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

(Mark One)

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

For the fiscal year ended December 31, 2023  
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

(State or other jurisdiction of incorporation)

81-2560811

(I.R.S. Employer Identification No.)

132 East Putnam Avenue – Floor 2W, Cos Cob, CT

(Address of Principal Executive Offices)

06807

(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, \$.0001 par value per share	CSSE	The Nasdaq Stock Market LLC
Common Stock Purchase Warrant	CSSEL	The Nasdaq Stock Market LLC
9.75% Series A Cumulative Redeemable Perpetual Preferred Stock, \$0.0001 par value per share	CSSEP	The Nasdaq Stock Market LLC
9.50% Notes Due 2025	CSSEN	The Nasdaq Stock Market LLC

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Class Z Warrants	CSSEZ	OTC Markets

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

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

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

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

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

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

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

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

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

As of June 30, 2023, the aggregate market value of the shares of the registrant's common stock held by non-affiliates was approximately \$ 24.1 million.

The number of shares of Common Stock outstanding as of April 12, 2024 totaled 32,388,203 as follows:

Number of

Title of Each Class	Shares Outstanding
Class A common stock, \$.0001 par value per share	24,733,697
Class B common stock, \$.0001 par value per share*	7,654,506

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

Documents Incorporated by Reference

Portions of the registrant's Proxy Statement for Registrant's 2024 Annual Meeting of Stockholders to be filed at a later date are incorporated by reference into Part III of this Annual Report on Form 10-K.

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#### **FORWARD-LOOKING STATEMENTS**

*This Annual Report on Form 10-K ("Annual Report") contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements regarding: our core strategy; operating income and margin; seasonality; liquidity, including cash flows from operations, available funds and access to financing sources; free cash flows; revenues; net income; profitability; stock price volatility; future regulatory changes; pricing changes; the impact of, and the company's response to new accounting standards; action by competitors; user growth; partnerships; user viewing patterns; payment of future dividends; obtaining additional capital, including use of the debt market; future obligations; our content and marketing investments, including investments in original programming; amortization; significance and timing of contractual obligations; tax expense; recognition of unrecognized tax benefits; and realization of deferred tax assets. These forward-looking statements are subject to risks and uncertainties that could cause actual results and events to differ. A detailed discussion of these and other risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included throughout this filing and particularly in Item 1A: "Risk Factors" section set forth in this Annual Report. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to revise or publicly release any revision to any such forward-looking statement, except as may otherwise be required by law.*

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

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

## SUMMARY RISK FACTORS

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

- Substantial doubt exists regarding our ability to continue as a going concern and we are in default on various debt and leases agreements. If we are unable to renegotiate our primary credit facility and secure financing from new sources, we may be required to seek relief and protections under United States federal bankruptcy laws.
- We may and continue to incur losses in the operation of our business.
- We currently have material disputes with our principal lender and may not be successful in or able to pursue our claims against such lender or defend against the claims of the lender.
- We are currently subject to numerous litigations and other potential litigations and claims due to unpaid vendor and content supplier payments because of our capital shortfalls. Terminations of content supplier and vendor contracts will need to be reinstated or alternative sources secured. Interruptions in our ability to provide our video-on-demand products and our service to our customers could damage our reputation, which could have a material adverse effect on us.
- Difficult conditions in the economy generally and our industry specifically resulting from the COVID-19 pandemic may cause interruptions in our operations, a slow-down in the production or acquisition of new content, and changes in demand for our products and services, which may have a material adverse effect on our business operations and financial condition.
- Competition could have a material adverse effect on our business, financial condition and results of operations.
- The occurrence of cyber-incidents, or a deficiency in our cybersecurity or in those of any of our third-party service providers, could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information or damage to our business relationships or reputation, all of which could negatively impact our business and results of operations.
- The loss of key personnel, including our executive officers, could have a material adverse effect on us.
- Our inability to recruit or retain qualified personnel or maintain access to key third-party service providers could have a material adverse effect on us.
- The market price and trading volume of our securities may be volatile.
- We are required to make continuing payments to our affiliates, which may reduce our cash flow and profits. Additionally, conflicts of interest may arise between us and our affiliated companies and we have waived rights for monetary damages in the event of such conflicts.

## PART I

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

- "CSS Productions" means *Chicken Soup for the Soul Productions, LLC, our immediate parent*;
- "CSS" means *Chicken Soup for the Soul, LLC, our intermediate parent company*;
- "CSS Holdings" means *Chicken Soup for the Soul Holdings, LLC, the parent company of CSS and our ultimate parent company*;
- "Screen Media" means *Screen Media Ventures, LLC, a wholly owned subsidiary of CSSE*;
- "A Plus" means *A Sharp Inc. (d/b/a A Plus), a wholly owned subsidiary of CSSE*;
- "Pivotshare" means *Pivotshare, Inc., a wholly owned subsidiary of CSSE*;
- "Crackle Plus" means *Crackle Plus, LLC, a wholly owned subsidiary of CSSE which was originally formed by CSSE and CPE Holdings, Inc. (an affiliate of Sony Pictures Television Inc.)*;
- "Landmark Studio Group" means *Landmark Studio Group, a majority owned subsidiary of CSSE*;
- "Halcyon Television" means *Halcyon Television, LLC, a wholly owned subsidiary of CSSE*;
- "CSS AVOD" means *CSS AVOD Inc., a majority owned subsidiary of CSSE*;
- "Locomotive Global" means *Locomotive Global, Inc., a majority owned subsidiary of CSSE*;
- "1091 Pictures" means *TOFG, LLC, a wholly owned subsidiary of Screen Media Ventures, LLC*; and
- "Redbox" means *Redbox Automated Retail, LLC, a wholly owned subsidiary of CSSE*.

### ITEM 1. Business

#### Overview of our Business

Chicken Soup for the Soul Entertainment provides premium content to value-conscious consumers. The Company is one of the largest advertising-supported video-on-demand (AVOD) companies in the US, with three flagship AVOD streaming services: Redbox, Crackle and Chicken Soup for the Soul. In addition, the Company operates Redbox Free Live TV, a free ad-supported streaming television (FAST) service with nearly 170 channels as well as a transactional video-on-demand (TVOD) service, and a network of approximately 27,800 kiosks across the U.S. for DVD rentals. To provide original and exclusive content to its viewers, the Company creates, acquires, and distributes films and TV series through its Screen Media and Chicken Soup for the Soul TV Group subsidiaries. The Company's best-in-class ad sales organization is known to advertisers as Crackle Connex, a sales platform of unique scale and differentiated reach. Across Redbox, Crackle, Chicken Soup for the Soul and Screen Media, the Company has access to over 50,000 content assets, with over 60,000 programming hours. Chicken Soup for the Soul Entertainment is a subsidiary of Chicken Soup for the Soul, LLC, which publishes the famous books series and produces super-premium pet food under the Chicken Soup for the Soul brand name.

Our AVOD services boast approximately 40 million monthly active users and are distributed through every major distribution platform including Roku, Amazon Fire TV, Samsung, Vizio, Xbox, PlayStation and many more. Our consumers view content produced through our various television production affiliates, acquired by Screen Media, or licensed from Sony Pictures Television (SPT), Lionsgate, Paramount, Fox, Warner Bros. Discovery, Disney and other production and distribution companies, as well as through our media partners. Crackle is among the most watched ad-supported independent VOD streaming services and has multiple branded FAST networks, all of which offer consumers free TV series and movies. Crackle is known for premium original and acquired content that delivers audiences of scale across a demographic spectrum.

Through our Chicken Soup for the Soul AVOD streaming service and FAST channel, we offer original and acquired unscripted lifestyle and scripted series and theatrical content that appeals to women and families.

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The acquisition of Redbox in August 2022 added another established brand and leading home entertainment provider to the Chicken Soup for the Soul Entertainment portfolio of companies. For over 20 years, Redbox has focused on providing U.S. customers with the best value in entertainment and the most choice in how they consume it, through physical media and/or digital services. Through its physical media business, consumers can rent or purchase new-release DVDs and Blu-ray Discs® from its nationwide network of thousands of self-service kiosks. In the recent past, Redbox transformed from a pure-play DVD rental company to a multi-faceted entertainment company, providing additional value and choice to consumers through multiple digital products across a variety of content windows. The Redbox digital business includes Redbox On Demand, a TVOD service offering digital rental and purchase of new release and catalog movies; Redbox Free On Demand, an AVOD service providing free movies and TV shows on demand; and Redbox Free Live TV, a FAST service providing consumers access to nearly 170 linear channels. Chicken Soup for the Soul Entertainment also generates revenue through its Redbox Service business by providing installation, merchandising and break-fix services to other kiosk operators, and via Crackle Connex, selling third-party display advertising within Redbox's mobile app, website, and e-mails, as well as display and digital advertising at the kiosk.

Screen Media manages one of the industry's largest independently owned television and film libraries consisting of approximately 20,000 films and television episodes driven historically by approximately 10 to 20 new theatrically released feature film and a few hundred direct-to-video acquisitions each year. Screen Media provides content for the Crackle 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 471 Emmy Award nominations, 109 Emmy Awards and 15 Golden Globe Awards. In March of 2022, Screen Media acquired 1091 Pictures that 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.

Chicken Soup for the Soul Television Group houses our film and television production activities and produces or co-produces original content for Crackle 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, Indian-centric 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 scripted content for our company for all platforms across a broad spectrum in the U.S. and internationally, including premium series 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 scaled 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 traditional network-scheduled, linear and broadcast viewing to individual, personalized on-demand viewing in response to the ever-growing availability of high-speed content delivery across devices.

The U.S. market for AVOD is projected to reach \$24 billion in revenue in 2024, representing a growth rate of 21% over 2023. Industry projections estimate AVOD revenue to grow at a compounded annual growth rate (CAGR) of 11% between 2024 through 2027. At the same time, advertising spending on traditional linear television networks is expected to decline as more viewers transition from pay television subscriptions to connected TV (CTV) viewing. For these reasons, interest in the AVOD business model is increasing, evidenced by traditional linear network operators increasingly seeking to acquire or launch AVOD networks to maintain access to viewers making this transition and established SVOD players expanding their offerings to include a hybrid AVOD that in most cases still requires a subscription fee. We believe free AVOD networks will continue to experience accelerated growth, particularly as consumers seek affordable programming alternatives to multiple SVOD offerings.

Since our inception in January 2015, our business has grown rapidly. For the full year 2023, our net revenue was \$294.4 million, as compared to the full year 2022 net revenue of \$252.8 million. Our 2023 Adjusted EBITDA was approximately \$(9.4) million, as compared to 2022 Adjusted EBITDA of \$33.5 million. We had net losses of approximately \$(636.6) million in 2023, as compared to net losses of \$(111.3) million in 2022. As described below in "Use of Non-GAAP

Financial Measure", we use Adjusted EBITDA as an important metric for management. See "Item 7. Management's Discussion and Analysis of Financial Condition" and "Item 8. Financial Statements" for more information.

### **Our Strategy**

We believe our company is in a differentiated position within the growing and evolving television industry, as we execute our strategy to become the leading provider of premium entertainment for value-conscious consumers. We identified the trends favoring the growth of free AVOD streaming services in 2015 and began building our direct-to-consumer (DTC) offering in 2017, including the development of our original content production strategy. Since then, with Crackle and Chicken Soup for the Soul, we have built premier ad-supported streaming services that deliver utility and value to viewers and advertisers. With the addition of Redbox, we have added an iconic and beloved brand that enhances our existing leadership in the AVOD landscape. Redbox's connected TV app boasts a robust and integrated ad-supported VOD and free live TV (FAST) service. Redbox's DVD rental kiosks and connected TV transactional VOD businesses are perfectly positioned to capitalize on the post-COVID resurgence of theatricals at the box-office. We believe Chicken Soup for the Soul Entertainment has the advantage of being unencumbered by the often-conflicting strategic choices and priorities faced by diversified media companies that own both legacy linear television networks and VOD streaming services intended to compete with legacy networks. We are singularly focused on the value-conscious consumer and serving that consumer with unique and differentiated offerings that feature a range of mass-appeal and thematic content, a focus on original and exclusive content, and which employ innovative user platforms and data analytics to deliver more personalized viewing experiences and more engaging advertising. We are executing on our strategy in multiple ways:

- **Content: Maximize transactional revenue and cost-effectively grow our production business, our content library, and our ownership of content rights.**
  - *Transactional revenue.* As films exit the theatrical window, they enter the home video window in which we are the dominant player offering rentals and sales across both physical and TVOD. We are focused on maximizing and accelerating transactional content revenue for both our Redbox physical and digital businesses. As the volume, quality and cadence of significant theatrical releases returns to pre-COVID levels, we plan to drive DVD rentals and sales higher at our vast national kiosk network, as well as continue growing our TVOD rentals and sales.
  - *Original & exclusive programming.* Our focus on "original and exclusive" content, supported by our distribution and production business, is designed to distinguish our AVOD network brands among viewers. We are able to add to our existing broad base of content without the significant capital outlay of a traditional television or film studio by producing new originals at low cost through creative partnerships, such as on our popular series Going from Broke from executive producer Ashton Kutcher, and Inside The Black Box, our innovative and award-winning look inside black Hollywood.
  - *Content acquisition and rights ownership.* Through Screen Media, we acquire the rights to additional exclusive content. This strategy reduces our reliance on content licensing, which leads to lower costs of revenue and increased gross margin and provides us with wider distribution opportunities to generate additional revenue. When economically attractive, from time to time, we choose to sell all or a subset of rights of an individual title in our content library to generate funds to keep our overall investment in content cost effective and maximize returns to our investors. We consider all sources of content recoupment revenue, including ancillary revenues and intellectual property infringement.
- **Advertising: Utilize technology and data to deliver innovative advertising formats and relevant ads that engage viewers.**
  - *Advertiser-desired audience profile.* We have relationships with many leading advertisers based on our demographic reach, our sales approach, and our commitment to premium content and innovative, engaging ad formats. Our networks offer advertisers a desirable target audience. For example, the average age of our Crackle viewers is 33, compared to 58 for traditional broadcast networks, and 54 for advertising-supported cable networks. We estimate that 32% of our viewers fall in the 18-34 age demographic.

*Diverse sales channels.* We employ a diverse and targeted advertising sales strategy, using direct, local reseller and programmatic sales channels to provide us with optionality based on market conditions. Most of our advertising revenues are derived from direct sales and programmatic direct agreements, which we believe give us greater margin contribution and control over our advertising avails than is possible with traditional programmatic advertising. The majority of our programmatic advertising sales are sold by our direct sales force and executed programmatically, providing greater insights and data to our customers, resulting in higher-than-normal programmatic CPMs.

- o *Technology investment.* As we grow our portfolio of streaming services, we continue to upgrade our entire suite of streaming applications to add value for advertisers and enhance the user experience, including more intuitive navigation, enhanced video players, seamless ad insertion and better content recommendation engines. As we execute on these initiatives, we believe we will be positioned to increase both overall advertising sales and ad insertion rates, firmly establishing our streaming services as a compelling option for advertisers compared to traditional linear broadcast or cable networks.
- **Direct-to-consumer (DTC): Grow distribution to gain new viewers and employ sophisticated data analytics to deliver more compelling experiences.**
  - o *Content and Distribution.* We exploit our growing libraries of premium content to grow and retain viewers on our streaming services. To augment audience acquisition, we have engaged in distribution arrangements with an increasing number of media platforms including Roku, Amazon Fire, Vizio, Samsung, LG and others, as well as increased advertising and branding on and off media platforms. For example, we have distribution partnerships with Vizio and Hisense for Crackle and Redbox buttons on millions of new television remote controls sold over the next year, which increases consumer awareness of Crackle and Redbox and guides them directly to our connected TV apps.
  - o *New Genre-Specific Networks.* With the addition of Redbox, we now own and operate 15 clearly branded, curated and widely distributed FAST channels. As we grow our content libraries, we are also continuously evaluating opportunities to create new thematic AVOD and FAST networks that focus on certain genres and types of programming, and we expect these networks to deliver more targeted advertising opportunities to marketers.
  - o *Personalized Viewer Experiences.* As we grow our audience, we are creating a large, valuable data base that we use to better understand what our viewers watch and how they engage with advertising. We are increasingly investing in capabilities to manage and analyze our data with the goal of better personalizing viewer experiences and enabling targeted advertising.
- **Business-to-business (B2B): Accelerate revenue for the Company's B2B initiatives in key areas.**
  - o *Redbox Service Business.* Redbox supports its DVD kiosk network with a nationwide field team that handles on-site break-fix and maintenance along with the stocking of merchandise. In 2016, to maximize personnel, resources, and generate new revenue, Redbox began using its kiosk team to also service third-party kiosks. This initial test of capabilities has flourished and is now a sophisticated and fast-growing service business for multiple third-party companies with thousands of kiosks, including ecoATM. We are focused on the growth of the Redbox Service Business and expect the strength of its positive trajectory to continue.
  - o *Crackle Connex.* As the first AVOD of scale, Crackle has always been in a leadership position. The Company realized several years ago that smaller independent AVODs were disadvantaged in the marketplace. Without scale and a volume of impressions, some players struggled to gain the attention of agencies and clients. As AVODs approached our Company for assistance in ad sales, we found there was a healthy, growing and profitable business in representing third-party networks and their inventory with advertisers.. We plan to grow the number of partners, which benefits the Company's scale and revenue, as well as our affiliated AVODs.
  - o *Screen Media Ventures (SMV).* While Screen Media's primary goal is to acquire content for our owned-and-operated networks, SMV's distribution team works with our networks to optimally window content and license it to third parties wherever possible. Through this strategy, SMV has become a leading

content provider for third-party streaming and linear networks. The Company expects to continue this fly-wheel of content acquisitions that leads to monetization through content licensing.

### **Competition**

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

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

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

### **Intellectual Property**

We are party to the "CSS License Agreement," (as defined) through which we have been granted the perpetual, exclusive, worldwide license by CSS to exclusively exhibit, produce and distribute video content using the Chicken Soup for the Soul brand and related content, such as stories published in the Chicken Soup for the Soul books. Chicken Soup for the Soul and related names are trademarks owned by CSS. We have the proprietary rights (including copyrights) in all company-produced content and believe the Brand provides a competitive advantage in attracting advertisers and entertainment talent.

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

### **Human Capital Management**

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

As of December 31, 2023, we had 1,194 direct employees. The services of certain personnel, including our chairman and chief executive officer and our senior brand advisor and director, among others, are provided to us under the Management Services Agreement dated May 12, 2016, between us and CSS ("CSS Management Agreement"). We also utilize consultants in the ordinary course of our business and hire additional personnel on a project-by-project basis. We believe that our employee and labor relations are good, and we are committed to inclusion and strict policies and procedures to maintain a safe work environment. We have taken measures to protect our workforce in response to the COVID-19 pandemic, including allowing employees to work from home when possible and implementing safety protocols to support our employees required to work onsite.

#### **ITEM 1A. Risk Factors**

*In connection with any consideration or evaluation of our company, you should read and carefully consider the risks associated with our business and operations, including those described below. Any of the risks could have a material adverse effect on our business, financial condition, cash flows and results of operations.*

##### **Risks Related to Our Current Financial Condition**

***There is substantial doubt about our ability to continue as a going concern and this could materially impact our ability to obtain capital financing and the value of our common and preferred stock.***

CSSE's merger with Redbox occurred in August 2022. The merger included the assumption of \$359.9 million of debt. The ability to service this debt was predicated on a partial return to pre-COVID levels in the number and cadence of theatrical releases that were available to the Company for its kiosk network, as well as cost synergies. The corresponding rebound in demand for physical kiosk rentals was expected to return to approximately a third of 2019 levels, along with expected synergies from the acquisition, would generate sufficient cash flows to cover the cash needs of the combined businesses.

Since the acquisition, operating results have not met management's expectations, particularly Redbox's kiosk rentals, resulting in insufficient cash flows and working capital to operate the business efficiently. The combination of these factors has resulted in an increasing number of defaults and/or contractual terminations across critical counterparties and service providers, impacting our ability to procure and monetize content efficiently across our distribution platforms.

Due to the on-going impact of these factors on our future results of operations, cash flows and financial condition, as well as our inability to factor longer dated receivables under our credit facility constraints, there is substantial doubt as to the ability of the Company to continue as a going concern. The Company is considering strategic alternatives and transactions, as well as restructuring actions and initiatives to improve its efficiency and reduce its cost structure. However, there can be no assurance that these steps will be sufficient to mitigate the adverse trends we are experiencing in our businesses.

Management may seek to implement further cost and capital expenditure reductions, as necessary. Even if the Company is able to achieve some or all of the contemplated actions, there can be no assurances that we can complete any such actions or strategic transactions in amounts sufficient to alleviate the substantial doubt regarding the Company's ability to continue as a going concern.

