes to our condensed consolidated financial statements.

During the six months ended June 30, 2022, the Company completed the sale of an aggregate of 164,830 shares of Series A Preferred Stock, for net proceeds of $4.0 million, pursuant to an At the Market Issuance.

During the six months ended June 30, 2022, the Company completed the sale of an aggregate of 155,871 shares of Class A Common Stock, for net proceeds of $1.1 million, pursuant to an At the Market Issuance.

We have declared monthly dividends of $0.2031 per share on our Series A Preferred Stock to holders of record as of each month end for each of the six months ended June 30, 2022 and 2021. Total dividends declared during the six months ended June 30, 2022 and 2021 was $4.7 million and $4.5 million, respectively.

Cash Flows

Our cash and cash equivalents balance was $23.5 million as of June 30, 2022 and $44.3 million as of December 31, 2021.

Cash flow information for the six months ended June 30, 2022 and 2021 is as follows:

	Six Months Ended June 30,	
	2022	2021
Cash (used in) provided by:		
Operating activities	$ (22,798,038)	$ (16,898,560)
Investing activities	$ (7,927,221)	$ (15,001,048)
Financing activities	$ 9,948,953	$ 35,571,136

Operating Activities

Net cash used in operating activities was $22.8 million and 16.9 million for the six months ended June 30, 2022 and 2021, respectively. The increase in cash used in operating activities for the six months ended June 30, 2022, as compared to the six months ended June 30, 2021 was primarily due to a $13.2 million increase in net loss adjusted for the exclusion of non-cash items and a $7.3 million increase related to the effect of changes in operating assets and liabilities.

The net loss adjusted for the exclusion of non-cash items was approximately $(6.6) million for the six months ended June 30, 2022 as compared to a net loss adjusted for the exclusion of non-cash items of $6.5 million for the six months ended June 30, 2021. The increase in the net loss adjusted for non-cash items was primarily due to a $14.7 million increase in net loss, and a $1.5 million increase in net non-cash items driven by an increase in share-based compensation.

The effect of changes in operating assets and liabilities was a decrease of $16.2 million for the six months ended June 30, 2022 compared to a decrease of $23.4 million for the six months ended June 30, 2021. The most significant drivers contributing to this decrease relate to the following:

- Changes in the content assets primarily due to increased premium content investment in our licensed programming rights and our film library. Content assets increased $58.8 million for the six months ended June 30, 2022 compared to a $42.0 million increase for the six months ended June 30, 2021.

- Changes in film library acquisition and programming obligations primarily due to the timing of payments and increased content investment in our licensed programming content. Film library acquisition and programming obligations increased $30.0 million for the six months ended June 30, 2022 compared to a $9.3 million increase for the six months ended June 30, 2021.

- Changes in accrued participation costs primarily due to the timing of payments. Accrued participation costs increased $7.4 million during the six months ended June 30, 2022 compared to a $12.2 million increase during the six months ended June 30, 2021.

Investing Activities

For the six months ended June 30, 2022, our investing activities required a net use of cash totaling $7.9 million. This increase was due to $6.7 million of net cash used to partially fund the 1091 Media acquisition and $1.3 million in cash used for capital expenditures primarily related to enhancing our technology infrastructure and Crackle Plus platforms.

For the six months ended June 30, 2021, our investing activities required a net use of cash totaling $15.0 million. This use resulted from $19.4 million used to fund the acquisition of assets from Sonar, a $0.5 million increase in capital expenditures primarily related to our ongoing investments, particularly as it relates to enhancing our technology infrastructure and platforms to support our growing operations, offset by a $4.9 million decrease in our due-from affiliated companies' balance driven by our parent company's central cash management system through which from time to time funds are transferred to settle amounts owed or due on an ongoing basis.

Financing Activities

For the six months ended June 30, 2022, our financing activities provided cash totaling $9.9 million. This increase was primarily due to the $11.1 million in net proceeds related to the public offering of the 9.50% notes due 2025, $10.1 million in net proceeds from the film acquisition advances and $5.1 million in combined net proceeds from the at-the-market preferred and common stock offerings, offset by the repurchase of common stock in the amount of $14.0 million.