If we cannot continue as a going concern, our stockholders would likely lose most or all of their investment in our company and holders of our indebtedness may also suffer material losses on their investments. Reports raising substantial doubt as to a company's ability to continue as a going concern are generally viewed unfavorably by analysts and investors and could have a material adverse effect on the Company's business, financial position, results of operations and liquidity.

***The level of indebtedness assumed in connection with our acquisition of Redbox has not been supported by the Redbox assets and businesses acquired, which has had a material adverse effect on our Company.***

Key components of the Redbox business, including its DVD kiosk rental business, has continued to experience declines since the Merger. The businesses acquired from Redbox has not provided sufficient cash flow since the completion of the Merger to support the related indebtedness acquired by us in the Merger and as significantly hampered our company's cash flow, which in turn has materially adversely affected our operations, including the businesses we operated prior to the Merger. Unless we are able to strategically reconfigure our businesses, the results of operations of the combined companies are likely to continue to be adversely affected by Redbox's legacy businesses and debt, and we may continue to face risk factors that are different from those that individually affected the results of operations of CSSE and Redbox respectively prior to the Merger.

***We have entered into a term sheet with our principal lender setting forth the general terms of a mutual forbearance arrangement that would provide our company an opportunity to pursue certain refinancing and further capitalization transactions that, if successful, will result in settlement of all obligations to, and claims by and against, our principal lender, in the coming months. We are pressing forward expeditiously and assertively with documentation of a mutual forbearance agreement, and pressing to finalize all documents necessary to make these transactions and resolutions happen. However, we cannot assure you that the underlying disputes will ultimately be resolved in a manner that is satisfactory to us or which does not cause us material harm.***

If a definitive mutual forbearance agreement is entered into by our company and our principal lender (which, as of the date of this Annual Report, we are cautiously optimistic will occur), we will be required to consummate certain proposed transactions with third parties within a prescribed period of time and pay down an agreed amount of our loans with the lender in order to deem our credit facility satisfied in its entirety and render our dispute with our lender moot. There can be no assurance that we will be able to finalize a mutual forbearance agreement, consummate such proposed transactions, or generate sufficient capital to fully fund such payoff.

***Our board of directors has voted to form an independent directors committee to evaluate our strategic alternatives and our mutual forbearance arrangement with our principal lender also is expected to implement a strategic review committee within our board of directors.***

Our board of directors has voted to form an independent directors committee to evaluate, among other items, our strategic alternatives, which may include, among other options, potential mergers, acquisitions, divestitures, or other significant corporate transactions. Additionally, our mutual forbearance arrangement with our principal lender is expected to require the implementation of a strategic alternatives committee and related measures in circumstances where we have not consummated certain proposed transactions and made certain payments.

While the formation of these committees and the implementation of related measures are intended to address our financial challenges, explore strategic options and enhance creditor and stockholder value, there are significant risks and uncertainties associated with these actions, including, but not limited to:

- Limited Resources and Attention: The formation of multiple committees and the implementation of related measures may divert the attention and resources of our management team and the board of directors away from day-to-day operations and other strategic initiatives. This diversion of resources could adversely affect our ability to execute our business plans effectively and efficiently.
- Potential Conflicts of Interest: Members of the independent directors committee and any restructuring committee may have conflicting interests or obligations that could impact their ability to act independently and in the best interests of our stockholders. Conflicts of interest could arise from personal relationships, financial interests, or affiliations with other companies or entities involved in the strategic review process. Conflicts would include the interests of our principal lender as a creditor as compared to the interest of holders of equity.
- Uncertain Strategic Alternatives: There can be no assurance that the strategic review process will result in the identification or completion of any strategic transaction or that any transaction identified will be in the best interests of our stockholders. The evaluation of strategic alternatives involves numerous uncertainties and complexities, including market conditions, regulatory considerations, and negotiations with third parties, which may result in the failure to consummate a transaction or the realization of value significantly below expectations.

These actions may have a significant impact on our business, financial condition, and results of operations, and there can be no assurance that they will ultimately result in the enhancement of shareholder value.

***We have recently lost key employees, which could adversely affect the future business and operations of CSSE going forward.***

We are dependent on the experience and industry knowledge of our company's officers and other key employees to execute our business plans. Since the Merger, we have experienced the loss of certain key employees, particularly

within the Redbox businesses. It is possible that the employees of our combined companies may continue to experience uncertainty or disaffection about their roles within our company or about the operations of the combined companies going forward, which may have an adverse effect on our ability to retain or attract key management and other key personnel. No assurance can be given that we will be able to successfully retain or attract key management personnel and other key employees.

***We have experienced material disruptions in key business relationships and our inability to service all our indebtedness and other obligations.***

Our business relationships with numerous customers, distributors, suppliers, vendors, landlords, joint venture partners, and other business partners have been materially hampered by our financial condition. As a result, we have experienced delays in accessing new content and ad sales inventory. This has also hurt our reputation and made it difficult to enter into new business relationships and negotiate changes to existing business relationships. These disruptions have had a material and adverse effect on the results of operations, cash flows and financial position of our company, as well as a material and adverse effect on our ability to realize the expected cost savings and other benefits of our merger with Redbox.

***We have received a delisting notice from Nasdaq, which may diminish or eliminate an active trading market for our common stock, our 9.75% Series A Cumulative Redeemable Perpetual Preferred Stock ("Series A Preferred Stock"), and outstanding publicly traded notes ("Notes").***

In March 2024, we received a notification from the NASDAQ Capital Market indicating that we have failed to comply with certain continued listing standards. Specifically, we do not meet the minimum bid price requirement and the minimum stockholders' equity threshold as prescribed by NASDAQ rules. This non-compliance presents several material risks to our company and our shareholders. We have appealed the delisting, but there can be no certainty that we will be successful. The appeals process will require us to put forth a definitive plan to regain and maintain compliance. If our appeal is not successful, our common stock, Series A preferred stock and Notes will be delisted, which would likely lead to reduced liquidity for our securities, limiting investors' ability to buy and sell such securities. This could also result in decreased visibility in the market and a reduction in the value of our securities. Failure to maintain our Nasdaq listing would make it more difficult and more expensive for us to raise capital, which would materially adversely affect our business and operations.

***We have significant indebtedness and other financial obligations that we have been unable to service as required, which has materially adversely affected CSSE, its operations and financial condition.***

As of December 31, 2023, we had aggregate gross indebtedness of \$562.4 million, including obligations under the HPS Credit Facility, MUFG Union Bank (formerly known as Union Bank) film financing facility, our outstanding publicly traded 9.50% notes (Nasdaq Symbol: CSSEN) and our capital leases. Our operations have not generated sufficient cash flow to cover such debt service obligations, and we require significant capital resource, which to date, we have been unable to obtain. Although we have been in negotiations with certain third parties for the provision of capital through specific financing transactions, these proposed transactions have not been consummated and may not be consummated at all or on terms that allow us to be in a position to functionally service all of our obligations as and when they are due. As a result, we may be required to seek protraction under applicable bankruptcy laws.

***We have not been able to generate surplus as required under Delaware law to service our monthly dividend under our Series A preferred stock and have currently ceased declaration and paying of such dividend.***

Our cash flows from operations, and resulting surplus/deficit metrics, have prevented us from legally declaring monthly dividends under our Series A preferred stock. In the event we fail to declare and pay such dividends for 18 consecutive months, the certificate of designations rights and preferences governing the Series A preferred stock provides certain remedies for holders, including, but not limited to the right to appoint at least two directors to our board of directors. Our inability to pay these dividends has likely hurt our reputation and market confidence in our company and has materially diminished the market price and desirability of our Series A preferred stock. We may not be able to resume this dividend in the near future or at all.

## Risks Relating to COVID-19

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

The global spread of the coronavirus (COVID-19) and the various attempts to contain it have created significant volatility, uncertainty and economic disruption. In response to government mandates, health care advisories, and employee and vendor concerns, we altered certain aspects of our operations during the pandemic, including implementing a work from home policy for all our employees. We have now re-opened our offices. Many employees are returning to our offices as we operate under a "hybrid" working environment, where office employees may have the flexibility to work remotely at least some of the time. It is possible, however, that Covid-related conditions worsen, including as result of the emergence of new strains of the virus, which could force us to return to remote operations in whole or part. Although we believe we transitioned our operations to handle remote working conditions efficiently, requirements to implement remote working policies in the future could adversely impact our productivity and the internal controls over our operations.

Although our operations have been returning to normal conditions, our business and results have been affected by COVID-19 and our financial results and metrics may not be indicative of results for future periods. In addition to production delays experienced by our company and third-party producers, we also saw material decreases, for a time, in advertising expenditures as a result of general economic conditions. Although we continually seek to build and retain our user base through the introduction of new content and improved user experiences, user growth could slow or reverse as government and other restrictions are relaxed.

Any resurgence of COVID-19, including variants thereof, or an outbreak of other highly contagious viruses, could disrupt our business in material ways, including disruptions similar to those experienced during the pandemic as well as additional disruptions. During the pandemic, from time to time, the production of our content by our company and third-party producers was halted or slowed, limiting our ability to introduce new content as previously scheduled. To the extent any future economic disruption resulting from COVID-19 or similar pandemics is severe, we could see some vendors go out of business, resulting in supply constraints and increased costs or delays to our productions. Such production pauses may cause us temporarily to have less new content available on our services in subsequent quarters, which could negatively impact consumer demand for and user retention to our services. Temporary production pauses or permanent shutdowns in production could result in content asset impairments or other charges and will change the timing and amount of cash outflows associated with production activity.

The full extent to which any future or continued outbreaks of COVID-19 or other viruses impact our business, operations and financial results will depend on numerous factors that we may not be able to accurately predict, including: the duration and scope of the pandemic; governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic; the availability and cost to access the capital markets; the effect on our customers and customer demand for our services; disruptions or restrictions on our employees' ability to work and travel; our ability to hire and retain qualified personnel as a result of increased competition for such personnel; our ability to access resources, including technology related resources needed for maintenance, modification, and improvement of our platforms, in the face of supply scarcity and supply pipeline delays; interruptions or restrictions related to the provision of streaming services over the internet, including impacts on content delivery networks and streaming quality; and any stoppages, disruptions or increased costs associated with our development, production, post-production, marketing and distribution of original programming.

## Risks Relating to Our Business

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

As of December 31, 2023 and 2022, we had an accumulated deficit of approximately \$(884.3) million and \$(247.8) million, respectively, and for the years ended December 31, 2023 and 2022, we had a net loss of approximately \$(636.6) million and \$(111.3) million, respectively. We expect our operating expenses to increase in the future as we continue to expand our operations. If our revenue and gross profit do not grow at a greater rate than our operating expenses, we will not be

able to achieve and maintain profitability. Currently, we do not have adequate sources of liquidity to meet our anticipated requirements for working capital, capital expenditures, cash dividend payments on our 9.75% Series A preferred stock, and cash interest payments on our outstanding Notes, credit facilities, and other debt obligations. may require us to borrow additional funds for that purpose, restructure or otherwise refinance our debt. The inability to obtain additional financing resources, will likely require us to diminish or halt operations and seek protection under applicable bankruptcy laws.

***We have not realized the advantages we expect from our acquisitions.***

Part of our growth strategy has been the acquisition of scalable assets to build our business. Our relatively recent acquisitions of Redbox, 1091 Pictures, Crackle, and the assets of Sonar, required time-consuming and costly integration efforts. To date, these efforts have not been successful as we have not realized the anticipated benefits of such acquisitions and our operations have been adversely effected. We believe in the value of these assets but would require additional capital resources to fully realize their value, and we may not be able to secure such capital resources on commercially reasonable terms or at all.

***We are subject to numerous other risks associated with acquisitions, business combinations, or joint ventures.***

As part of our growth strategy, we regularly engage in discussions with respect to possible acquisitions, sale of assets, business combinations, and joint ventures intended to complement or expand our business, some of which may be significant transactions for us. Regardless of whether we consummate any such transaction, the negotiation of a potential transaction could require us to incur significant costs and cause diversion of management's time and resources.

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

***If our efforts to attract and retain new consumers are not successful, our business will continue to be adversely affected.***

Our success depends in part on attracting consumers, retaining them on our VOD services and physical rental business, and ultimately monetizing our VOD services and content offerings. As such, we are seeking to expand our consumer base and increase the number of hours that are streamed across our platforms, increase the number of rentals, expand our kiosk servicing business to create additional revenue opportunities. To attract and retain consumers, we need to be able to respond efficiently to changes in their tastes and preferences and to offer them access to the content they enjoy on terms that they accept. Our financial condition, however, has negatively affected our ability to provide our audiences with new content, which has hampered our operations. Similarly, effective monetization requires us to continue to update the features and functionality of our VOD offerings for consumers, content providers, DVD suppliers, and advertisers, and these efforts have been adversely affected by our limited financial resources.

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

The market for entertainment video is subject to rapid change. Through new and existing distribution channels, consumers have increasing options to access entertainment video. The various economic models underlying these channels include subscription, transactional, physical rental, and ad-supported models. All of these have the potential to capture meaningful segments of the entertainment video market. Traditional providers of entertainment video, including broadcasters and cable network operators, as well as internet-based e-commerce or entertainment video providers are increasing their streaming video offerings. Several of these competitors have long operating histories, large customer bases, strong brand recognition, exclusive rights to certain content and significant financial, marketing and other resources. Competitors may secure better terms from content suppliers and devote more resources to product development, technology, infrastructure, content acquisitions and marketing. New entrants may enter the market or existing providers may adjust their services with unique offerings or approaches to providing entertainment video. Our competitors also may enter into business combinations or alliances that strengthen their competitive positions. If we are unable to successfully or profitably compete

with current and new competitors, our business may be adversely affected, and we may not be able to increase or maintain market share, revenues or profitability.

***Our long-term results depend on numerous operating factors including the results of our physical rental business, which has not improved following the Merger as anticipated.***

Home entertainment is a rapidly evolving industry, making our business and prospects difficult to evaluate. The growth and profitability of this industry and the level of demand and market acceptance for our physical rental business, VOD platforms and content offerings are subject to a high degree of uncertainty. The success of our physical rental business depends in large part on our ability to obtain adequate content from movie studios, maintain contractual relationships with our retail partners in strategic, high-traffic locations, and effectively respond to ongoing cost- and pricing-related pressures. Cancellation, non-renewal, adverse renegotiation of or other changes to these relationships could seriously harm our business, reputation, financial condition and results of operations. We face ongoing pricing pressure from our retail partners to increase the service fees we pay to them on our products and services or to make other financial concessions to win or retain their business. If we are unable to respond effectively to ongoing pricing-related pressures, we may fail to win or retain certain accounts. To date, we have not experienced improvements in our physical rental business as anticipated prior to the Merger, which has materially harmed our operations and financial performance, which in turn, has limited available capital resources for our other operations. Absent our ability to secure additional capital resources and to reconfigure our operations in a manner sufficient to service our outstanding obligations and operating requirements, we may need to curtail some or all of our operations and may need to seek relief under applicable bankruptcy laws.

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

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

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

To be successful, our operations and services need to be scaled to effectively and reliably handle growth in transactions, users, and features. Since inception, we have developed technology and managed our business to address varied content offerings, industry best practices related to e-commerce and streaming video, as well as evolving legal and regulatory environments. While we historically experienced growth in our TVOD service, this growth was hampered following COVID-19 and the consummation of our Merger, and the resulting diminishment in cash flow and capital resources available for our operations. It is possible that we will not be able to continue to grow our revenues, or if growth is resumed, that it will be maintained for any significant period, or at all.

Our AVOD platforms generate revenue primarily from digital advertising and audience development campaigns that run across our streaming platform and from content distribution services. Our ability to deliver more relevant advertisements to our viewers and to increase our platform's value to advertisers and content publishers depends on the collection of user engagement data, which may be restricted or prevented by a number of factors. Viewers may decide to opt out or restrict our ability to collect personal viewing data or to provide them with more relevant advertisements. While we have experienced, and expect to continue to experience, growth in our revenue from advertising, our efforts to monetize our streaming platform through the distribution of AVOD content are still developing and our advertising revenue may not grow as we expect. Accordingly, there can be no assurance that we will be successful in monetizing our streaming platform through the distribution of ad-supported content. In addition, with the recent spread of the coronavirus throughout the United States and the rest of the world, companies' advertising plans and amounts available for advertising may be significantly restricted or discontinued which could also impact our ability to monetize our AVOD platform.

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

We currently have limited production capabilities and rely on relationships with third parties for much of these capabilities. Working with third parties is an integral part of our strategy to produce video content on a cost-efficient basis, and our reliance on such third parties could lessen the control we have over the projects. Should the third-party producers we rely upon not produce completed projects to the standards we expect and desire, critical and audience acceptance of such projects could suffer, which could have an adverse effect on our ability to produce and distribute future projects. In particular, due to the global spread of COVID-19, and in response to government mandates and healthcare advisories, we experienced delays in new content delivery as certain of our vendors and partners halted or diminished their operations. Further, during any continuation of the COVID-19 pandemic or after it fully subsides, we cannot be assured of entering into favorable agreements with third-party content producers on economically favorable terms or on terms that provide us with satisfactory intellectual property rights in the completed projects. Additionally, during 2023 and into 2024, our limited capital resources have materially adversely affected our relationships with third party content providers which, in turn, has harmed our business operations and financial performance. We may not be able to remedy our third-party relationships as required going forward.

***There are risks related to our DVD kiosk rental business that have, and may continue, to negatively impact our business.***

We have invested to maintain our infrastructure of Redbox kiosks in the United States. Optimizing our physical Redbox business depends substantially upon growth or minimizing decline in same store sales. To date, we have not been successful in preventing a downturn in available Redbox locations. In addition, the home video distribution market is rapidly evolving as newer technologies and distribution channels compete for market share, and we have experienced a secular decline in the physical rental market. As this evolution continues, our DVD business and related operating results and financial condition will continue to be adversely affected, and secular declines may accelerate. As a result, our business has been materially adversely affected.

***If we are unable to grow the client base of our third-party kiosk service business, our services line of business may be at risk.***

We currently leverage our large and remote Redbox kiosk field workforce to provide services to our third-party kiosk owners. Our ability to engage and retain this workforce is necessary to merchandise and service our Redbox kiosks, meet the demands of our retail partners and users, and deliver service for our service business accounts. If we cannot continue to retain this workforce at adequate levels, our costs may rise, our service line of business may not meet committed service levels and our customers and retail partners may be dissatisfied. If the network of kiosks we service declines (including our own Redbox network of kiosks) or if we are unable to maintain key accounts (ecoATM and Amazon Locker being our largest clients) or obtain new clients, we may not be able to continue this line of business and obtain expected benefits and our business may be adversely affected.

***If we do not manage the content and availability of our DVD library effectively, our business, financial condition and results of operations could be materially and adversely affected.***

A critical element of our Redbox business model is optimizing our library of DVD titles, formats, and copy depth to achieve satisfactory availability rates to meet consumer demand while also maximizing margins. If we do not acquire sufficient DVD titles, we may not appropriately satisfy consumer demand, which could decrease consumer satisfaction

and we could lose consumers to competitors. Conversely, if we attempt to mitigate this risk and acquire a larger number of copies to achieve higher availability rates for select titles or a wider range of titles, our library utilization would become less efficient and our margins for the Redbox business would be adversely affected. Our ability to accurately predict consumer demand as well as market factors, such as our ability to obtain satisfactory distribution arrangements, may impact our ability to acquire appropriate quantities of certain DVD titles in a timely manner. In addition, if we are unable to obtain or maintain favorable terms from our suppliers with respect to such matters as timely movie access, copy depth, formats and product destruction, among others, or if the price of DVDs increases or decreases generally or for certain titles, our library may become unbalanced, and our margins may be adversely affected.

Our business, financial condition and results of operations could be materially and adversely affected if certain agreements do not provide the expected benefits to us. For example, agreements may require us to license minimum quantities of theatrical and direct-to-video DVDs for rental at our kiosks. If the titles or format provided are not attractive to our consumers, we could be required to purchase too many copies of undesirable titles or an undesirable format, possibly in substantial amounts, which could adversely affect our Redbox business by decreasing consumer demand for offered DVD titles and consumer satisfaction with our services or negatively impact margins.

If we are unable to comply with or lack the necessary internal controls to ensure appropriate documentation and tracking of our content library, we may, among other things, violate certain of our studio licensing arrangements, be forced to pay a fee for unaccounted DVDs and be susceptible to risks of theft and misuse of property, any of which may negatively affect our margins in the Redbox business. Any of these developments could have a material adverse effect on our business, financial condition and results of operations.

***Our failure to meet consumer expectations with respect to pricing our products and services may adversely affect our business and results of operations.***

Demand for our products and services may be sensitive to pricing changes. We evaluate and update our pricing strategies from time to time, and changes we institute may have a significant impact on, among other things, our revenue and net income. In the future, fee increases or pricing changes may deter consumers from using our kiosks or reduce the frequency of their usage.

***The long-term and fixed cost nature of our original or exclusive content distribution rights may limit our operating flexibility and could adversely affect our liquidity and results of operations.***

In connection with our exclusive licensing of content, we typically enter into multi-year commitments with studios and other content providers. We also enter into multi-year commitments for content that we have exclusive distribution rights to, either directly or through third parties, including elements associated with these productions such as non-cancelable commitments under talent agreements.

Given the multiple-year duration and largely fixed cost nature of some of our content commitments, if user acquisition and retention do not meet our expectations, or if we are unable to distribute and license such content to third parties, our margins may be adversely impacted. Payment terms for certain content commitments, such as content we have exclusive distribution rights to under the Screen Media or Redbox Entertainment brands, will typically require more up-front cash payments than other content licenses or arrangements whereby we do not provide minimum guarantees. To the extent user and/or revenue growth do not meet our expectations, our liquidity and results of operations could be adversely affected as a result of content commitments and payment requirements of certain agreements. In addition, the long-term and fixed cost nature of some of our content commitments may limit our flexibility in planning for or reacting to changes in our business and the market segments in which we operate. If we license and/or produce content that is not favorably received by consumers or third-party distributors, acquisition and retention may be adversely impacted and given the fixed cost nature of our content commitments, we may not be able to adjust our content offering quickly and our results of operation may be adversely impacted. Further, there is significant competition for exclusive content, which may limit our ability to acquire a sufficient number of titles or may cause increases in prices that impact profitability of titles acquired.

***We may be unable to attract new partners, broaden current partner relationships, and penetrate new markets and distribution channels.***

To increase the optimal availability of our products and services, we may need to attract new partners, or broaden and maintain relationships with current partners, and develop operational efficiencies that make it feasible for us to penetrate lower density markets or new distribution channels. Our limited financial resources have hurt various industry relationships and as a result our business and financial performance have been, and continue to be, adversely affected.

***The termination, non-renewal or renegotiation on materially adverse terms of Redbox's contracts or relationships with one or more of our significant retailers or studios could seriously harm its operations and our financial condition and results of operations.***

The success of our DVD business depends in large part on our ability to maintain contractual relationships with our partners in profitable locations. Certain contract provisions with our partners vary, including product and service offerings, the fees we are committed to pay, and the ability to cancel the contract upon notice after a certain period of time. For our DVD business we typically enter multi-year kiosk installation agreements that automatically renew until we, or the retailer, gives notice of termination. We strive to provide direct and indirect benefits to our partners that are superior to, or competitive with, other providers or systems or alternative uses of the floor space that our kiosks occupy. We prefer to have our kiosks placed at strategic, high-traffic locations within a partner location. If we are unable to provide them with adequate benefits, we may be unable to maintain or renew our contractual relationships on acceptable terms, causing our business, financial condition and results of operations to suffer. Additionally, to the extent a partner desires to periodically remodel its stores, and to use the space previously allocated to Redbox for different purposes (e.g., home pickup and delivery services), our business, financial condition and results of operations could suffer. No individual retailer accounts for more than 10% of our consolidated revenue.

Redbox's business also depends on our ability to obtain adequate content from movie studios. We have entered into licensing agreements with certain studios to provide delivery of their DVDs. These movie studios have terminated our relationship due to our inability to pay their license fees and will need to be reinstated, when and if, the Company is able to secure additional capital. If we are unable to maintain or renew our current relationships to obtain movie content on acceptable terms, our business, financial condition and results of operations will continue to suffer.

If some or all of these agreements prove beneficial but are terminated early, we could be negatively impacted. Moreover, if we cannot maintain similar arrangements in the future with these or other studios or distributors, or these arrangements do not provide the expected benefits to us, our business could suffer.

***Payment of increased fees to retailers or other third-party service providers could negatively affect our business results.***

We face ongoing pricing pressure from our retailers to increase the service fees we pay to them on our products and services or to make other financial concessions to win or retain their business. If we are unable to respond effectively to ongoing pricing-related pressures, we may fail to win or retain certain accounts. Our fee arrangements are based on our evaluation of unique factors with each retailer, such as total revenue, long-term, non-cancelable contracts, installation of our kiosks in high-traffic, geographic locations and new product and service commitments. Together with other factors, an increase in service fees paid, or other financial concessions made to our retailers could significantly increase our direct operating expenses in future periods and harm our business.

***We are subject to payment processing risk.***

We accept payment for movie rentals through debit card, credit card and online wallet transactions. We rely on internal systems as well as those of third parties to process payments. The Durbin amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act is unfavorable to us. We pay interchange and other fees, which have increased and may increase further over time. Further, because Redbox processes millions of small dollar amount transactions, and interchange fees represent a larger percentage of card processing costs compared to a typical retailer, we are relatively more susceptible to any fee increase. When interchange or other fees increase, it generally raises our operating costs and lowers our profit margins or requires that we charge our customers more for our products and services. To the extent there are increases in payment processing fees, material changes in the payment ecosystem, such as large re-issuances of payment cards, delays in receiving payments from payment processors, changes to rules or regulations concerning payments, loss of payment partners and/or disruptions or failures in our payment processing systems, partner systems or payment products, including products we use to update payment information, our revenue, operating expenses and results of operation could be adversely impacted. In addition, from time to time, we encounter fraudulent use of payment methods, which could impact our results of operations and if not adequately controlled and managed could create negative consumer perceptions of our service. If we are unable to maintain our fraud and chargeback rate at acceptable levels, card networks may impose fines, our card approval rate may be impacted, and we may be subject to additional card authentication requirements. The termination of our ability to process payments on any major payment method would significantly impair our ability to operate our business.

***We depend upon third-party manufacturers, suppliers and service providers for key components and substantial support for our kiosks.***

We conduct limited manufacturing and refurbishment operations and depend on outside parties to manufacture key components of our kiosks. Third-party manufacturers may not be able to meet our manufacturing needs in a satisfactory and timely manner. If there is an unanticipated increase in our manufacturing needs which are not met in a timely and satisfactory manner, we may be unable to meet demand due to manufacturing limitations.

Some key hardware components used in our kiosks are obtained from a limited number of suppliers. We may be unable to continue to obtain an adequate supply of these components from our suppliers in a timely manner or, if necessary, from alternative sources. If we are unable to obtain sufficient quantities of components from our current suppliers or locate alternative sources of supply in a timely manner, we may experience delays in installing or maintaining our kiosks, either of which could seriously harm our business, financial condition and results of operations.

Redbox has faced global supply chain challenges with certain key hardware components used in our kiosks being delayed. These supply chain constraints have resulted in inflationary pressure on component costs, longer lead times, and increased freight costs caused, in part, by the COVID-19 pandemic and the uncertain economic environment. In addition, current or future governmental policies may increase the risk of inflation, which could further increase the costs of components for our kiosks. If we are unable to mitigate the impact of supply chain constraints and inflationary pressure, our results of operations and financial condition could be negatively impacted.

***Our business can be adversely affected by severe weather, natural disasters and other events beyond our control, such as earthquakes, fires, power failures, telecommunication loss, impacts from climate change and terrorist attacks.***

Our assets are located in areas that may be subject to natural disasters, such as earthquakes, and extreme weather conditions, including, but not limited to, hurricanes, floods, tornados, wildfires, and winter storms. These assets may be vulnerable to natural disasters, including those exacerbated by the effects of climate change, telecommunications failures, and similar events. Such natural disasters, extreme weather conditions, or other events beyond our control may damage our kiosks and negatively impact our digital business and can, for extended periods of time, significantly reduce consumer use of our products and services as well as interrupt the ability of our employees and third-party providers to operate and service our legacy and digital businesses. We are also exposed to various risks arising out of man-made disasters, including acts of terrorism and ongoing military actions, the continued threat of which could cause significant volatility in financial markets, or otherwise trigger economic downturns.

A catastrophic event that results in the destruction or disruption of any of our critical business or information technology systems could harm our ability to conduct normal business operations and our operating results. Material operating issues arising from such events could also harm our company brand or reputation, which may impact our ability to acquire and retain users, as well as scale and sell advertising to brand and advertising partners. Such losses may not be fully covered by insurance. We do not currently expect that compliance with government laws and regulations concerning the environment and those designated to address climate risk will have a material effect upon its capital expenditures, cash flow, financial condition, earnings and competitive position.

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

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

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

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

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

Our ability to provide content depends on studios, content providers and other rights holders licensing rights to distribute such content and certain related elements thereof, such as the public performance of music contained within the content we distribute. If studios, content providers and other rights holders are not or are no longer willing or able to license us content upon terms acceptable to us, our ability to provide content will be adversely affected and/or our costs could increase. Increasingly, studios and other content providers have been developing their own streaming services, and may be unwilling to provide us with access to certain content so that they can give exclusive access to their own streaming services. Under a limited number of our license agreements, content owners can withdraw content from us relatively quickly and with short notice. If we do not maintain content that our viewers are interested in, our viewership may decrease and our business could be adversely affected.

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

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

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

In consideration for use of the Brand, and the provisions of key operational resources to our company, we are required to make significant payments to our affiliates as described under "Management's Discussion and Analysis of Financial Condition and Results of Operations — Management and License Fees Affiliate company" in this Form 10-K. Accordingly, in the aggregate, 10% of our net revenue is paid to our affiliates on a continuous basis and will not be otherwise available to us. Beginning in August 2022, under the terms of the HPS Credit Facility, the 10% fee as it relates to Redbox's net revenues is applied to certain limited revenue categories. As we grow our revenues, these payments could become materially more costly than building and acquiring the same resources directly within our company. Similarly, as we build our business and operations in areas outside of the Brand, the value received from licensing the Brand could diminish on absolute and relative terms. In March of 2023, the Company entered into a modification of the CSS Management Agreement and CSS License Agreement pursuant to which (a) \$3.45 million of the aggregate fees under the CSS Management Agreement and CSS License Agreement that have been earned by CSS in the first quarter of 2023 and (b) 25% (or \$12.75 million) of the next \$51 million of such fees that will be earned by CSS after April 1, 2023 shall be paid through the issuance by our Company of shares of our Class A common stock. The Company has issued an aggregate of 2,025,927 shares of Class A common stock to CSS under the modification as of December 31, 2023. The shares that shall become issuable in the future under clause (b) shall be issued each fiscal quarter as such fees are earned at a fixed

price of \$3.05 per share. As of December 31, 2023, \$6.2 million of accrued and payable management and license fees have been satisfied through the issuance to CSS shares of Class A common stock, and an aggregate of \$6.6 million of future management and license fees will be offset by the issuance of Class A common stock to CSS in the periods after December 31, 2023.

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

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

***Our operating results may fluctuate.***

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

Variations in our quarterly and year-end operating results are difficult to predict and our income and cash flows may fluctuate significantly from period to period, which may impact our board of directors' willingness or legal ability to declare and pay the dividends on our preferred stock. Specific factors that may cause fluctuations in our operating results include:

- demand and pricing for our products and services;
- introduction of competing products;
- our operating expenses which fluctuate due to growth of our business;
- timing and popularity of new video content offerings and changes in viewing habits or the emergence of new content distribution
- variable sales cycle and implementation periods for content and services; and
- the continuing effects of the COVID-19 pandemic and governmental responses thereto.

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

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

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

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

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

***We face risks from doing business internationally.***

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

- approximately 43% of our accounts receivable is attributable to international customers;
- laws and policies affecting trade, investment and taxes, including laws and policies relating to the repatriation of funds and withholding taxes, and changes in these laws;
- the Foreign Corrupt Practices Act and similar laws regulating interactions and dealings with foreign government officials;
- changes in local regulatory requirements, including restrictions on video content;
- differing and more stringent user protection, data protection, privacy and other laws;
- differing degrees of protection for intellectual property;
- financial instability and increased market concentration of buyers in foreign television markets;
- the instability of foreign economies and governments;
- fluctuating currencies and foreign exchange rates;
- the spread of communicable diseases, including COVID-19, in such jurisdictions, and government responses to contain the spread of such diseases, including border closures, stay-at-home orders and quarantines, which may impact business in such jurisdictions; and
- war and acts of terrorism.

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

***The effects on our business of the war in Ukraine or the military actions in Israel-Gaza, or the direct military involvement of the United States in such conflicts, or any similar conflicts anywhere in the world, and the ramifications of sanctions against Russia or Israel or other countries, are unknown and could be material.***

Our business could be materially affected by hostilities in other countries. Adverse effects could arise from reduced viewership in our international content offerings, disruptions in Internet availability, heightened risks of cyberattacks perpetrated by government actors, or slowdowns or halts in the production of content being created in other countries. The effects on our business of any specific conflicts, including the current war in Ukraine and any escalation of such war to neighboring countries, or the direct military involvement of the United States in such conflict, or any similar conflicts anywhere in the world, including Israel or other areas of the Middle East, cannot be predicted, but could be material and adverse. Direct US military involvement could heighten international and other risks we already face. Similarly, the ramifications of sanctions put in place by the United States against Russia or Israel or other countries on our business are

unknown and could be material. Our business could be harmed by retaliatory sanctions or actions taken by a country in response to US sanctions, and significant as a result of numerous circumstances arising from same, including prohibitions on the dissemination of US-based video services in certain countries, military actions, cyber-attack initiatives, and other measures that cannot be predicted.

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

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

***Others may assert intellectual property infringement claims against us.***

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

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

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

***Piracy of video content may harm our business.***

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

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

Our business involves 24-hour per day availability and delivery of video content. We utilize proprietary and third-party computer and data systems for the storage and delivery of our content, placement and delivery of our advertising inventory, and the creation of the user experience. Our reputation and ability to attract, retain and serve our viewers is dependent upon the reliable performance of these computer and data systems. These systems may be subject to damage or interruption from earthquakes, adverse weather conditions, other natural disasters, terrorist attacks, power loss, telecommunications failures, computer viruses, computer denial of service attacks or other attempts to harm these systems. Interruptions in these systems or to the internet in general, could make our content unavailable or impair our ability to deliver such content.

***Our online activities are subject to a variety of laws and regulations relating to privacy, which, if violated, could limit our ability to collect and use customer data and subject us to an increased risk of litigation and regulatory actions.***

In addition to our websites, we use third-party applications, websites, and social media platforms to promote our video content offerings and engage consumers, as well as monitor and collect certain information about consumers, which may include personally identifiable information and other data. There are a variety of laws and regulations governing individual privacy and the protection and use of information collected from such individuals, particularly in relation to an individual's personally identifiable information, including the federal Video Privacy Protection Act. Laws relating to data privacy and security continue to proliferate, often with little harmonization between jurisdictions and limited guidance. A number of existing bills are pending in the U.S. Congress and other government bodies that contain provisions that would regulate, how companies can use cookies and other tracking technologies to collect, use and share user information. The United States is seeing the adoption of state-level laws governing individual privacy. This includes the California Consumer Protection Act, Massachusetts General Law 93H and regulations adopted thereunder, and the New York SHIELD Act. Many foreign countries and supranational organizations have adopted similar laws governing individual privacy, such as the EU's General Data Protection Regulation ("GDPR"), some of which are more restrictive than similar United States laws. If our online activities or the activities of the third parties that we work with were to violate or were perceived to violate any applicable current or future laws and regulations that limit our ability to collect, transfer, and use data, we could be subject to litigation from both private rights of action, class action lawsuits, and regulatory actions, including fines and other penalties, as well as harm to our reputation and market position. Internationally, we may become subject to evolving, additional and/or more stringent legal obligations concerning our treatment of customer and other personal information, such as laws regarding data localization and/or restrictions on data export. Failure to comply with these obligations could subject us to liability and/or reputational damage, and to the extent that we need to alter our business model or practices to adapt to these obligations, we could incur additional expenses.

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

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

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

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

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

We do not own the Chicken Soup for the Soul Brand. The Brand is licensed to us by CSS under the terms of the CSS License Agreement. CSS controls the Brand, and the continued integrity and strength of the Chicken Soup for the Soul Brand will depend in large part on the efforts and businesses of CSS and how the Brand is used, promoted and protected by CSS, which will be outside of the immediate control of our company. Although the license granted to us under the CSS

License Agreement is perpetual, it may be terminated by CSS upon the cessation of our business, our bankruptcy, liquidation, or insolvency, or if we fail to pay any sums due or otherwise fail to perform under the License Agreement within 30 days following delivery of a second written notice by CSS.

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

As of December 31, 2023 and 2022, we had net intangible assets of \$35.9 million and \$305.4 million, respectively, and goodwill of \$120.5 million and \$260.7 million, respectively, primarily related to the merger with Redbox, the formation of Crackle Plus, the acquisition of the Crackle assets, Sonar assets and other acquisitions. We assess goodwill and other intangible assets for impairment at least annually and more frequently if certain events or circumstances warrant. If the book value of goodwill or other intangible assets is impaired, any such impairment would be charged to earnings in the period of impairment. In third quarter of 2023 we recorded an impairment charge related certain intangibles and goodwill of \$380.8 million principally related to the underperformance of Redbox. A sustained deterioration in business further, including our inability to consummate additional financings under our strategic initiatives discussed elsewhere, could result in additional impairments in the future, which could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

Our certificate of incorporation requires, to the fullest extent permitted by law, that derivative actions brought in our name, actions against directors, officers and employees for breach of fiduciary duty and other similar actions may be brought only in the Court of Chancery in the State of Delaware (or if the Court of Chancery does not have jurisdiction, another state court located within the State of Delaware, or if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware) and, if brought outside of Delaware, the stockholder bringing the suit will be deemed to have consented to the personal jurisdiction of the state and federal courts located within the State of Delaware and to service of process on such stockholder's counsel. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and consented to the forum provisions in our certificate of incorporation.

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

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

### **Risks Related to Our Securities**

#### *Our Common Stock*

##### ***Our chairman and chief executive officer effectively controls our company.***

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

##### ***Because our common stock currently trades at prices below \$5.00 per share, we are subject to "penny stock" rules.***

As a company whose securities are traded at a low price per share, we are subject to additional regulatory requirements under the Securities Exchange Act of 1934, as amended, commonly referred to as the "penny stock rules." These rules impose certain disclosure and trading restrictions on broker-dealers who engage in transactions in penny stocks, defined generally as equity securities with a price of less than \$5.00 per share.

The penny stock rules require broker-dealers to provide specific disclosures to investors prior to executing transactions in penny stocks. These disclosures include information about the risks associated with investing in penny stocks, the salesperson's compensation, and the bid and offer quotations for the penny stock. Additionally, the rules require broker-dealers to obtain written consent from investors before executing transactions in penny stocks, confirming that the investors have received the required disclosures and understand the risks involved.

The trading restrictions imposed by the penny stock rules may limit the liquidity and marketability of our securities. As a result, investors may find it more difficult to sell their shares at prevailing market prices or to find a willing buyer for their shares. This limited liquidity may contribute to greater price volatility and wider bid-ask spreads for our securities, which could negatively impact the market price of our common stock.

Furthermore, the additional regulatory requirements associated with trading as a penny stock may deter broker-dealers from facilitating transactions in our securities. This reduced market-making activity may further exacerbate the liquidity and trading challenges faced by investors in our stock.

Investors should be aware of the risks associated with trading in penny stocks, including limited liquidity, heightened price volatility, and the potential for regulatory scrutiny. These risks may make it more difficult for investors to buy or sell our securities at favorable prices and could result in losses for investors.

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

A substantial number of shares of Class A Common Stock may be issued upon the exercise of outstanding warrants, including the following:

- Class Z Warrants, exercisable for up to an aggregate of 123,109 shares of Class A Common Stock at a price of \$12.00 per share;
- Class I Warrants, exercisable for up to an aggregate of 800,000 shares of our Class A Common Stock at an exercise price of \$8.13 per share;
- Class II Warrants, exercisable for up to an aggregate of 1,200,000 shares of our Class A Common Stock at an exercise price of \$9.67 per share;
- Class III-A Warrants, exercisable for up to an aggregate of 380,000 shares of our Class A Common Stock at an exercise price of \$11.61 per share;
- Class III-B Warrants, exercisable for up to an aggregate of 1,620,000 shares of our Class A Common Stock at an exercise price of \$11.61 per share;
- Redbox Warrants, exercisable for up to an aggregate of 1,378,248 shares of our Class A Common Stock at an exercise price of \$132.18 per share.