For the six months ended June 30, 2021, our financing activities provided net cash totaling $35.6 million. This increase was primarily due to the $21.4 million in net proceeds related to the January 2021 common stock private placement, $18.3 million from the funding under our revolving loan with Midcap Financial Trust related to the acquisition of Sonar assets, $3.4 million in net proceeds from the at-the-market common stock offerings during the period, $2.4 million in proceeds from the exercise of stock options and warrants offset by a $4.2 million payment of dividends to preferred stockholders, the $2.5 million repayment of the outstanding principal under the revolving credit facility with Cole Investments VII, LLC, a $2.5 million payment on our film acquisition advance and a $0.7 million payment on our revolving loan. These financing activities during the period have resulted in the Company improving its liquidity position by increasing cash on hand and decreasing future interest payments.

Anticipated Cash Requirements

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

Critical Accounting Policies and Significant Judgments and Estimates

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

Our significant accounting policies are described in more detail in the notes to our condensed consolidated financial statements appearing elsewhere in this Quarterly Report on Form 10-Q and should be read in conjunction with the audited consolidated financial statements and accompanying notes included in our report on Form 10-K for the year ended December 31, 2021. There have been no significant changes in our critical accounting policies, judgments and estimates, since December 31, 2021, except that we adopted ASU 2016-02, Leases (Topic 842) January 1, 2022.

ASU 2016-02, Leases (Topic 842) was issued in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under current GAAP. ASU 2016-02 requires that a lessee should recognize a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term on the balance sheet. Because we are an emerging growth company, the Company adopted the new lease accounting standard by applying the new lease guidance at the adoption date on January 1, 2022, and as allowed under the standard, elected not to restate comparative periods. As of January 1, 2022, the Company recorded a right-of-use lease asset totaling $8,612,596 with a corresponding lease liability totaling $9,991,977.

JOBS Act

We are an emerging growth company, as defined in the JOBS Act and are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including, but not limited to, only two years of audited financial statements in addition to any required unaudited interim financial statements with correspondingly reduced “Management’s Discussion and Analysis of Financial Condition and Results of Operations” disclosure, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy or information statements, and not being required to adopt certain new and revised accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected to avail ourselves of the extended time for the adoption of new or revised accounting standards, and, therefore, will not be subject to the same new or revised accounting standards as public companies that are not emerging growth companies.

Off-Balance Sheet Arrangements

In the ordinary course of business, the Company from time to time enters into contractual arrangements under which it agrees to commitments with producers and other content providers for the acquisition of content and distribution rights which are in production or have not yet been completed, delivered to, and accepted by the Company ready for exploitation. Based on those contractual arrangements, the Company is committed but is not contractually liable to transfer any financial consideration until final delivery and acceptance has occurred. These commitments which are expected to be fulfilled in the normal course of business. For further information, see Note 15 in our the audited consolidated financial statements and accompanying notes included in our report on Form 10-K for the year ended December 31, 2021.

Effect of Inflation and Changes in Prices

Not applicable.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

Our management has established disclosure controls and procedures designed to ensure that information the Company is required to disclose in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) is recorded, processed, summarized and reported within time periods specified in the Securities and Exchange Commission rules and forms. Such disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information the Company is required to disclose in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management to allow timely decisions regarding required disclosure. A control system, no matter how well designed and operated, cannot provide absolute assurance the objectives of the control system are met, and no evaluation of controls can provide absolute assurance all control issues and instances of fraud, if any, within a company have been detected.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2022, the end of the period covered by this Quarterly Report on Form 10-Q.

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the date of our Quarterly Report on Form 10-Q, June 30, 2022, have been designed and are functioning effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Our independent registered public accounting firm has not performed an evaluation of our internal control over financial reporting during any period in accordance with the provisions of the Sarbanes-Oxley Act. As a result, it is possible, had our independent registered public accounting firm performed an evaluation of our internal control over financial reporting in accordance with the provisions of the Sarbanes-Oxley Act, material weaknesses and significant control deficiencies may have been identified. However, for as long as we remain an "emerging growth company" as defined in the JOBS Act, we intend to take advantage of the exemption permitting us not to comply with the requirement that our independent registered public accounting firm provide an attestation on the effectiveness of our internal control over financial reporting.

Changes in internal control over financial reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that most of our employees are working remotely due to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 situation on our internal controls to minimize the impact on their design and operating effectiveness.