If all of the outstanding warrants are exercised for cash we will be required to issue an aggregate of 5,501,357 shares of Class A Common Stock, or approximately 20% of our Class A Common Stock outstanding as of December 31, 2023. The warrant holders will likely exercise the warrants only at a time when it is economically beneficial to do so. Accordingly, the exercise of these warrants will significantly dilute our other equity holders and may adversely affect the market price of our publicly traded securities.

***We utilize At the Market Issuance Sales Agreements and private sales, pursuant to which we may offer and sell, from time to time, shares of Class A Common Stock and shares of Series A Preferred Stock, which may adversely affect the price of our Class A Common Stock and Series A Preferred Stock.***

We utilize At the Market Issuance Sales Agreement ("ATM Agreements") and private sales pursuant to which we may issue shares of Class A Common Stock and Series A Preferred Stock having an aggregate offering price of up to \$1,000,000,000. The sale of Class A Common Stock will dilute our other equity holders and may adversely affect the market price of the Class A Common Stock. Issuance of shares of our Series A Preferred Stock will increase our dividend payment obligations and increase the liquidation preference. Under our currently existing ATM Agreement with Virtu Americas and B. Riley, for the year ended December 31, 2023, we have sold an aggregate of 1,200,703 shares of Series A Preferred Stock, generating net proceeds to us of \$18.8 million. Outside of that, we completed private unregistered sales of 1,200,000 shares of preferred stock, generating \$8.1 million.

***Only a limited market exists for our Class A Common Stock, Series A Preferred Stock, Notes and Warrants, which could lead to price volatility.***

Our Class A Common Stock, Series A Preferred Stock, Notes and Redbox Warrants trade on the Nasdaq Global Market under the symbols "CSSE", "CSSEP", "CSSEN" and "CSSEL", respectively. Our Class Z warrants are quoted on the OTC Markets under the symbol "CSSEZ," respectively. However, trading volume for our securities has historically been relatively limited. The limited trading market for our securities may cause fluctuations in the market value of these securities to be exaggerated, leading to price volatility in excess of that which would occur in a more active trading market for our securities. We currently face delisting of our securities on Nasdaq and have a scheduled hearing in May 2024 to

appeal the delisting notice. The delisting of our securities will materially harm liquidity and likely the value of such securities.

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

The payment of cash dividends on our Class A Common Stock in the future will be dependent upon our revenue and earnings, if any, capital requirements and general financial condition, our obligation to pay dividends on our Series A Preferred Stock and make quarterly interest payments on the Notes, the laws and regulations of the State of Delaware and will be within the discretion of our board of directors. As a result, any gain you may realize on our Class A Common Stock may result solely from the appreciation of such shares. If our securities become subject to the SEC's penny stock rules, broker-dealers may have trouble in completing customer transactions and trading activity in our securities may be adversely affected.

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

- make a special written suitability determination for the purchaser;
- receive the purchaser's written agreement to the transaction prior to sale;
- provide the purchaser with risk disclosure documents which identify certain risks associated with investing in "penny stocks;"
- obtain a signed and dated acknowledgement from the purchaser demonstrating that the purchaser has received the required risk.

If our securities become subject to these rules, broker-dealers may find it difficult to effectuate customer transactions and trading activity in our securities may be adversely affected. As a result, the market price of our securities may be depressed, and you may find it more difficult to sell our securities. Nasdaq could delist our Class A Common Stock from quotation on its exchange, which could limit investors' ability to sell and purchase our shares and subject us to additional trading restrictions.

Our Class A Common Stock is currently listed on Nasdaq, a national securities exchange. In March 2024 we received notice from Nasdaq that our securities will be delisted, pending our appeal of such delisting decision. If our Class A Common Stock is not listed on Nasdaq or another national securities exchange at any time after the date hereof, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our Class A Common Stock;
- reduced liquidity with respect to our Class A Common Stock;
- a determination that our Class A Common Stock is "penny stock" which will require brokers trading in our shares to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for our Class A Common Stock;
- a limited amount of news and analyst coverage for our company; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

## **Risks Related to our Series A Preferred Stock**

### ***We may redeem the Series A Preferred Stock.***

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

### ***We must adhere to prescribed legal requirements and have sufficient cash in order to be able to pay dividends on our Series A Preferred Stock.***

As noted earlier in this Annual Report, we have suspended the declaration and payment of dividends under our Series A preferred stock as a result of lack of surplus. We cannot determine if we will be able to reinstate this dividend at any point in the future. In accordance with Section 170 of the Delaware General Corporation Law, we may only declare and pay cash dividends on the Series A Preferred Stock if we have either net profits during the fiscal year in which the dividend is declared and/or the preceding fiscal year, or a "surplus", meaning the excess, if any, of our net assets (total assets less total liabilities) over our capital. We can provide no assurance that we will satisfy such requirements in any given year. Further, even if we have the legal ability to declare a dividend, we may not have sufficient cash to pay dividends on the Series A Preferred Stock. Our ability to pay dividends may be impaired if any of the risks described herein actually occur. Also, payment of our dividends depends upon our financial condition and other factors our board of directors may deem relevant from time to time. We cannot assure you that our businesses will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to pay dividends on the Series A Preferred Stock.

### ***A holder of Series A Preferred Stock has extremely limited voting rights.***

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

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

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

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

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

***The Series A Preferred Stock ranks junior to all our indebtedness and other liabilities.***

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

We have incurred and may in the future incur substantial amounts of debt and other obligations that will rank senior to the Series A Preferred Stock. As of December 31, 2023, our total liabilities (excluding contingent consideration) equaled approximately \$920.6 million. If we are forced to liquidate our assets to pay our creditors, we may not have sufficient assets to pay amounts due on any or all the Series A Preferred Stock then outstanding.

***Market interest rates may materially and adversely affect the value of the Series A Preferred Stock.***

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

***Holders of the Series A Preferred Stock may be unable to use the dividends-received deduction and may not be eligible for the preferential tax rates applicable to “qualified dividend income.”***

If and when we reinstitute the dividend on our Series A preferred stock, distributions paid to corporate U.S. holders of the Series A Preferred Stock may be eligible for the dividends-received deduction, and distributions paid to non-corporate U.S. holders of the Series A Preferred Stock may be subject to tax at the preferential tax rates applicable to “qualified dividend income,” only if we have current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. Additionally, we may not have sufficient current earnings and profits during future fiscal years for the distributions on the Series A Preferred Stock to qualify as dividends for U.S. federal income tax purposes. If the distributions fail to qualify as dividends, U.S. holders would be unable to use the dividends-received deduction and may

not be eligible for the preferential tax rates applicable to “qualified dividend income.” If any distributions on the Series A Preferred Stock with respect to any fiscal year are not eligible for the dividends-received deduction or preferential tax rates applicable to “qualified dividend income” because of insufficient current or accumulated earnings and profits, it is possible that the market value of the Series A Preferred Stock might decline.

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

Any downward revision or withdrawal of the credit rating on our Series A Preferred Stock could materially adversely affect market confidence in such stock and could cause material decreases in the market price of such stock and could diminish market liquidity.

***The Series A Preferred Stock is not convertible into Class A Common Stock, including in the event of a change of control, and investors will not realize a corresponding upside if the price of the Class A Common Stock increases.***

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

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

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

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

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

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

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

- issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or

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

- pay dividends on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the Notes, including our Series A Preferred Stock or any subordinated indebtedness;
- sell assets (other than certain limited restrictions on our ability to consolidate, merge or sell all or substantially all of our assets);
- enter into transactions with affiliates;
- create liens or enter into sale and leaseback transactions;
- make investments; or
- create restrictions on the payment of dividends or other amounts to us from our subsidiaries.

In addition, the indenture does not require us to offer to purchase the Notes in connection with a change of control or any other event (but does afford us the right to redeem the Notes prior to the prescribed redemption date upon the consummation of certain transactions). Similarly, the terms of the indenture and the Notes do not protect holders of the Notes in the event that we experience changes (including significant adverse changes) in our financial condition, results of operations or credit ratings, if any.

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

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

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

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

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

Although the Notes are listed on the Nasdaq Global Market under the trading symbol "CSSEN," we received a delisting notice for our securities from Nasdaq in March 2024, pending our appeal of same. We cannot provide any assurances that the Notes will remain listed on Nasdaq or that an active trading market will develop or be maintained for the Notes or that you will be able to sell your Notes. The Notes may trade at a discount from their initial offering price depending on

prevailing interest rates, the market for similar securities, our credit ratings, if any, general economic conditions, our financial condition, performance and prospects and other factors. Accordingly, we cannot assure you that a liquid trading market for the Notes will be sustained, that you will be able to sell your Notes at a particular time or that the price you receive when you sell will be favorable. To the extent an active trading market is not sustained, the liquidity and trading price for the Notes may be harmed. Accordingly, you may be required to bear the financial risk of an investment in the Notes for an indefinite period of time.

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

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

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

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

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

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

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

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

## Risks Related to our Warrants

***Our Redbox Warrants are listed on Nasdaq under the symbol “CSSEL” and our Class Z Warrants are quoted on the OTC Pink Market but a market may not develop for these warrants.***

Our Redbox Warrants are listed on Nasdaq under the symbol “CSSEL” and our Class Z Warrants are quoted on the OTC Pink Market under the symbol “CSSEZ”, respectively. We cannot assure you that active trading markets for these warrants will develop, or, if developed, will be sustained. With respect to the Class Z Warrants, the over-the-counter market is a significantly more limited market than Nasdaq, due to factors such as the reduced number of investors that will consider investing in securities traded over the counter, the reduced number of market makers in the securities, and the reduced number of securities analysts that follow such securities. As a result of the foregoing, holders of our warrants may find it difficult to resell their warrants at prices quoted in the market or at all. You may be unable to sell Class Z Warrants unless a market for such securities can be established or sustained.

***Holders of our warrants will have no rights as a common stockholder until such warrants are exercised.***

Until holders of our warrants acquire shares of our Class A Common Stock they will have no rights with respect to the shares of Class A Common Stock underlying such warrants.

***The market price of our Class A Common Stock may fall below the exercise price of our warrants.***

The market price of our Class A Common Stock may fall below the exercise prices of our warrants and remain below such exercise prices through the date of expiration of our warrants. Any warrants not exercised by their date of expiration will expire worthless and we will be under no further obligation to the warrant holder.

## ITEM 1B. Unresolved Staff Comments

Not applicable.

## ITEM 1C. Cybersecurity

Cybersecurity risk management is an important part of our overall risk management efforts. We maintain a cybersecurity program that is comprised of policies, procedures, controls and plans whose objective is to help us prevent and effectively respond to cybersecurity threats or incidents. Through our cybersecurity risk management process, we monitor cybersecurity vulnerabilities and potential attack vectors to company systems. We, directly and through our third-party service providers, maintain various measures to safeguard against cybersecurity threats such as monitoring systems, security controls, policy enforcement, data encryption, employee training, tools and services from third-party providers and management oversight to assess, identify and mitigate risks from cybersecurity threats. We and our third-party service providers conduct regular testing of these controls and systems including vulnerability scanning, penetration testing and simulating the execution of parts of our disaster recovery plan.

We have implemented cybersecurity frameworks, policies and practices which incorporate industry standards and contractual requirements. We gather information and review security protocols of certain third parties who integrate with our systems, such as our payroll processor, managed solutions provider, and software as a service provider, on an annual basis to identify and manage risk. We regularly seek to improve and mature our cybersecurity processes. We apply lessons learned from our efforts to help prevent attacks and utilize data analytics to detect anomalies and search for cyber threats.

Cybersecurity threats of all types, such as attacks from computer hackers, cyber criminals, nation-state actors, social engineering and other malicious internet-based activities, continue to increase generally in business and society. We believe that our current preventative actions and response planning provide adequate measures of protection against cybersecurity risks. While we have implemented measures to safeguard our information technology systems, the evolving nature of cybersecurity attacks and vulnerabilities means that these protections may not always be effective. In 2023, we did not identify any cybersecurity threats that have materially affected or are reasonably likely to materially affect our business strategy, results of operations, or financial condition. However, despite our efforts, we cannot eliminate all risks from cybersecurity threats, or provide assurances that we have not experienced undetected cybersecurity incidents.

### **Governance**

Our board of directors has oversight of our strategic and business risk management and oversees management's execution of our cybersecurity risk management program. The board receives updates from management on our cybersecurity risks as may be required or prudent. In addition, management updates the board as necessary, regarding any material cybersecurity incidents. Management is responsible for identifying, assessing, and managing cybersecurity risks on an ongoing basis, establishing processes to ensure that such potential cybersecurity risk exposures are monitored, putting in place appropriate mitigation measures, maintaining cybersecurity policies and procedures, and providing regular reports to our board of directors. In the event of an incident, we intend to follow our incident response plan, which outlines the steps to be followed from incident detection to mitigation, recovery and notification, including notifying functional areas (e.g. legal), as well as senior leadership and the board, as appropriate.

Our Director, Information Security works with our Chief Technology Officer to oversee our cybersecurity program and is responsible for our overall information security strategy, policy, security engineering, operations and cyber threat detection and response. These personnel work with other members of management, employees and outside service providers to promote and evolve our cybersecurity protocols and systems.

There were no material cybersecurity incidents in 2023 or up to the date of this filing.

### **ITEM 2. Properties**

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

### **ITEM 3. Legal Proceedings**

During fiscal 2023, the Company is currently subject to numerous litigations and other potential litigations and claims due to unpaid vendor payments because of the capital shortfalls. We are a defendant in numerous commercial actions claiming breach of contract and other causes, including breach of contract relating to the content relationships, company leases, and advertising relationships.

*BBC v. Screen Media and CSSE, New York Court-* In this action, Plaintiff filed an arbitration for unpaid dues and claimed approximately \$9 million including accruing interest and attorney fees. This matter is currently on-going and balance due and accrued under this agreement as of December 31, 2023, was approximately \$7.4 million. CSSE has filed a counter claim against BBC that substantially offsets the alleged claim for breach of contract.

*SPHE Scan Based Trading v. CSSE , Redbox and Crackle Plus, California Court -* In this action, Plaintiff filed suit for unpaid dues and claimed up to \$30 million including accruing interest and attorney fees. This matter is currently on-going and balance due and accrued under this agreement as of December 31, 2023 was approximately \$23.8 million, the low end of the range of our estimate of loss.

*Universal City Studios v. Redbox, Superior Court of Los Angeles County, California -* In this action, Plaintiff filed suit for unpaid dues and claimed up to \$16.8 million including accruing interest and attorney fees. This matter is currently on-going and balance due and adequately accrued under this agreement as of December 31, 2023.

Other than the items discussed above, we believe that the other matters that the Company is currently subject to litigation are not significant, and, in the opinion of our management, are not likely to have a material adverse effect on the Company in adjudicated or settled in a manner adverse to our company. Legal proceedings (both existing proceedings and any additional proceedings arising from such defaults) are subject to inherent uncertainties, and an unfavorable outcome could include monetary damages, loss of office access, loss of equipment use, and other adverse consequences, and excessive verdicts can result from litigation, and as such, could result in further material adverse impacts on our business, financial position, results of operations, and /or cash flows.

**ITEM 4. Mine Safety Disclosures**

Not applicable.

## PART II

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

#### Market Information

Our Class A common stock is listed on the Nasdaq Global Market ("Nasdaq") under the symbol "CSSE," our Series A Preferred Stock is listed on Nasdaq under the symbol "CSSEP," and our 9.50% Notes due 2025 are listed on Nasdaq under the symbol "CSSEN." Our Redbox Warrants are listed on Nasdaq under the symbol "CSSEL." Our Class Z Warrants are quoted on the OTC Pink Market under the symbols "CSSEZ."

#### *Nasdaq Listing Requirements*

On March 25, 2024, the Company received a staff determination from The Nasdaq Stock Market ("Nasdaq") to delist the Company's securities from the Nasdaq Capital Market (the "Staff Determination"). As disclosed previously, the Company received three separate notices from Nasdaq advising the Company that it is not in compliance with certain Nasdaq listing requirements. The notices include the failure of our Class A common stock to trade at or above the Nasdaq required minimum \$1 threshold for 30 consecutive days, maintain a public float above \$5 million on its Class A common stock (CSSE) and maintain equity of \$10 million. The Company appealed the Staff Determination on April 1, 2024 and expects the hearing to occur within 45 days after the date of its hearing request. The hearing request will stay the delisting of the Company's securities pending the appeal and the Company's securities will continue to be listed on the Nasdaq Capital Market until a decision is made. In the meantime, the Company is considering various strategic options to remedy its noncompliance with Nasdaq Listing Rules described above. If the Company is not be able to cure and meet the listing requirements with Nasdaq its Class A common stock (CSSE), 9.75% Series A Cumulative Redeemable Preferred Perpetual Stock (CSSEP), Common Stock Purchase Warrant (CSSEL) and 9.50% Notes due 2025 (CSSEN) may cease to be publicly traded on the Nasdaq Global Market. In such event the Company intends to list such securities on another Nasdaq market, although there can be no assurance the Company will meet the criteria of any other market or will be able to secure listing thereon.

#### Holders

As of April 12, 2024, we have 1,009 holders of record of our Class A Common Stock and 1 holder of record of our Class B Common Stock. We believe we have in excess of 300 beneficial holders of our Class A Common Stock.

#### Dividend Policy

##### *Series A Preferred Stock Dividends*

Since July 2018, we have declared monthly cash dividends of \$0.2031 per share on our Series A Preferred Stock to holders of record as of each month end. The monthly dividends for each month were paid on approximately the 15th day subsequent to each respective month end. The total amount of dividends declared were \$14.0 million and \$9.7 million as of December 31, 2023 and 2022, respectively.

On January 5, 2024, the Company's Board of Directors determined to temporarily suspend the payment of monthly cash dividends on the Company's Series A Cumulative Redeemable Perpetual Preferred Stock ("Series A Preferred Stock") beginning with the payment scheduled for on or around January 15, 2024. The suspension of these dividends will defer approximately \$1.2 million in cash dividend payments each month.

Pursuant to Section 4 of the Certificate of Designations of the Series A Preferred Stock, dividends on the Series A Preferred Stock will continue to accumulate whether or not the Company has earnings, there are funds legally available for the payment of those dividends, or those dividends are declared by the Board of Directors. No interest, or sum in lieu of interest, will be payable in respect of any dividend payment or payments on the Series A Preferred Stock which may be in arrears, and holders of the Series A Preferred Stock will not be entitled to any dividends in excess of the full cumulative dividends. Any dividend payment made on the Series A Preferred Stock shall first be credited against the earliest accumulated but unpaid dividend due with respect to the Series A Preferred Stock.

**Common Stock Dividends**

Our credit agreement with HPS includes a limitation on our ability to pay dividends to common stockholders. We have not paid any dividends on our common stock during the years ended December 31, 2023 and 2022.

**Recent Sales of Unregistered Securities**

During the year ended December 31, 2023, the Company issued 2,025,927 shares of Class A common stock to CSS in lieu of contractual management fee payment based on a fixed price of \$3.05 per share. The agreement allows for up to \$12.75 million to be paid with shares at a fixed price of \$3.05 per share.

During the year ended December 31, 2023, the Company issued 358,985 shares of Class A common stock to third parties in lieu of payment based on an average price of \$0.91 per share.

During the year ended December 31, 2023, the Company issued 1,200,000 shares of Series A preferred stock on an average price of \$6.73 per share or \$8.1 million.

**Issuer Purchases of Equity Securities**

None.

**Code of Ethics**

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

**ITEM 6. Selected Financial Data**

Not applicable.

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

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

*Report. Such risks and uncertainties could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.*

**Recent Developments**

***There is substantial doubt about our ability to continue as a going concern and this could materially impact our ability to obtain capital financing and the value of our common and preferred stock.***

The accompanying consolidated financial statements and notes have been prepared assuming the Company will continue as a going concern. During the year ended December 31, 2023, the Company generated negative cash flows from operations of \$(23.3) million, a net loss available to common stockholders of \$(636.6) million and has an accumulated deficit of \$(884.3) million. Our consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern.

CSSE's merger with Redbox occurred in August 2022. The merger included the assumption of \$359.9 million of debt. The ability to service this debt and operate our combined business operations was predicated on a partial return to pre-COVID levels in the number and cadence of theatrical releases that were available to the Company for its kiosk network, cost synergies between the companies, and the ability to consummate certain accounts receivable financing. The corresponding rebound in demand for physical kiosk rentals was expected to return to approximately a third of 2019 levels, along with expected synergies from the acquisition, and accounts receivable financing, which would generate sufficient cash flows to cover the cash needs of the combined businesses.

Several factors negatively affected the planned integration of Redbox's operations into our company, including a) longer than anticipated period of unavailability of sufficient new titles as a result of the on-going impacts of COVID and industry strikes, b) undisclosed preacquisition issues within Redbox, and c) disputes that arose with our lender as described in our Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2023.

As the flow of theatrical releases began to increase following Covid, we believe that our inability to secure accounts receivable financing for the reasons described in our most recent 10-Q hampered our ability to pay for and secure new content, which began to strain relationships with the Company's creditors, including content providers. As a result, the Company was unable to pay for all the movies that were offered to it by its providers, and as a result operating results failed to meet management's expectations, particularly in Redbox's kiosk rentals, resulting in insufficient cash flows and a significant working capital deficit hampering our ability to operate the business efficiently.

In order to partially replace this working capital shortfall, the Company factored its short-dated receivables but was unable to factor its long-term receivables, which prevented us from making up the short-fall. Also, the Company launched initiatives to improve its efficiency and reduce its cost structure, including, but not limited to: (i) optimizing its kiosk network, (ii) evaluating and implementing workforce reductions across its supply chain and corporate teams and (iii) maximizing cost synergies across the combined businesses.

The combination of these factors has resulted in asserted defaults and/or contractual terminations with critical content and service providers, impacting our ability to procure and monetize content efficiently across our distribution platforms. Due to the ongoing impact of the above factors on our current and future results of operations, cash flows and financial condition, there is substantial doubt as to the ability of the Company to continue as a going concern. As a result of the Company's diminished capital position, the Company has received an increasing number of termination and/or non-renewal notices from content suppliers and other service providers, including receiving default notices under certain of its leases and certain of its lenders. These financing partners have the ability to evict us from facilities, repossess vehicles or call their debt, but none have done so to date.

While we believe that, if we are able to consummate the series of strategic financing transactions that we believe are available to us in the near term, we will be able to settle material litigations, defend those for which we have a defense, and promptly reinstitute key relationships, including with our key content producers and suppliers, we ultimately may not be able to consummate all such financing transactions or settle or defend all such cases in a manner that avoids continued operational and economic consequences that harm our business and financial performance. If we are unable to consummate

these strategic financing transactions in the near term, we likely will be required to seek relief and protections under United States federal bankruptcy laws.

On March 25, 2024, the Company received a staff determination from The Nasdaq Stock Market ("Nasdaq") to delist the Company's securities from the Nasdaq Capital Market (the "Staff Determination"). As disclosed previously, the Company received three separate notices from Nasdaq advising the Company that it is not in compliance with certain Nasdaq listing requirements. The notices include the failure of our Class A common stock to trade at or above the Nasdaq required minimum \$1 threshold for 30 consecutive days, maintain a public float above \$5 million on its Class A common stock (CSSE) and maintain equity of \$10 million. The Company appealed the Staff Determination on April 1, 2024 and expects the hearing to occur within 45 days after the date of its hearing request. The hearing request will stay the delisting of the Company's securities pending the appeal and the Company's securities will continue to be listed on the Nasdaq Capital Market until a decision is made. In the meantime, the Company is considering various strategic options to remedy its noncompliance with Nasdaq Listing Rules described above. If the Company is not able to cure and meet the listing requirements with Nasdaq its Class A common stock (CSSE), 9.75% Series A Cumulative Redeemable Preferred Perpetual Stock (CSSEP), Common Stock Purchase Warrant (CSSEL) and 9.50% Notes due 2025 (CSSEN) may cease to be publicly traded on the Nasdaq Global Market. In such event, the Company intends to list such securities on another Nasdaq market, although there can be no assurance the Company will meet the criteria of any other market or will be able to secure listing thereon.

As described in this Annual Report on Form 10-K, we are cautiously optimistic that (1) we will enter into a mutual forbearance agreement with respect to the mutual claims between our Company and our lender, (2) that these mutual claims will be resolved satisfactorily and (3) such resolution, if resolved, may improve our Company's capital position, including through a possible reduction in our indebtedness. See "*Proposed Mutual Forbearance Agreement and Strategic Initiatives*" for a summary of the proposed mutual forbearance framework that follows.

***Proposed Mutual Forbearance Agreement & Strategic Initiatives***

In April 2024, as an integral part of our strategic initiatives to improve the capital position of our Company and resolve our mutual disputes with our principal lender, we established a framework with such lender, pursuant to which we would waive certain claims and the lenders under our credit facility would forbear (the "Forbearance") for a period of time (the "Mutual Forbearance Period") from exercising any remedies they may have under such credit facility in order to allow our company approximately 60 days to pursue certain proposed transactions ("Proposed Transactions"). The Proposed Transactions include (a) a \$50 million sublicense (the "Proposed Sublicense") and (b) a \$125 million agreement with a third party comprised of a \$65 million line of credit and a \$60 million equipment lease to Redbox secured by assets owned by Redbox (the "Proposed Redbox Facility"). We would be required to apply a portion of the aggregate net proceeds of the Proposed Transactions to the prepayment of a portion of the outstanding loans under our credit facility on a pro rata basis (the "Initial Prepayment").

In the event the Proposed Transactions are consummated and the Initial Prepayment is made prior to the expiration of the Mutual Forbearance Period, the Mutual Forbearance Period would be extended until September 30, 2024 (the "Extended Mutual Forbearance Period") during which time we would be required to prepay an additional amount under the credit facility. If these additional payments are made during the Extended Mutual Forbearance Period and the lenders have collectively received the specified amount in combined cash and permitted asset value (the "Payment Threshold"), all remaining amounts due and owing under the credit facility shall be deemed satisfied and paid in full, constituting a reduction that represented the majority of aggregate stated principal and interest.

The proposed agreement is subject to certain condition precedents, which management expects to meet in the near term. Under the proposed agreement, should the Company fail to make the payments timely or default under the existing credit agreement, the Mutual Forbearance Period will terminate and HPS will be able to pursue certain remedies to be outlined in the agreement, and to exercise their existing rights under the credit facility. Similarly, the Company would in that circumstance be free to pursue its claims against the principal lender, as well as any other legal courses of action it might deem necessary or appropriate in such circumstance.

## Items Impacting Comparability

### *Merger with Redbox Entertainment Inc.*

The merger with Redbox Entertainment Inc. 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 \$80.0 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 issued approximately 4.7 million shares of Class A common stock and assumed the outstanding warrants of Redbox.

### *Acquisition of 1091 Pictures*

On March 4, 2022, the Company acquired the assets of 1091 Media, LLC ("1091 Media") for approximate consideration of \$13.3 million. The purchase price is comprised of \$8.0 million in cash, equity in the form of 80,000 newly issued shares of the Company's Series A perpetual preferred stock, and 375,000 shares of Class A common stock. 1091 Picture's provides a diverse library of approximately 4,000 movies and television series and established FAST and AVOD channels in specific verticals, with approximately 1 billion yearly ad impressions.

### **Reporting Segment**

We operate in one reportable segment, the production, distribution and exhibition of TV and film content for sale to others and for use on our owned and operated video-on-demand platforms and Redbox Kiosks. We currently operate in the United States and India and derive most of our revenue primarily in the United States. We distribute films in over 56 countries and territories worldwide and intend to continue to license our video content internationally.

### **Seasonality**

Our operating results are not materially affected by seasonal factors; however, we may distribute rights to certain films which result in increased revenues and expenses during the period of distribution and revenues from our AVOD networks vary from period to period and will generally be higher in the second half of each year. Redbox has greater demand over the holiday season typically results in higher rentals November through January, with April being a lower rental month due, in part, to retail release timing in connection with the Academy Awards that historically has provided stronger content and resulted in higher rentals in March, and September and October having low rental months due, in part, to the beginning of the school year and the introduction of the new fall television season.

### **Financial Results of Operations:**

#### **Revenue**

The following table presents net revenue line items for the years ended December 31, 2023 and 2022 and the year-over-year dollar and percentage changes for those line items:

	Year Ended December 31,				Change Period over Period
	2023	% of Revenue	2022	% of Revenue	
<b>Revenue:</b>					
VOD and streaming	\$ 104,004,498	35 %	\$ 144,484,749	57 %	\$ (40,480,251) (28)%
Retail	112,795,918	38 %	67,756,426	27 %	45,039,492 66 %
Licensing and other	77,606,478	26 %	40,568,935	16 %	37,037,543 91 %
<b>Net revenue</b>	<b>\$ 294,406,894</b>	<b>100 %</b>	<b>\$ 252,810,110</b>	<b>100 %</b>	<b>\$ 41,596,784 16 %</b>

Our net revenue increased by \$41.6 million or 16% for the year ended December 31, 2023, compared to 2022. This change is driven by an increase in Retail revenue of \$45.0 million related to the Redbox acquisition, and an increase of \$37.0 million in licensing revenues compared to 2022, offset by a decrease in VOD and streaming revenue of \$40.5 million.

The VOD and streaming decrease is driven by a decrease in non-acquisition-related advertising revenue of \$16.6 million and lower TVOD and licensing revenues to digital streamers of \$46.0 million, that were partially offset by \$10.1 million advertising and \$12.0 million TVOD revenue attributable to acquisitions of Redbox and 1091 in 2022.

Retail revenue for the year-ended December 31, 2023, is entirely from the Redbox merger that closed on August 11, 2022. The increase in the revenues is due to the comparison of full year in 2023 to a little less than five full months in 2022. The results for fiscal 2023 resulted in lower revenues than management expected. We expect to experience a lower level of kiosk rentals into the future until such a time that we can stock titles of consequence on a consistent basis. Growth in kiosk rental revenues in the future is dependent on an increase in the number of theatrical releases and an increase in box office content, but also by the consistent weekly cadence of theatrical releases and the size of our kiosk rental network. The future size of our kiosk rental network is dependent on the growth of new retail partners, our retention of existing retail partners and our on-going efforts to rationalize our kiosk footprint to maximize efficiency.

Licensing and other revenue increased \$37.0 million for the year ended December 31, 2023. The increase is related to higher net film licensing revenues of \$24.0 million, principally related to an international AVOD licensing agreement across Screen Media's film library and \$20.0 million in other revenues principally related to an amendment of an existing intellectual property license, partially offset by lower production revenues of \$7.0 million principally related to Season 1 of *Raina Naidu* in 2022.

#### Costs & Expenses

The following table presents cost of revenue line items for the years ended December 31, 2023 and 2022 and the year-over-year dollar and percentage changes for those line items:

	Year Ended December 31,					
	2023	% of Total	2022	% of Total	Change Period over Period	
<b>Operating:</b>						
Content amortization and other costs	\$ 179,210,352	59 %	\$ 129,921,360	60 %	\$ 49,288,992	38 %
Revenue share and partner fees	10,298,547	3 %	17,661,800	8 %	(7,363,253)	(42)%
Distribution and platform costs	116,050,903	38 %	68,237,720	32 %	47,813,183	70 %
<b>Total operating</b>	<b>\$ 305,559,802</b>	<b>100 %</b>	<b>\$ 215,820,880</b>	<b>100 %</b>	<b>\$ 89,738,922</b>	<b>42 %</b>

Our cost of revenue increased by \$89.7 million or 42% for the year ended December 31, 2023, compared to 2022.

The increase in content amortization and participation costs of \$49.3 million in higher amortization and participation costs, consistent with additional revenues from Redbox and 1091 acquisitions, inclusive of increased digital streaming on Redbox's VOD platforms and an increased international licensing deal across Screen Media library properties. The change includes a \$46.4 million increase in content amortization and participation, in 2023 compared to 2022, including increased content impairment charges primarily related to, a modification to a distribution agreement in the fourth quarter and lower performance on an international rights contract.

Revenue share and partner fees decreased \$7.4 million due primarily to a \$5.5 million decrease in ad representation sales and \$1.7 million in third-party revenue and partner share costs.

Distribution and platform costs increased \$47.8 million, principally related to the merger with Redbox.

Acquisitions account for \$156.7 million of total Operating costs, including Redbox's direct product costs of \$59.7 million and direct operating expenses of \$94.3 million.

### Selling, General and Administrative Expenses

The following table presents selling, general and administrative expense line items for the years ended December 31, 2023 and 2022 and the year-over-year dollar and percentage changes for those line items:

	Year Ended December 31,		Change Period over Period
	2023	2022	
Compensation expense	\$ 61,010,985	\$ 53,286,424	\$ 7,724,561 14 %
Share-based compensation	2,110,847	5,869,711	(3,758,864) (64)%
Professional fees	11,342,729	8,085,806	3,256,923 40 %
Other operating expenses	33,754,184	26,295,445	7,458,739 28 %
<b>Total Selling, General and Administrative Expenses</b>	<b>\$ 108,218,745</b>	<b>\$ 93,537,386</b>	<b>\$ 14,681,359 16 %</b>

Compensation expense increased by \$7.7 million for the year ended December 31, 2023 compared to 2022. This increase is primarily due to compensation expenses related to the acquisitions of Redbox and 1091 Media in 2022 for the full year, partially offset by lower bonus expenses in 2023 and to reductions in administrative headcount.

Share-based compensation expense decreased \$3.8 million for the year ended December 31, 2023 compared to 2022 due to no new grants in 2023 and lapping grants related to the Redbox acquisition.

Professional fees increased by \$3.3 million for the year ended December 31, 2023 compared to 2022. This increase is primarily related to an increase in consulting, advisory and legal fees, of which \$2.0 million was due to the acquisition of Redbox.

Other operating expenses increased \$7.5 million for the year ended December 31, 2023, compared to 2022 primarily related to \$5.6 million in bad debt expense due to a customer bankruptcy and remaining in additional in overhead costs from Redbox.

### Amortization and Depreciation

	Year Ended December 31,		Change Period over Period
	2023	2022	
Amortization and depreciation	\$ 37,800,035	\$ 20,716,325	\$ 17,083,710 82 %

Amortization and depreciation expense increased by \$17.1 million or 82% principally due to the increase in acquired intangibles from our acquisitions during 2023 and 2022, principally attributable to Redbox.

### Impairment of Goodwill & Intangibles

	Year Ended December 31,		Change Period over Period
	2023	2022	
Goodwill Impairment	\$ 136,901,916	\$ —	\$ 136,901,916 100 %
Intangibles Impairment	243,907,870	3,500,000	240,407,870 6,869
	<b>\$ 380,809,786</b>	<b>\$ 3,500,000</b>	<b>\$ 377,309,786 10,780 %</b>

Goodwill and intangibles impairment increased by \$377.3 million due to the Company undertaking an evaluation of its goodwill during the third quarter of 2023, based on the underperformance of the business compared to management's expectations, especially Redbox's kiosk rentals business. The evaluation resulted in an impairment of \$136.9 million of goodwill principally related to Redbox acquired assets, across our Digital and Retail reporting units, and an impairment of \$243.9 million of intangibles, principally related to certain finite lived brand intangibles. For 2022, there was a \$3.5 million impairment related to an indefinite lived brand intangible. A sustained deterioration in business further, including our inability to consummate additional financings under our strategic initiatives discussed elsewhere, could result in additional impairments in the future, which could have a material adverse effect on our business, financial condition and results of operations.

### Management and License Fees

	Year Ended December 31,		Change	
	2023	2022	Period over Period	
Management and license fees	\$ 18,419,974	\$ 18,400,648	\$ 19,326	0 %

The management and license fee were flat year over year. In 2023, a portion of CSS's management and license fees were paid in CSSE Class A common stock. See *Related Party Resources and Obligations* below for additional information.

#### **Merger, Transaction, and Other Costs**

	Year Ended December 31,		Change	
	2023	2022	Period over Period	
Merger, transaction, and other costs	\$ —	\$ 17,503,791	\$ (17,503,791) (100)%	

Merger, transaction, and other costs in the current period decreased by \$17.5 million, due to nonrecurring consulting, advisory and legal expenses in 2022 principally related to the mergers and acquisitions of Redbox and 1091 Pictures.

#### **Interest Expense**

The following table presents interest expense for the years ended December 31, 2023 and 2022:

	Year Ended December 31,		Change	
	2023	2022	Period over Period	
9.50% Notes due 2025	\$ 4,330,021	\$ 4,040,330	\$ 289,691	7 %
Revolving loan	—	656,708	(656,708)	(100)%
HPS debt	60,702,003	18,553,315	42,148,688	227 %
Film acquisition advances	3,201,179	1,864,467	1,336,712	72 %
Capital leases and Other debt	3,129,237	482,139	2,647,098	549 %
Amortization of deferred financing costs	4,748,857	2,243,381	2,505,476	112 %
	<u>\$ 76,111,297</u>	<u>\$ 27,840,340</u>	<u>48,270,957</u>	<u>173 %</u>

Interest expense increased \$48.3 million for the year ended December 31, 2023 compared to 2022. The increase is primarily related to a higher average outstanding debt balance during 2023 as compared to 2022, principally related to the debt assumed with the merger with Redbox.

#### **Other Non-Operating Income, net**

For the years ended December 31, 2023, and 2022 other non-operating income was \$3.8 million and \$5.3 million, respectively with a net decrease of \$1.5 million.

#### **Provision for Income Taxes**

As of December 31, 2023, the Company's effective income tax rate was a benefit of 0.9% which differed from the federal statutory rate of 21.0% primarily due to an increase of the Company's valuation allowance. As of December 31, 2023 the Company recorded a full valuation allowance. As of December 31, 2022, the Company's effective income tax rate was a benefit of 26.8%, primarily due to the release of a portion of the Company's valuation allowance because of the acquired deferred tax liability of Redbox.

Temporary differences consist primarily of intangible assets, net programming costs and film library acquisition costs that were, for current year additions, amortized over the straight line basis as permitted under the Internal Revenue Code as well as prior year released USA produced shows having been deducted for tax purposes in the period incurred (under Internal Revenue Code Sections 168(k) and 181 as contrasted to the capitalization and amortization for financial reporting purposes under the guidance of ASC 926 — Entertainment — Films. We also incurred impairment losses that were charged to operations on the financial statements on some of those assets but are not currently deductible for tax purposes. Additionally, the Company amortized, for tax purposes, intangible assets as well as acquisition related costs under Section 197 of the Internal Revenue Code, the amounts of which differ substantially from charges on related assets that are either not amortized for financial reporting, charged to operations in the period incurred, or amortized at different rates.

Permanent differences consist primarily of impairment expenses of goodwill for financial reporting purposes which are not deductible for income tax purposes.

## **Related Party Resources and Obligations**

### **CSS License Agreement**

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

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

For the years ended December 31, 2023 and 2022, we recorded \$9.2 million of license fee expense each year under this agreement. We believe that the terms and conditions of the CSS License Agreement, which provides us with the rights to use the trademark and intellectual property in connection with our video content, are more favorable to us than any similar agreement we could have negotiated with an independent third-party.

### **CSS Management Agreement**

We have a management services agreement, the “CSS Management Agreement”, in which we pay CSS a management fee equal to 5% of our net revenue. Under the terms of the CSS Management Agreement, we are provided with the broad operational expertise of CSS and its subsidiaries and personnel, including the services of our chairman and chief executive officer, Mr. Rouhana, our senior brand advisor and director, Ms. Amy Newmark, and the CSS chief financial officer, Mr. Christopher Mitchell. The CSS Management Agreement also provides for services, such as accounting, legal, marketing, management, data access and back-office systems, and provides us with office space and equipment usage. On August 1, 2019, we entered into an amendment to the CSS Management Agreement which removed our obligation to pay sales commissions to CSS in connection with sponsorships for our video content or other revenue generating transactions arranged by CSS or its affiliates. On March 15, 2021, we entered into a further amendment to the CSS Management Agreement which clarified that the term of the CSS Management Agreement is five years, with automatic one-year renewals unless affirmatively terminated by one of the parties. Beginning in August 2022, under the terms of the HPS Credit Facility, the 10% fee as it relates to Redbox’s net revenues is applied to certain limited revenue categories.

### **Modification to CSS Management and License Agreement**

In March of 2023, the Company entered into a modification of the CSS Management Agreement and CSS License Agreement pursuant to which (a) \$3.45 million of the aggregate fees under the CSS Management Agreement and CSS License Agreement that have been earned by CSS in the first quarter of 2023 and (b) 25% (or \$12.75 million) of the next \$51 million of such fees that will be earned by CSS after April 1, 2023 shall be paid through the issuance by our Company of shares of our Class A common stock. The Company has issued an aggregate of 2,025,927 shares of Class A common stock to CSS under the modification as of December 31, 2023. The shares that shall become issuable in the future under clause (b) shall be issued each fiscal quarter as such fees are earned at a fixed price of \$3.05 per share. As of December 31, 2023, \$6.2 million of accrued and payable management and license fees have been satisfied through the issuance to CSS shares of Class A common stock, and an aggregate of \$6.6 million of future management and license fees will be offset by the issuance of Class A common stock to CSS in the periods after December 31, 2023.