PART II – OTHER INFORMATION

Item 1 – Legal Proceedings

In the normal course of business, from time-to-time, the Company may become subject to claims in legal proceedings. In addition to creating its own content and using its own technologies, the Company distributes third party content and utilizes third party technology, which could further expose the Company to claims arising from actions of such third parties (for which the Company would seek indemnification that may or may not be available under the terms governing the Company's relationships with such third parties). Legal proceedings are subject-to inherent uncertainties, and an unfavorable outcome could include monetary damages, and in such event, could result in a material adverse impact on the Company's business, financial position, results of operations, or cash flows.

Item 1A – Risk Factors

We are affected by risks specific to us as well as factors that could affect all businesses, including our desire to operate in a global market. The significant factors known to us that could materially adversely affect our business, financial condition, or operating results are set forth in the "Risk Factors" section of our report on Form 10-K for the year ended December 31, 2021.

Item 2 – Unregistered Sales of Equity Securities

On August 11, 2022, concurrently with the consummation of the merger transaction described below, Chicken Soup for the Soul Entertainment, Inc. (the "Company") entered into an Amended and Restated Credit Agreement ("HPS Credit Agreement") by and among the Company, as primary borrower, Redbox Automated Retail LLC, as co-borrower ("Redbox Automated"), the Lenders named therein, and HPS Investment Partners LLC, as administrative agent and collateral agent ("HPS").

Pursuant to the terms of the HPS Credit Agreement, the Company has obtained (i) a term loan facility consisting of the conversion, and assumption by the Company, of all “Senior Obligations” under (and as defined in) the HPS Credit Agreement (other than any outstanding Sixth Amendment Incremental Revolving Loans under (and as defined in) the Redbox Credit Agreement as amended by the Sixth Amendment) and (ii) an $80 million revolving credit facility (with any outstanding Sixth Amendment Incremental Revolving Loans under the Redbox Credit Agreement as amended by the Sixth Amendment being deemed, and assumed by the Company as, revolving loans thereunder). In connection with the HPS Credit Agreement, the Company issued HPS and affiliates a five-year warrant (“HPS Warrant”) to purchase up to an aggregate of 1,011,530 shares of the Company’s Class A common stock, par value $0.0001 per share (the “Company’s Class A Common Stock”), at a per-share exercise price of $0.0001. These warrants include customary cashless exercise provisions.

The Company granted registration rights to HPS under which the Company will, among other actions, file (within 30 days of the closing of the mergers under the Merger Agreement) a registration statement on Form S-3 with respect to the issuance of the shares of Class A Common Stock issuable upon exercise of the HPS Warrant. The Company also granted substantially identical registration rights to certain holders of Redbox securities that were signatory to the voting and support agreement (pursuant to which they agreed to vote their Redbox securities in favor of the mergers prescribed by the Merger Agreement) relating to the resale of the shares of Company Class A Common Stock they received in exchange for such securities in the mergers.

The Obligations of the Company and its subsidiary guarantors under the HPS Credit Agreement are secured by a first priority lien in substantially all of the assets of the Company and its subsidiaries, subject to certain exceptions.

Item 3 – Defaults Upon Senior Securities

None.

Item 4 – Mine Safety Disclosures

Not applicable.

Item 5 – Other Information

None.

Item 6 – Exhibits

The exhibits filed as part of this Quarterly Report on Form 10-Q are set forth on the Exhibit Index, which is incorporated herein by reference.

Exhibit No.	Description
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Principal Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of Principal Financial and Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101.INS	Inline XBRL Instance Document*
101.SCH	Inline XBRL Taxonomy Extension Schema Document*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document*
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Included herewith.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

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

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

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

Date: August 12, 2022

Exhibit 31.1

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

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

1. I have reviewed this quarterly report on Form 10-Q of Chicken Soup for the Soul Entertainment, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

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

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: August 12, 2022

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

Exhibit 31.2

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

I, Christopher Mitchell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chicken Soup for the Soul Entertainment, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

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

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: August 12, 2022

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

Exhibit 32.1

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

In connection with the Quarterly Report of Chicken Soup for the Soul Entertainment, Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2022 as filed with the Securities and Exchange Commission (the “Report”), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: August 12, 2022

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

Exhibit 32.2

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

In connection with the Quarterly Report of Chicken Soup for the Soul Entertainment, Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2022 as filed with the Securities and Exchange Commission (the “Report”), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: August 12, 2022

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