For the years ended December 31, 2023, and 2022, we recorded \$9.2 million each year, of management fee expense under this agreement. We believe that the terms and conditions of the CSS Management Agreement, as amended, are more favorable and cost effective to us than if we hired the full staff to operate the Company.

### **Subsequent Events**

Refer to Note 19, Subsequent Events, in the Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

### **Use of Non-GAAP Financial Measure**

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”). We use a non-GAAP financial measure to evaluate our results of operations and as a supplemental indicator of our operating performance. The non-GAAP financial measure that we use is Adjusted EBITDA. Adjusted EBITDA (as defined below) is considered a non-GAAP financial measure as defined by Regulation G

promulgated by the SEC under the Securities Act of 1933, as amended. Due to the significance of non-cash, non-recurring, and acquisition related expenses recognized for the year ended December 31, 2023 and 2022, and the likelihood of material non-cash, non-recurring, and acquisition related expenses to occur in future periods, we believe that this non-GAAP financial measure enhances the understanding of our historical and current financial results as well as provides investors with measures used by management for the planning and forecasting of future periods, as well as for measuring performance for compensation of executives and other members of management. Further, we believe that Adjusted EBITDA enables our board of directors and management to analyze and evaluate financial and strategic planning decisions that will directly affect operating decisions and investments. We believe this measure is an important indicator of our operational strength and performance of our business because it provides a link between operational performance and operating income. It is also a primary measure used by management in evaluating companies as potential acquisition targets. We believe the presentation of this measure is relevant and useful for investors because it allows investors to view performance in a manner similar to the method used by management. We believe it helps improve investors' ability to understand our operating performance and makes it easier to compare our results with other companies that have different capital structures or tax rates. In addition, we believe this measure is also among the primary measures used externally by our investors, analysts and peers in our industry for purposes of valuation and comparing our operating performance to other companies in our industry.

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

We define Adjusted EBITDA as consolidated operating income (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 US GAAP and does not have a standardized meaning prescribed by GAAP; accordingly, Adjusted EBITDA may not be comparable to similar measures presented by other companies. We believe Adjusted EBITDA to be a meaningful indicator of our performance that 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 GAAP. Some of these limitations are:

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

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- Adjusted EBITDA does not reflect the impact of other non-recurring, infrequent in nature and unusual expenses; and
- Other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

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

### **Reconciliation of Historical GAAP Net Loss as reported to Adjusted EBITDA**

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

	<b>Year Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Net loss available to common stockholders	\$ (636,551,384)	\$ (111,290,202)
Preferred dividends	14,035,748	9,745,950
Net loss attributable to noncontrolling interests	(452,310)	(404,664)
Income tax (benefit) provision	(5,703,272)	(37,301,242)
Other taxes	585,908	408,309
Interest expense <sup>(a)</sup>	76,111,297	27,840,340
Film library amortization and related costs <sup>(b)</sup>	104,745,982	66,538,476
Share-based compensation expense <sup>(c)</sup>	2,110,848	5,869,711
Expense for bad debt and video returns	8,301,801	3,316,112
Amortization and depreciation <sup>(d)</sup>	37,800,035	23,565,986
Other non-operating income, net <sup>(e)</sup>	(3,841,527)	(4,259,122)
Non-cash settlement of management and licensing fees	6,179,075	12,652,452
Impairment of intangible assets and goodwill <sup>(f)</sup>	380,809,786	7,175,963
Transitional expenses and other non-recurring costs <sup>(g)</sup>	6,488,732	29,610,957
<b>Adjusted EBITDA</b>	<b>\$ (9,379,281)</b>	<b>\$ 33,469,026</b>

(a). Includes amortization of deferred financing costs of \$4,748,857 and \$2,243,381 for the years ended December 31, 2023, and 2022, respectively.

(b). Includes film library amortization, film library revenue shares and participation costs, theatrical release costs as well as amortization and impairment of content assets 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 operating costs.

(e). Other non-operating income is primarily comprised of interest income earned on cash deposits, other non-operating income including settlements, debt extinguishment costs, and changes to fair market value of warrants.

(f). Represents impairments charges related to our intangible assets and goodwill.

(g). Includes legal, consulting, accounting, and other non-recurring operating and transaction related expenses, primarily associated with business combinations. Costs include non-recurring payroll and redundant or non-recurring costs including technology, marketing, and certain overhead.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Resources and Anticipated Capital Requirements**

The current cash position and available capital resources as compared to current obligations will require the Company to raise significant additional capital through one or more financing transactions in the near term. Such financing transactions could include accounts receivable financing, asset sales, or sales of equity or debt, or a combination of the foregoing transactions. The Company believes that such transactions are available on commercially reasonable terms, and it is in active negotiations with respect to one or more such transactions. There can be no assurance, however, that the Company will be successful in consummating any such transaction for the net proceeds required or at all. Additionally, the Company has been actively involved in cost reduction initiatives to reduce forward operating expenses and to improve operational cash flow. Further, the parent company, CSS, has agreed that upon request of the board of directors, it will defer payment

of any and all cash portions of the fees payable by us to CSS under the CSS Management Agreement and CSS License Agreement for up to 12 months. The Company is also exploring strategic initiatives including certain asset sales or a strategic sale of the Company and the board of directors will form a strategic initiatives committee as appropriate and necessary to evaluate any potential transactions. There can be no assurance that the efforts to reduce operating costs and other obligations, together with the capital raising and debt initiatives, will prove successful overall. If the Company is not successful, it may need to curtail growth initiatives or certain or all operations, could suffer loss of certain content vendor and distribution relationships and other adverse consequences, or seek relief under applicable bankruptcy laws.

Based on the Company's financial position at December 31, 2023, history of recurring losses and negative operational cash flows, along with debt maturities and interest payments in the next 12 months, we reviewed the Company's ability to continue as a going concern and have concluded that there is not sufficient cash flows and substantial doubt exists about the ability of the Company to continue as a going concern.

We have entered into a term sheet providing for a mutual forbearance from prosecution of bilateral claims of default and rights by both our principal lender and our company pending consummation of certain refinancing and further capitalization transactions that, if successful, will result in settlement of all obligations to, and claims by and against, our principal lender, in the coming months. We are pressing forward expeditiously and assertively with documentation of these transactions, and pressing to finalize all documents necessary to make these transactions and resolutions happen. However, we cannot assure you that the underlying disputes will ultimately be resolved in a manner that is satisfactory to us or which does not cause us material harm. See the *Proposed Mutual Forbearance & Strategic Initiatives* section under Recent Developments in this Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information.

As of December 31, 2023, we had cash and cash equivalents of \$3.3 million, which includes \$3.3 million of restricted cash. Our total gross debt outstanding was \$562.4 million as of December 31, 2023, of which \$44.9 million is comprised of outstanding principal under our 9.50% Notes due 2025, \$477.0 million under our HPS Credit Facility, \$6.0 million under our MUFG Union Bank film financing facility, \$29.1 million on our film acquisition advances, and \$5.5 million for capital leases and other debt financing. We are not in compliance with the majority of our credit and lease facilities and have received default notices, which would allow for the acceleration of debt, eviction from premises or repossession of vehicles, but none have taken action as of the date of filing. See Note 10 Leases, Note 11 Debt and Note 19 Subsequent Events, in the accompanying notes to our consolidated financial statements.

Debt, net of debt issuance costs, increased \$66.6 million primarily due to an increase in HPS loans acquired with the Redbox merger in August 2022. The amount of principal due in the next twelve months is approximately \$34.6 million. Since August 11, 2022, the Company has elected to add PIK interest accrued on the outstanding debt, resulting in an increase to the Senior Facilities. See Note 11, Debt, in the accompanying notes to our consolidated financial statements.

During the year ended December 31, 2023, the Company completed the sale of an aggregate of 2,400,703 shares of Series A Preferred Stock, for net proceeds of \$ 26.7 million, pursuant to an "At the Market Issuance."

During the year ended December 31, 2023, the Company completed the sale of an aggregate of 3,375,897 shares of Class A Common Stock, for net proceeds of \$5.8 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 twelve months ended December 31, 2023 and 2022. Total dividends declared during the years ended December 31, 2023 and 2022 was \$14.0 million and \$9.7 million, respectively. In January 2024, the Board of Directors suspended future cash payments of monthly dividends on our Series A Preferred Stock, which continue to accrue into the future.

As of December 31, 2023, we had \$161.9 million in content obligations, comprised of \$46.0 million of film library acquisition obligations, \$67.6 million of programming obligations and \$48.3 million of accrued participation costs. We have \$25.9 million of off-balance sheet commitments and contingent considerations. See Note 15, Commitments & Contingencies in the accompanying notes to our consolidated financial statements.

## Cash Flows

Our cash and cash equivalents balance was \$3.3 million and \$18.7 million as of December 31, 2023 and 2022, respectively. Cash flow information for the years ended December 31, 2023 and 2022 is as follows:

	Year Ended December 31,	
	2023	2022
Cash (used in) provided by:		
Operating activities	\$ (23,306,567)	\$ (62,937,000)
Investing activities	\$ (6,660,318)	\$ 437,081
Financing activities	\$ 14,818,229	\$ 36,865,844

### *Operating Activities*

Net cash used in operating activities was \$(23.3) million and \$(62.9) million for the years ended December 31, 2023 and 2022, respectively. The decrease of \$39.6 million in cash used in operating activities for the year ended December 31, 2023, compared to 2022 was primarily due to a \$8.9 million increase in net loss adjusted for the exclusion of non-cash items, and a \$48.5 million decrease related to the effect of changes in operating assets and liabilities.

The net loss adjusted for the exclusion of non-cash items was approximately \$(33.6) million for the year ended December 31, 2023, as compared to a net loss adjusted for the exclusion of non-cash items of \$(24.7) million for the year ended December 2022. The increase in the net loss adjusted for non-cash items was primarily due to a \$521.0 million increase in net loss offset \$512.1 million increase in net non-cash items driven by an increase in impairment of intangible assets and goodwill, deferred income taxes, content asset impairment and amortization, depreciation of intangibles, property, and equipment, as well as the non-cash additions to long term debt.

The effect of changes in operating assets and liabilities was an increase of \$10.3 million for the year ended December 31, 2023, compared to a decrease of \$38.2 million for the year ended December 31, 2022. The most significant drivers contributing to this increase relate to the following:

- Changes in accounts receivable were primarily driven by increased revenues, cash received from factoring during the year as well as timing of the payments. Accounts receivable increased \$36.4 million during the year ended December 31, 2023, as compared to an increase of \$34.7 million during the year ended December 31, 2022.
- Changes in prepaid expenses and other assets primarily driven by a reduction in our prepaid insurance cost and a general reduction in our volume of business resulting from insufficient liquidity. Prepaid expenses and other assets decreased \$8.3 million during the year ended December 31, 2023, as compared to an increase of \$14.1 million during the year ended December 31, 2022.
- Changes in content assets are primarily due to an overall decrease in premium content investment in our film library resulting from insufficient liquidity. Content assets increased \$35.8 million during the year ended December 31, 2023, compared to a \$92.6 million increase during the year ended December 31, 2022.
- Changes in accounts payable and accrued expenses were primarily due to negative cash flow and insufficient liquidity hampering the timely payments of payables. Accounts payable and accrued expenses increased \$35.3 million during the year ended December 31, 2023, compared to an increase of \$18.0 million during the year ended December 31, 2022.
- Changes in film library acquisition and programming obligations primarily due to the timing of payments and decreased content investment in our film library content. Film library acquisition and programming obligations increased \$22.2 million during the year ended December 31, 2023, compared to an increase of \$69.3 million during the year ended December 31, 2022.

### *Investing Activities*

For the year ended December 31, 2023, our investing activities required a net use of cash totaling \$6.7 million for capital expenditures, primarily related to enhancing our technology infrastructure and Crackle Plus platforms.

For the year ended December 31, 2022, our investing activities provided cash totaling \$0.4 million. This increase was due to \$12.9 million of cash received in the acquisition of Redbox offset by \$6.7 million used to fund the 1091 acquisitions.

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The net receipt of cash was partially offset by \$5.8 million in cash used for capital expenditures, primarily related to enhancing our technology infrastructure and Crackle Plus platforms.

### ***Financing Activities***

For the year ended December 31, 2023, our financing activities provided net cash totaling \$14.8 million. This increase was primarily due to \$26.8 million in net proceeds from the issuance of our preferred stock, proceeds of \$18.6 million in the issuance of common stock offset, and \$5.8 million from advances on future receipts related to RedBox. This was offset by payments of \$13.5 million dividends to preferred stockholders, \$10.4 million for our film acquisition advances, \$7.7 million for the put option obligation, \$3.2 million payments of advances received for sales of future receipts, and \$2.1 million payment of contingent consideration related to the Sonar acquisition. These financing activities during the period have allowed the Company to fund the operations of the Company.

For the year ended December 31, 2022, our financing activities provided net cash totaling \$36.9 million. This increase was primarily due to \$17.1 million in net proceeds from the issuance of our preferred stock, \$55.3 million in proceeds from our revolving credit facility with HPS offset by the payment of our revolving credit facility with Mid-cap of \$26.1 million, \$11.1 million in proceeds from the sale of 9.50% notes due 2025, \$8.5 million in proceeds for our film acquisition advance offset by payments of \$5.2 million, \$0.5 million in proceeds from the exercise of stock options and warrants, proceeds of \$3.6 million in the issuance of common stock offset by the repurchase of common stock in the amount of \$14.0 million, \$7.2 million payment of contingent consideration related to the Sonar acquisition, a \$9.6 million payment of dividends to preferred stockholders, and additional proceeds from related parties for \$3.3 million. These financing activities during the period have allowed the Company to maintain its liquidity position by increasing cash on-hand to scale and fund the operations of the Company.

### ***Inflation***

The Company is experiencing the impacts of inflation in various areas of its business, including but not limited to labor, fuel, parts, insurance and shipping. The Company expects inflationary pressures to continue in 2024.

### ***Critical Accounting Policies and Significant Judgments and Estimates***

The preparation of our financial statements in conformity with generally accepted accounting principles requires management to make estimates, judgments 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 amount of revenues and expenses during the reporting period. On an ongoing basis, we evaluate these estimates, which are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The result of these evaluations forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions.

We consider the following accounting policies to be the most critical as they are important to our financial condition and results of operations and require significant judgment and estimates on the part of management in their application. The risks and uncertainties involved in applying our critical accounting policies are provided below. Unless otherwise noted, we applied our critical accounting policies and estimation methods consistently in all material respects and for all periods presented and have discussed such policies with our Audit Committee. For a summary of our significant accounting policies, see the accompanying notes to the consolidated financial statements

### ***Revenue Recognition***

Revenue from contracts with customers is recognized as contractual performance obligations are satisfied; generally, this occurs at the point in time when the customer has the ability to direct the use and obtain substantially all the benefits of that good or service. Our contractual performance obligations include the rental, licensing or sale of content, ancillary rights, production services, third-party kiosk servicing or delivery of online advertisements. Revenue is measured at contract inception as the amount of consideration we expect to receive in exchange for transferring goods or providing services to customers.

### ***Film Ultimates & Content Amortization***

Original productions, acquired film rights, and acquired film libraries are stated at the lower of amortized cost or estimated fair value. The valuation of content is reviewed at the individual title level or acquired library level, when an event or

change in circumstances indicates that the fair value may be less than its unamortized cost and the valuation is based on a DCF methodology with assumptions for cash flows. Key inputs employed in the DCF methodology include estimates of a film ultimate revenue and costs as well as a discount rate. The discount rate utilized in the DCF is based on the required return for an equity investor in a small film distribution company plus a risk premium associated the risk associated with acquiring an individual film. An impairment charge is recorded in the amount by which the unamortized costs exceed the estimated fair value. Estimates of future revenue involve measurement uncertainties and it is therefore possible that reductions in the carrying value of costs may be required because of changes in management's future revenue estimates.

***Impairment of Long-Lived Assets***

The Company reviews its long-lived assets, principally finite lived intangibles, for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset grouping may not be recoverable. If the sum of the expected future cash flows, undiscounted and without interest, is less than the carrying amount of the asset, an impairment loss is recognized as the amount by which the carrying amount of the asset exceeds its fair value. The expected cash flows are based on assumptions regarding our future business outlook and where appropriate, include a residual value based on a revenue market multiple. While we continue to review and analyze many factors that can impact our business prospects in the future, our analyses are subjective and are based on conditions existing at and trends leading up to the time the assumptions are made. Actual results could differ from these assumptions. During the third quarter of 2023, in conjunction with the Company testing the recoverability of its goodwill, it evaluated the recoverability of the long-lived assets in certain reporting units and determined that there was an intangible impairment of \$243.9 million across certain finite lived intangibles principally related the acquisition of Redbox. See *Goodwill & Indefinite Lived Intangibles* section below for additional information. The Company has determined that there is no additional impairment as of December 31, 2023. A sustained deterioration in business further, including our inability to consummate additional financings under our strategic initiatives discussed elsewhere, could result in additional impairments in the future, which could have a material adverse effect on our business, financial condition and results of operations.

***Goodwill & Indefinite Lived Intangibles***

Goodwill and other intangible assets with indefinite lives are reviewed for impairment on an annual basis or more frequently if events or circumstances indicate the carrying amount may not be recoverable. If the carrying value of goodwill assigned to a reporting unit or an indefinite-lived intangible asset exceeds fair value, an impairment charge is recognized. The fair value of the Company's reporting units or indefinite lived intangible asset is based on assumptions regarding our future business outlook. While we continue to review and analyze many factors that can impact our business prospects in the future, our analyses are subjective and are based on conditions existing at and trends leading up to the time the assumptions are made. Our annual goodwill impairment test is performed at December 31, 2023. Actual results could differ from these assumptions.

During the third quarter of 2023, the Company undertook a review of its goodwill across its reporting units due to operating results not meeting management's expectations, particularly Redbox's kiosk rentals. The Company performed a qualitative and quantitative assessment, as required, for its reporting units, goodwill and the indefinite lived intangibles. The Company utilized a discounted cash flow method that estimates the free cash flow available to both debt and equity investors to determine the enterprise value of the reporting units based on Level 3 inputs. The analysis for the Distribution & Production reporting unit indicated that there was no impairment condition. The analysis for the Digital and Retail reporting units indicated an impairment condition existed. As such, the Company evaluated the recoverability of the long-lived assets in the reporting units and determined that there was an intangible impairment of \$243.9 million and a goodwill impairment of \$136.9 million across the reporting units. The Company has qualitatively determined that there was no additional impairment as of December 31, 2023. A sustained deterioration in business further, including our inability to consummate additional financings under our strategic initiatives discussed elsewhere, could result in additional impairments in the future, which could have a material adverse effect on our business, financial condition and results of operations.

In 2022, we performed a quantitative assessment of our Distribution & Production and Online Networks reporting units and found the fair value exceeded the carrying value. The Online Networks reporting unit had a negative equity value as of December 31, 2022, and is therefore not deemed to be impaired, as the reporting unit's fair value exceeds the carrying value. In 2022, we performed a qualitative assessment of our indefinite lived CSS brand license and determined it was not impaired. Based on the qualitative assessments, considering the aggregation of the relevant factors, we concluded that the fair value of the license is greater than its carrying value, and therefore, performing a quantitative test was unnecessary.

We also performed a quantitative assessment for our Popcornflix brand indefinite lived intangible. We weighed the relative impact of market-specific and macroeconomic factors for the AVOD market, as well as factors specific to the Popcornflix AVOD service. Our assessment included expected future revenue estimates for the Popcornflix service and revenue multiples from publicly traded companies with operations and characteristics similar to Popcornflix. Based on the results of our quantitative impairment test, we concluded that the estimated carrying value exceeded its fair value and therefore we determined that an impairment charge of \$3.5 million was required and have reclassified the brand intangible asset to a finite lived intangible asset.

**Income Taxes**

The Company's income tax expense, deferred tax assets and deferred tax liabilities, and liabilities for unrecognized tax benefits reflect management's best estimate of current and future taxes to be paid. The Company is subject to income taxes in the United States and Puerto Rico. Significant judgment and estimates are required in the determination of the consolidated income tax expense.

Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company records a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. In evaluating its ability to recover its deferred tax assets, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. In projecting future taxable income, the Company begins with historical results and incorporates assumptions about the amount of future pretax operating income adjusted for items that do not have tax consequences. The assumptions about future taxable income require the use of significant judgment and are consistent with the plans and estimates the Company uses to manage the underlying businesses. In evaluating the objective evidence that historical results provide, the Company considers three years of cumulative operating income (loss).

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across its operations. ASC 740 states that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of the technical merits.

The Company (1) records unrecognized tax benefits ("UTB's") as liabilities in accordance with ASC 740 and (2) adjusts these liabilities when its judgment changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from management's current estimate of the UTB liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which new information is available.

At December 31, 2023 and 2022, the liabilities related to total unrecognized tax benefits were \$0.0 million and \$0.1 million, respectively, all of which would have an impact on the effective tax rate if recognized.

For additional information see Note 13: Income Taxes in Chicken Soup's Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

**Recent Accounting Pronouncements**

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

**ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk**

As of December 31, 2023, the Company has interest rate risk related to approximately \$483.0 million of variable rate debt that is payable over 12 months to 4 years. A 1% increase in interest rates would increase our annual run rate interest expense by approximately \$4.8 million. We currently do not hedge or have any other programs in place to mitigate this interest rate risk but may engage in a hedging strategy in the future.

**ITEM 8. Financial Statements and Supplementary Data**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Chicken Soup for the Soul Entertainment, Inc. and subsidiaries (the "Company") as of December 31, 2023 and 2022, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

**Going Concern**

The accompanying consolidated financial statements have been prepared assuming that the entity will continue as a going concern. As discussed in Note 1 to the financial statements, the entity has suffered significant losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Basis for Opinion**

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

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

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

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## **Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### **Revenue Recognition – Refer to Note 2 and Note 5 to the financial statements**

#### **Critical Audit Matter Description**

The Company recognizes revenue when, or as, the performance obligation is satisfied in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. The Company has three different revenue streams, which are VOD and Streaming, Retail and Licensing and Other. Most transactions in the VOD and Streaming and Retail lines are straightforward and require limited management judgement, but the Licensing and Other line can consist of large complex contracts between multiple customers with extended payment terms.

Significant judgment is exercised by the Company in determining revenue recognition for the licensing customer agreements, and includes the following:

- Determination of whether products and services are considered distinct performance obligations that should be accounted for separately versus together, such as production of content and distribution of that content.
- The pattern of delivery (i.e., timing of when revenue is recognized) for each distinct performance obligation.
- Identification and treatment of contract terms that may impact the timing and amount of revenue recognized.

Given these factors, the related audit effort in evaluating management's judgments in determining revenue recognition for these customer agreements was extensive.

#### **How the Critical Audit Matter Was Addressed in the Audit**

Our principal audit procedures related to the Company's revenue recognition for these customer agreements included the following:

- We obtained an understanding of controls over management's revenue recognition evaluation
- We evaluated management's significant accounting policies related to these customer agreements for reasonableness.
- We selected a sample of customer agreements and performed the following procedures:
- Obtained and read contract source documents for each selection, including master agreements, and other documents that were part of the agreement.
- Tested management's identification and treatment of contract terms.
- Assessed the terms in the customer agreement and evaluated the appropriateness of management's application of their accounting policies, along with their use of estimates, in the determination of revenue recognition conclusions.
- We tested the mathematical accuracy of management's calculations of revenue and the associated timing of revenue recognized in the financial statements.

**Content Assets and Related Amortization and Impairment – Refer to Note 2 and Note 8 to the financial statements**

**Critical Audit Matter Description**

The Company acquires, licenses and produces content, including original programming ("Content"). The Company amortizes Content based on factors including historical and estimated viewing patterns. Additionally, The Company evaluates impairment of Content to determine if any Content should be impaired due to lower than projected viewing patterns.

Auditing the amortization of the Company's Content is complex and subjective due to the judgmental nature of amortization which is based on an estimate of future viewing patterns. Estimated viewing patterns are based on historical and forecasted viewing. If actual viewing patterns differ from these estimates, the pattern and/or period of amortization would be changed and could affect the timing of recognition of content amortization/impairment.

**How the Critical Audit Matter Was Addressed in the Audit**

We obtained an understanding of controls over the content amortization process. For example, controls over management's review of the content amortization method and the significant assumptions, including the historical and forecasted viewing hour consumption, used to develop estimated viewing patterns.

To test content amortization/impairment, our audit procedures included, among others, evaluating the content amortization method, testing the significant assumptions used to develop the estimated viewing patterns and testing the completeness and accuracy of the underlying data. For example, we assessed management's assumptions by comparing them to current viewing trends and current operating information including comparing previous estimates of viewing patterns to actual results. We also performed sensitivity analyses to evaluate the potential changes in the content amortization recorded that could result from changes in the assumptions.

**Goodwill and Intangibles and related Impairment – Refer to Notes 2 and 9 to the financial statements**

**Critical Audit Matter Description**

The Company's evaluation of goodwill and intangibles for impairment involves the comparison of the discounted cash flows of each reporting unit and undiscounted cash flows for each intangible, to its carrying value. When impairment indicators are noted, the Company uses the discounted cash flow model to estimate fair value which requires management to make significant estimates and assumptions related to forecasts of future revenue and operating margin. In addition, the discounted cash flow model requires the Company to select an appropriate weighted average cost of capital based on current market conditions. Changes in these assumptions could have a significant impact on either the fair value, the amount of any goodwill impairment charge, or both. Forecasts of future revenue and operating margin rely heavily on the Company's ability to obtain additional financing to acquire new content. This contributes significantly to the estimate of fair value of a reporting unit and intangibles with approximately \$121 million of goodwill and \$36 million of intangibles as of December 31, 2023. Given the dependency on financing to acquire new content, significant management judgment was required to forecast future revenue and operating margin to estimate the fair value of the reporting unit and intangibles. In turn, a high degree of auditor judgment and an increased extent of professional skepticism was required when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to the forecasts of revenue and operating margin and the selection of the weighted average cost of capital, including the involvement of our fair value specialists.

**How the Critical Audit Matter Was Addressed in the Audit**

Our audit procedures related to the forecasts of future revenue and operating margin and the selection of the weighted average cost of capital used by management to estimate the fair value included the following, among others:

- We obtained an understanding of controls over management's goodwill and intangibles impairment evaluations, such as controls related to management's forecasts of future revenue and operating margin and the selection of the weighted average cost of capital.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the valuation models, methodology, and significant assumptions used by the Company, specifically the weighted average cost of capital including:
  - Testing the mathematical accuracy of the Company's calculation of the weighted average cost of capital.
  - Developing a range of independent estimates and comparing it to the weighted average cost of capital selected by management.
- We evaluated management's ability to accurately forecast future revenue and operating margin by comparing actual results to management's historical forecasts.

/s/ Rosenfield and Company, PLLC

April 19, 2024

Rosenfield and Company, PLLC

We have served as the Company's auditor since 2017.

New York, New York

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**Chicken Soup for the Soul Entertainment, Inc.**

**Consolidated Balance Sheets**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<b>ASSETS</b>		
Cash, cash equivalents and restricted cash of \$ 3,292,737 and \$ 3,706,153 respectively	\$ 3,316,652	\$ 18,738,395
Accounts receivable, net of allowance for doubtful accounts of \$ 7,986,617 and \$ 1,277,597 , respectively	142,088,225	113,963,425
Prepaid expenses and other current assets	10,390,282	13,196,180
Operating lease right-of-use assets	10,721,375	16,315,342
Content assets, net	71,614,094	126,090,508
Intangible assets, net	35,937,646	305,425,709
Goodwill	120,494,059	260,748,057
Other assets, net	27,738,292	29,401,793
<b>Total assets</b>	<b>\$ 422,300,625</b>	<b>\$ 883,879,409</b>
<b>LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY</b>		
Accounts payable	\$ 91,809,542	\$ 50,960,682
Accrued expenses	78,779,505	87,817,015
Due to affiliated companies	5,537,842	3,778,936
Programming obligations	67,573,966	55,883,788
Film library acquisition obligations	45,961,877	39,750,121
Accrued participation costs	48,276,487	28,695,713
Debt, net	546,205,200	479,653,611
Contingent consideration	5,245,384	7,311,949
Put option obligation	3,693,337	11,400,000
Operating lease liabilities	13,570,976	18,079,469
Other liabilities	19,208,394	20,800,186
<b>Total liabilities</b>	<b>925,862,510</b>	<b>804,131,470</b>
Commitments and contingencies (Note 15)		
Stockholders' (Deficit) Equity:		
Series A cumulative redeemable perpetual preferred stock, \$ .0001 par value, liquidation preference of \$ 25.00 per share, 10,000,000 shares authorized; 6,897,048 and 4,496,345 shares issued and outstanding, respectively; redemption value of \$ 172,426,200 and \$ 112,408,625 , respectively	689	450
Class A common stock, \$ .0001 par value, 140,000,000 shares authorized; 27,166,739 and 15,621,562 shares issued, 24,733,697 and 13,198,720 shares outstanding, respectively	2,705	1,559
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	409,150,852	355,185,280
Accumulated deficit	( 884,303,830 )	( 247,752,446 )
Accumulated other comprehensive income	( 91,657 )	47,528
Class A common stock held in treasury, at cost ( 2,433,042 shares, respectively)	( 28,165,913 )	( 28,165,913 )
Total stockholders' (deficit) equity	( 503,406,388 )	79,317,224
Noncontrolling interests	( 155,497 )	430,715
Total (deficit) equity	( 503,561,885 )	79,747,939
<b>Total liabilities and equity</b>	<b>\$ 422,300,625</b>	<b>\$ 883,879,409</b>

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31,	
	2023	2022
<b>Net revenues</b>	<b>\$ 294,406,894</b>	<b>\$ 252,810,110</b>
<b>Costs and expenses</b>		
Operating	305,559,802	215,820,880
Selling, general and administrative	108,218,745	93,537,386
Amortization and depreciation	37,800,035	20,716,325
Impairment of intangible assets and goodwill	380,809,786	3,500,000
Management and license fees	18,419,974	18,400,648
Merger, transaction, and other costs	—	17,503,791
<b>Total costs and expenses</b>	<b>850,808,342</b>	<b>369,479,030</b>
<b>Operating loss</b>	<b>( 556,401,448 )</b>	<b>( 116,668,920 )</b>
Interest expense	76,111,297	27,840,340
Other non-operating income, net	( 3,841,527 )	( 5,259,102 )
<b>Loss before income taxes and preferred dividends</b>	<b>( 628,671,218 )</b>	<b>( 139,250,158 )</b>
Income tax benefit	( 5,703,272 )	( 37,301,242 )
<b>Net loss before noncontrolling interests and preferred dividends</b>	<b>( 622,967,946 )</b>	<b>( 101,948,916 )</b>
Net loss attributable to noncontrolling interests	( 452,310 )	( 404,664 )
<b>Net loss attributable to Chicken Soup for the Soul Entertainment, Inc.</b>	<b>( 622,515,636 )</b>	<b>( 101,544,252 )</b>
Less: preferred dividends	14,035,748	9,745,950
<b>Net loss available to common stockholders</b>	<b>\$ ( 636,551,384 )</b>	<b>\$ ( 111,290,202 )</b>
<b>Net loss per common share:</b>		
Basic and diluted	<b>\$ ( 22.36 )</b>	<b>\$ ( 6.45 )</b>
<b>Weighted-average common shares outstanding:</b>		
Basic and diluted	<b>28,467,334</b>	<b>17,261,460</b>

See accompanying notes to consolidated financial statements.

**Chicken Soup for the Soul Entertainment, Inc.**  
**Consolidated Statements of Comprehensive Loss**

	<b>Year Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Net loss	<u><u><b>\$( 622,967,946 )</b></u></u>	<u><u><b>\$( 101,948,916 )</b></u></u>
Other comprehensive income (loss):		
Foreign currency translation adjustments	<b>( 273,087 )</b>	<b>86,365</b>
Comprehensive income (loss) attributable to noncontrolling interests	<b>133,902</b>	<b>( 39,408 )</b>
Comprehensive loss	<u><u><b>\$( 623,107,131 )</b></u></u>	<u><u><b>\$( 101,901,959 )</b></u></u>

See accompanying notes to consolidated financial statements.

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

	Preferred Stock		Common Stock				Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income			Treasury Stock	Noncontrolling Interests	Total	
			Class A		Class B										
	Par Shares	Value	Par Shares	Value	Par Shares	Value	Comprehensive Income	Treasury Stock							
<b>Balance, December 31, 2021</b>	<b>3,698,318</b>	<b>\$370</b>	<b>8,964,330</b>	<b>\$ 899</b>	<b>7,654,506</b>	<b>\$766</b>	<b>\$240,609,345</b>	<b>\$(136,462,244)</b>	<b>\$ 571</b>	<b>\$(13,202,407)</b>	<b>\$ 651,853</b>	<b>\$ 91,599,153</b>			
Share based compensation - stock options							3,382,529							3,382,529	
Share based compensation- common stock							255,000							255,000	
Share based compensation - Redbox merger related							2,232,182							2,232,182	
Shares issued to directors														—	
Issuance of common stock, net		456,573	45				3,630,422							3,630,467	
Issuance of preferred stock, net	718,027	72					17,079,943							17,080,015	
Stock options exercised		40,000	4				301,696							301,700	
Warrant exercise - HPS		1,011,530	98				(98 )							—	
Warrant Issued - HPS							14,920,068							14,920,068	
Stock issued under ESPP		27,934	2				200,589							200,591	
1091 business combination	80,000	8	375,000	37			5,283,705							5,283,750	
Acquisition of subsidiary							(2,200,000 )							(2,199,992 )	
noncontrolling interest		84,000	8												
Locomotive business combination														144,118	
Redbox business combination		4,662,195	466				68,482,415							68,482,881	
RSU vesting, net of shares withheld for payroll taxes							1,007,484							—	
Purchase of treasury stock														(13,956,022 )	
Dividends on preferred stock							(9,745,950 )							(9,745,950 )	
Net loss attributable to noncontrolling interest														(404,664 )	
Other comprehensive loss, net														(39,408 )	
Comprehensive loss attributable to noncontrolling interests														39,408	
Net loss							(101,544,252 )							(101,544,252 )	
<b>Balance, December 31, 2022</b>	<b>4,496,345</b>	<b>\$450</b>	<b>15,621,562</b>	<b>\$1,559</b>	<b>7,654,506</b>	<b>\$766</b>	<b>\$355,185,280</b>	<b>\$(247,752,446)</b>	<b>\$ 47,528</b>	<b>\$(28,165,913)</b>	<b>\$ 430,715</b>	<b>\$ 79,747,939</b>			
Share based compensation - stock options							1,813,348							1,813,348	
Share based compensation - common stock							297,500							297,500	
Issuance of common stock, net		8,899,581	880				17,186,814							17,187,694	
Issuance of preferred stock, net	2,400,703	239					26,750,555							26,750,794	
Stock issued under ESPP		119,669	14				268,532							268,546	
Lincoln Park		500,000	50				1,469,950							1,470,000	
Stock issued for management fees		2,025,927	202				6,178,873							6,179,075	
Dividends on preferred stock							(14,035,748 )							(14,035,748 )	
Net loss attributable to noncontrolling interests														(452,310 )	
Other comprehensive loss, net														(273,087 )	
Comprehensive loss attributable to noncontrolling interests														(133,902 )	
Net loss							(622,515,636 )							(622,515,636 )	
<b>Balance, December 31, 2023</b>	<b>6,897,048</b>	<b>\$689</b>	<b>27,166,739</b>	<b>\$2,705</b>	<b>7,654,506</b>	<b>\$766</b>	<b>\$409,150,852</b>	<b>\$(884,303,830)</b>	<b>\$ (91,657)</b>	<b>\$(28,165,913)</b>	<b>\$ (155,497)</b>	<b>\$ (503,561,885)</b>			

See accompanying notes to consolidated financial statements.

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**Chicken Soup for the Soul Entertainment, Inc.**

**Consolidated Statements of Cash Flows**

	Year Ended December 31,	
	2023	2022
<b>Cash flows from Operating Activities:</b>		
Net loss	\$ ( 622,967,946 )	\$ ( 101,948,916 )
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based compensation	2,110,848	5,869,711
Content asset impairment and amortization	96,485,866	74,523,774
Amortization of deferred financing and debt discount costs	4,339,932	1,057,175
Amortization and depreciation of intangibles, property and equipment	37,800,035	23,565,986
Bad debt and video return expense	8,301,800	3,316,112
Impairment of intangible assets and goodwill	380,809,786	3,500,000
Loss on debt extinguishment	—	485,541
Deferred income taxes	( 5,948,090 )	( 35,092,120 )
Non-cash settlement of management and licensing fees	6,179,075	—
Interest expense added to debt	59,277,142	—
Changes in operating assets and liabilities:		
Trade accounts receivable	( 36,374,993 )	( 34,663,305 )
Prepaid expenses and other assets	8,293,034	( 14,091,077 )
Content assets	( 35,836,142 )	( 92,632,179 )
Accounts payable, accrued expenses and other payables	35,317,575	18,049,218
Film library acquisition and programming obligations	22,159,328	69,318,793
Accrued participation costs	19,580,774	21,070,077
Other liabilities	( 2,834,591 )	( 5,265,790 )
<b>Net cash used in operating activities</b>	<b>( 23,306,567 )</b>	<b>( 62,937,000 )</b>
<b>Cash flows from Investing Activities:</b>		
Expenditures for property and equipment	( 6,660,318 )	( 5,811,993 )
Business combination, net of cash acquired	—	6,249,074
<b>Net cash (used in) provided by investing activities</b>	<b>( 6,660,318 )</b>	<b>437,081</b>
<b>Cash flows from Financing Activities:</b>		
Repurchase of common stock	—	( 13,956,022 )
Payment of contingent consideration	( 2,066,565 )	( 7,150,000 )
Payment of put option obligation	( 7,706,663 )	-
Acquisition of noncontrolling interests	—	( 749,992 )
Payments on capital leases	( 1,287,332 )	( 879,384 )
Proceeds from 9.50 % notes due 2025, net	—	11,094,946
Payments for film acquisition advances	( 10,364,515 )	( 31,329,102 )
Proceeds from other debt and advances	5,840,124	2,562,911
Payments on other debt and advances	( 3,157,728 )	( 1,479,558 )
Proceeds from issuance of Class A common stock	18,599,373	3,630,467
Proceeds from issuance of preferred stock	26,750,794	17,080,015
Proceeds from revolving loan	—	55,313,051
Proceeds from film acquisition advances	—	8,521,115
Proceeds from exercise of stock options and warrants	—	502,291
Increase in due to affiliated companies	1,758,906	3,288,977
Dividends paid to preferred stockholders	( 13,548,165 )	( 9,583,871 )
<b>Net cash provided by financing activities</b>	<b>14,818,229</b>	<b>36,865,844</b>
Effect of foreign exchanges on cash, cash equivalents and restricted cash	( 273,087 )	86,365
Net decrease in cash, cash equivalents and restricted cash	( 15,421,743 )	( 25,547,710 )
Cash, cash equivalents and restricted cash at beginning of period	18,738,395	44,286,105
<b>Cash, cash equivalents and restricted cash at end of the period</b>	<b>\$ 3,316,652</b>	<b>\$ 18,738,395</b>
<b>Supplemental data:</b>		
Cash paid for interest	\$ 6,455,969	\$ 5,375,480
<b>Non-cash investing activities:</b>		
Property and equipment in accounts payable and accrued expenses	\$ 571,768	\$ 676,187
<b>Non-cash financing activities:</b>		
Class A common stock and additional consideration for acquisition of noncontrolling interest	\$ —	\$ 2,228,680
Class A common stock and assumption of warrants for Redbox Merger	\$ —	\$ 70,005,148
Class A common stock for acquisition of 1091	\$ —	\$ 3,303,750
Preferred stock issued for acquisition of 1091	\$ —	\$ 1,980,000
Warrant issued in conjunction with HPS credit facility	\$ —	\$ 14,920,068
Non-cash settlement of management and licensing fees	\$ 6,179,075	\$ —
Non-cash film acquisition advance	\$ 11,025,372	\$ 18,339,885
PIK interest added to HPS debt	\$ 59,277,142	\$ —

See accompanying notes to consolidated financial statements.

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

**Note 1 – Description of the Business**

Chicken Soup for the Soul Entertainment, Inc. is a Delaware corporation formed on May 4, 2016, that provides premium content to value conscious consumers. The Company is one of the largest advertising-supported video-on-demand (AVOD) companies in the U.S., with three flagship AVOD streaming services: Redbox, Crackle and Chicken Soup for the Soul. In addition, the Company operates Redbox Free Live TV, a free ad-supported streaming television service (FAST), with nearly 170 channels as well as a transaction video-on-demand (TVOD) service. To provide original and exclusive content to its viewers, the Company creates, acquires and distributes films and TV series through its Screen Media and Chicken Soup for the Soul TV Group subsidiaries. Chicken Soup for the Soul Entertainment is a subsidiary of Chicken Soup for the Soul, LLC, which publishes the famous books series and produces super-premium pet food under the Chicken Soup for the Soul (CSS) brand name. 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 acquisition of Redbox in August 2022 added another established brand and leading home entertainment provider to the Chicken Soup for the Soul Entertainment portfolio of companies. For over 20 years, Redbox has focused on providing U.S. customers with the best value in entertainment and the most choice in how they consume it, through physical media and/or digital services. Through its physical media business, consumers can rent or purchase new-release DVDs and Blu-ray Discs™ from its nationwide network of approximately 27,800 self-service kiosks. In the recent past, Redbox transformed from a pure-play DVD rental company to a multi-faceted entertainment company, providing additional value and choice to consumers through multiple digital products across a variety of content windows. The Redbox digital business includes Redbox On Demand, a TVOD service offering digital rental or purchase of new release and catalog movies; Redbox Free On Demand, an AVOD service providing free movies and TV shows on demand; and Redbox Free Live TV, an FLTV service giving access to over nearly 170 linear channels. Redbox also generates service revenue by providing installation, merchandising and break-fix services to other kiosk businesses, and by selling third-party display advertising via its mobile app, website, and e-mails, as well as display and video advertising at the kiosk.

The Company is managed by the Company's CEO Mr. William J. Rouhana, Jr, and has historically operated and reported as one 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.

***Substantial Doubt Exists Regarding Our Ability To Continue As A Going Concern***

The accompanying consolidated financial statements and notes have been prepared assuming the Company will continue as a going concern. During the year ended December 31, 2023, the Company generated negative cash flows from operations of \$( 23.3 ) million, a net loss available to common stockholders of \$( 636.6 ) million and has an accumulated deficit of \$( 884.3 ) million. Our consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern.

CSSE's merger with Redbox occurred in August 2022. The merger included the assumption of \$ 359.9 million of debt. The ability to service this debt and operate our combined business operations was predicated on a partial return to pre-COVID levels in the number and cadence of theatrical releases that were available to the Company for its kiosk network, cost synergies between the companies, and the ability to consummate certain accounts receivable financing. The corresponding rebound in demand for physical kiosk rentals was expected to return to approximately a third of 2019 levels, along with expected synergies from the acquisition, and accounts receivable financing, which would generate sufficient cash flows to cover the cash needs of the combined businesses.

Several factors negatively affected the planned integration of Redbox's operations into our company, including a) longer than anticipated period of unavailability of sufficient new titles as a result of the on-going impacts of COVID and industry strikes, b) undisclosed preacquisition issues within Redbox, and c) disputes that arose with our lender as described in our Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2023.

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

As the flow of theatrical releases began to increase following Covid, we believe that our inability to secure accounts receivable financing for the reasons described in our most recent 10-Q hampered our ability to pay for and secure new content, which began to strain relationships with the Company's creditors, including content providers. As a result, the Company was unable to pay for all the movies that were offered to it by its providers, and as a result operating results failed to meet management's expectations, particularly in Redbox's kiosk rentals, resulting in insufficient cash flows and a significant working capital deficit hampering our ability to operate the business efficiently.

In order to partially replace this working capital shortfall, the Company factored its short-dated receivables but was unable to factor its long-term receivables, which prevented us from making up the short-fall. Also, the Company launched initiatives to improve its efficiency and reduce its cost structure, including, but not limited to: (i) optimizing its kiosk network, (ii) evaluating and implementing workforce reductions across its supply chain and corporate teams and (iii) maximizing cost synergies across the combined businesses.

The combination of these factors has resulted in asserted defaults and/or contractual terminations with critical content and service providers, impacting our ability to procure and monetize content efficiently across our distribution platforms. Due to the ongoing impact of the above factors on our current and future results of operations, cash flows and financial condition, there is substantial doubt as to the ability of the Company to continue as a going concern. As a result of the Company's diminished capital position, the Company has received an increasing number of termination and/or non-renewal notices from content suppliers and other service providers, including receiving default notices under certain of its leases and certain of its lenders. These financing partners have the ability to evict us from facilities, repossess vehicles or call their debt, but none have done so to date.

While we believe that, if we are able to consummate the series of strategic financing transactions that we believe are available to us in the near term (as more generally described in Note 19 "Proposed Mutual Forbearance Agreement & Strategic Initiatives"), we will be able to settle material litigations, defend those for which we have a defense, and promptly reinstitute key relationships, including with our key content producers and suppliers, we ultimately may not be able to consummate all such financing transactions or settle or defend all such cases in a manner that avoids continued operational and economic consequences that harm our business and financial performance. If we are unable to consummate these strategic financing transactions in the near term, we likely will be required to seek relief and protections under United States federal bankruptcy laws.

On March 25, 2024, the Company received a staff determination from The Nasdaq Stock Market ("Nasdaq") to delist the Company's securities from the Nasdaq Capital Market (the "Staff Determination"). As disclosed previously, the Company received three separate notices from Nasdaq advising the Company that it is not in compliance with certain Nasdaq listing requirements. The notices include the failure of our Class A common stock to trade at or above the Nasdaq required minimum \$1 threshold for 30 consecutive days, maintain a public float above \$5 million on its Class A common stock (CSSE) and maintain equity of \$10 million. The Company appealed the Staff Determination on April 1, 2024 and expects the hearing to occur within 45 days after the date of its hearing request. The hearing request will stay the delisting of the Company's securities pending the appeal and the Company's securities will continue to be listed on the Nasdaq Capital Market until a decision is made. In the meantime, the Company is considering various strategic options to remedy its noncompliance with Nasdaq Listing Rules described above. If the Company is not able to cure and meet the listing requirements with Nasdaq its Class A common stock (CSSE), 9.75 % Series A Cumulative Redeemable Preferred Perpetual Stock (CSSEP), Common Stock Purchase Warrant (CSSEL) and 9.50 % Notes due 2025 (CSSEN) may cease to be publicly traded on the Nasdaq Global Market. In such event, the Company intends to list such securities on another Nasdaq market, although there can be no assurance the Company will meet the criteria of any other market or will be able to secure listing thereon.

As described in this Annual Report on Form 10-K, we are cautiously optimistic that (1) we will enter into a mutual forbearance agreement with respect to the mutual claims between our Company and our lender, (2) that these mutual claims will be resolved satisfactorily and (3) such resolution, if resolved, may improve our Company's capital position, including through a possible reduction in our indebtedness. See Note 19 Subsequent Events section "Proposed Mutual Forbearance Agreement & Strategic Initiatives" for additional information.

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The accompanying consolidated financial statements include the accounts of the Company and its wholly and majority owned subsidiaries in which a controlling financial interest is maintained and variable interest entities ("VIEs"), where the Company is considered the primary beneficiary, after the elimination of intercompany transactions. The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

***Reclassifications***

Certain amounts reported for prior years have been reclassified to conform to the current year's presentation. The reclassifications have no effect on the reported net loss.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The Company's significant estimates include those related to revenue recognition, ultimate revenues, future cash flows of long-lived asset groups and the fair value of indefinite lived intangibles and goodwill. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

Cash and cash equivalents include highly liquid investments with original maturities of three months or less and consist primarily of money market funds. Such investments are stated at cost, which approximates fair value. For the years ended December 31, 2023 and 2022, restricted cash was \$ 3.3 million and \$ 3.7 million, respectively. Restricted cash represents funds held-on-deposit with third party financial institutions, which are insured in excess of the restricted balance.

***Property and Equipment***

Property and equipment are stated at cost, net of accumulated depreciation. Expenditures that extend the life, increase the capacity, or improve the efficiency of property and equipment are capitalized, while expenditures for repairs and maintenance are expensed as incurred. Depreciation is recognized using the straight-line method over the following approximate useful lives:

	<b>Useful Life</b>
Redbox kiosks and components	3 - 5 years
Computers and software	2 - 3 years
Leasehold improvements (shorter of life of asset or remaining lease term)	3 - 6 years
Office furniture and equipment	5 - 7 years
Vehicles	3 - 4 years

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

The value of the Company's property and equipment as of December 31, 2023 is included in Other assets, net on the Consolidated Balance Sheets and is as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Redbox kiosks and components	\$ 14,926,015	\$ 13,707,512
Computers and software	18,535,824	13,857,011
Leasehold improvements (shorter of life of asset or remaining lease term)	5,127,377	5,119,077
Office furniture and equipment	1,306,881	1,287,104
Vehicles	3,794,296	2,747,604
Property and equipment, at cost	43,690,393	36,718,308
Less: accumulated depreciation and amortization	( 19,980,292 )	( 11,570,457 )
Property and equipment, net	<u>\$ 23,710,101</u>	<u>\$ 25,147,851</u>

During the years ended December 31, 2023 and 2022, the Company recorded depreciation and amortization expense of \$ 10.7 million and \$ 9.5 million, respectively.

***Internal-Use Software***

The Company capitalizes costs incurred to develop or obtain internal-use software during the application development stage. Capitalization of software development costs occurs after the preliminary project stage is complete, management authorizes the project, and it is probable that the project will be completed, and the software will be used for the function intended. The Company expenses costs incurred for training, data conversion, and maintenance, as well as spending in the post-implementation stage. A subsequent addition, modification or upgrade to internal-use software is capitalized only to the extent that it enables the software to perform a task it previously could not perform. The internal-use software is included in computers and software under property and equipment in the Company's Consolidated Balance Sheets. The Company amortizes internal-use software over its estimated useful life on a straight-line basis.

***Assumed Redbox Warrant Liabilities***

The Company classified its Redbox public and private placement warrants as a liability at their fair value. This liability is subject to remeasurement at each balance sheet date. With each such re-measurement, the warrant liability will be adjusted to fair value, with the change in fair value recognized in the Company's Statements of Operations in Other non-operating income, net. The public warrants are valued at a market price based on a quoted price in an active market. As both the public and private warrants have mostly the same characteristics the quoted price is used to remeasure all of the warrants. See Note 16, Stockholder's Equity, for additional information.

***Asset Retirement Obligations***

The asset retirement obligation ("ARO") represents the estimated amounts the Company is obligated to pay to return the space a kiosk occupies to its original condition upon removal of a kiosk. The Company utilizes current retirement costs to estimate the expected cash outflows for retirement obligations. The timing of kiosk removals cannot be reasonably determined. The Company's ARO liabilities are included in Other liabilities on the Consolidated Balance Sheets, and were \$ 14.3 million and \$ 13.7 million as of December 31, 2023 and 2022, respectively.

***Fair Value***

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

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

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

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Level 3—Valuations based on unobservable inputs reflecting the Company's own assumptions. These valuations require significant judgment and estimates.

At December 31, 2023 and 2022, the fair value of the Company's financial instruments including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, approximated their carrying value due primarily to the relative short-term nature of these instruments. Certain liabilities, including Contingent consideration are measured at fair value on a recurring basis. Other assets and liabilities, including television and film content costs, goodwill, intangible assets are adjusted to fair value after initial recognition, only if an impairment charge is recognized. Impairment charges, if applicable, are generally determined using a discounted cash flow (DCF), which is a Level 3 valuation technique.

***Foreign Currency Translation***

Assets and liabilities of the Company's foreign subsidiaries with a functional currency other than the U.S. Dollar are translated into U.S. Dollars using applicable exchange rates at the balance sheet date. Revenue and expenses are translated at average exchange rates effective during the year. The resulting foreign currency translation gains and losses are included as a component of accumulated other comprehensive gain within Stockholders' Equity on the Company's Consolidated Balance Sheets.

Assets and liabilities of the Company's foreign subsidiaries for which the functional currency is not the U.S. Dollar are re-measured into U.S. Dollars using applicable exchange rates at the balance sheet date, except nonmonetary assets and liabilities, which are re-measured at the historical exchange rates prevailing when acquired. Revenue and expenses are re-measured at average exchange rates effective during the year.

Foreign currency translation gains and losses from re-measurement are included in Other non-operating (income) expense in the accompanying Consolidated Statements of Operations. The amounts of net gain (loss) on foreign currency re-measurement recognized were immaterial for all periods presented.

***Business Combinations***

The Company accounts for acquisitions of businesses using the acquisition method of accounting. The purchase price is allocated to the identifiable net assets acquired, including intangible assets, liabilities assumed and contingent liabilities acquired, as well as amounts attributed to noncontrolling interests, are recorded at fair value. The excess of the purchase price over the amount allocated to the identifiable assets and liabilities, if any, is recorded as goodwill. Any transaction costs are expensed as incurred.

Determining the fair value of assets acquired and liabilities assumed requires significant judgment, including the selection of valuation methodologies, estimates of future revenue and cash flows and discount rates. See Note 4, Business Combinations, for additional information.

***Accounts Receivable***

Accounts receivable are stated at the amounts management expects to collect and are stated net of allowance for uncollectible accounts and video returns. An allowance for doubtful accounts is recorded based on a combination of historical experience, expected economic conditions and industry trends. For the years ended December 31, 2023 and 2022, the provision for doubtful accounts charged to operating expense was \$ 7.0 million and \$ 0.4 million, respectively. See Notes 18 and 19 for additional information regarding customer concentration of credit risk.

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***Sales of Receivables***

During the 2023, the Company began factoring its accounts receivable on a nonrecourse basis with various finance partners. These agreements contain customary representations and warranties, with certain agreements providing for a specific percentage holdback on an invoice until the earlier of collection by the transferee or 180 days, as well as obligating the Company to provide support to the transferee's collection efforts in the event of nonpayment by our customer. As the Company does not maintain effective control over the transferred receivables, these transfers are derecognized from our Consolidated Balance Sheet. During the year ended December 31, 2023, the Company sold \$47.3 million of receivables, received \$40.2 million of cash and incurred discount fees of approximately \$ 2.0 million. The amount receivable from our factoring partners on December 31, 2023 is approximately \$ 1.6 million and our collection support efforts have been de minimis, therefore, no servicing asset or liability is provided for.

***Content Assets***

The Company produces original productions and acquires rights to films and television programming to exhibit on the Company's AVOD Networks and to distribute to third parties, including sub-distributors. The Company also develops and produces programming for third parties.

***Original Productions***

Content assets related to original productions include the unamortized costs of completed, in-process, or in-development long-form and short-form video content produced by the Company. For video content, the Company's capitalized costs include all direct production and financing costs, capitalized interest when applicable, and production overhead. The costs of producing video content are amortized using the individual-film-forecast method. These costs are amortized in the proportion that current period's revenue bears to management's estimate of ultimate revenue expected to be recognized from each production.

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

***Film Library***

The film library includes the cost of acquiring individual title distribution rights or an acquired film library. Films are amortized using the individual-film-forecast-computation method. The film library is stated at the lower of unamortized cost or fair value. Amortization is based upon management's best estimate of total future, or ultimate revenue. Amortization is adjusted when necessary to reflect increases or decreases in forecasted ultimate revenues. Ultimate revenues for individual films is no longer than 10 years and for an acquired film library, no longer than 20 years.

***Monetization & Recoverability of Content***

Content assets (licensed and produced) are predominantly monetized individually and therefore are reviewed at the individual level when an event or change in circumstance indicates a change in the expected usefulness of the content or the fair value may be less than the unamortized cost. The determination of the predominant monetization strategy is made at commencement of the production or license period and the classification of the monetization strategy as individual or group only changes if there is a significant change to the title's monetization strategy relative to its initial assessment.

Original productions, films and acquired film libraries are stated at the lower of amortized cost or estimated fair value. The valuation of content is reviewed at the individual title level or acquired library level, when an event or change in circumstances indicates that the fair value may be less than its unamortized cost and the valuation is based on a DCF methodology with assumptions for cash flows. Key inputs employed in the DCF methodology include estimates of a film ultimate revenue and costs as well as a discount rate. The discount rate utilized in the DCF is based on the required return for an equity investor in a small film distribution company plus a risk premium associated with the risk associated with acquiring an individual film. An impairment charge is recorded in the amount by which the unamortized costs exceed the estimated fair value. Estimates of future revenue involve measurement uncertainties and it is therefore possible that reductions in the carrying value of film library costs may be required because of changes in management's future revenue estimates. See Note 8, Content Assets, for additional information.

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**Licensed Program Rights and Obligations**

Programming rights acquired under license agreements are recorded as an asset and a corresponding liability upon commencement of the license period. The programming rights are amortized over the license period based on the expected monetization of each show, straight-line, or a ratable basis. Programming obligations represent the gross commitment amounts to be paid to program suppliers over the life of the contracts and includes revenue shares owed on content monetization across our direct to consumer physical and VOD platforms. License fees payable to suppliers based on a percentage of advertising revenue generated are reflected in Accounts payable.

**Impairment of Long-Lived Assets**

The Company reviews its long-lived assets, other than goodwill and intangible assets with indefinite lives, for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset grouping may not be recoverable. If the sum of the expected future cash flows, undiscounted and without interest, is less than the carrying amount of the asset, an impairment loss is recognized as the amount by which the carrying amount of the asset exceeds its fair value. The expected cash flows are based on assumptions regarding the Company's future business outlook and where appropriate, include a residual value based on a revenue market multiple. While the Company continues to review and analyze many factors that can impact its business prospects in the future, its analyses are subjective and are based on conditions existing at and trends leading up to the time the assumptions are made. Actual results could differ from these assumptions. See Note 9, Intangible Assets and Goodwill, for additional information.

**Goodwill and Intangible Assets**

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination which are not individually identified and is allocated to the Company's reporting units. The Company does not amortize goodwill. Intangible assets with finite lives, which primarily consist of acquired customer bases, non-compete agreements, content rights, brand value, contractual and partner agreements are generally amortized on a straight-line basis over their estimated lives, which range from 3 to 15 years. Amortization expense is included in Amortization and depreciation in the Consolidated Statements of Operations.

Goodwill and other intangible assets with indefinite lives are tested for impairment on an annual basis and between annual tests if events occur or circumstances change that would more likely than not reduce the fair value its carrying amount. If the carrying value of goodwill or an indefinite-lived intangible asset exceeds fair value, an impairment charge is recognized. The fair value of the Company's reporting units or indefinite lived intangible assets are based on assumptions regarding its future business outlook. The Company continues to review and analyze many factors that can impact its business prospects in the future, its analyses are subjective and are based on conditions existing at and trends leading up to the time the assumptions are made. Actual results could differ from these assumptions. See Note 9, Intangible Assets and Goodwill, for additional information.

**Income Taxes**

The Company records income taxes under the asset and liability method in accordance with FASB ASC Section 740. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred taxes are also recognized for operating losses that are available to offset future taxable income. A valuation allowance is established, when necessary, to reduce net deferred tax assets to the amount expected to be realized.

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

The Company accounts for uncertain tax positions in accordance with the authoritative guidance issued by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 740: *Income Taxes*, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return, should be recorded in the financial statements. Pursuant to the authoritative guidance, the Company may recognize the tax benefit from an uncertain tax position only if it meets the "more likely than not" threshold that the position will be sustained on examination

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by the taxing authority, based on the technical merits of the position or expiration of statutes. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. In addition, the authoritative guidance addresses de-recognition, classification, interest and penalties on income taxes, accounting in interim periods, and also requires increased disclosures.

The Company includes interest and penalties related to its uncertain tax positions as part of income tax expense within its Consolidated Statements of Operations. At December 31, 2023 and 2022, the liabilities related to total unrecognized tax benefits were \$ 0.0 million and \$ 0.1 million, respectively. See Note 13, Income Taxes, for additional information.

***Promotional Codes and Gift Cards***

Redbox offers its consumers the option to purchase stored value products in the form of bulk promotional codes and electronic gift cards. There are no expiration dates on these products and the Company does not charge service fees that cause a decrement to customer balances in the case of gift cards. Cash receipts from the sale of promotional codes and gift cards are recorded as deferred revenue in Accrued expenses and recognized as revenue upon redemption. Additionally, the Company recognizes revenue from non-redeemed or partially redeemed promotional codes and gift cards in proportion to the historical redemption patterns, referred to as "breakage." Estimated breakage revenue is recognized over time in proportion to actual promotional code and gift card redemptions and is not material in any period presented.

As of December 31, 2023 and 2022 respectively, \$ 4.3 million and \$ 7.3 million was deferred related to purchased but unredeemed promotional codes and gift cards and are included in Accrued expenses in the accompanying Consolidated Balance Sheets.

***Loyalty Program***

Redbox Perks allows members to earn points based on transactional and non-transactional activities with Redbox. As customers accumulate points, the Company defers revenue based on its estimate of both the amount of consideration paid by Perks members to earn awards and the value of the eventual award it expects the members to redeem. The Company defers an appropriate amount of revenue in order to properly recognize revenue from Perks members in relation to the benefits of the program. The Company also estimates the quantity of points that will not be redeemed by Perks members ("breakage"). Breakage reduces the amount of revenue deferred from loyalty points over the period of, and in proportion to, the actual redemptions of loyalty points based on observed historical breakage and consumer rental patterns. As of December 31, 2023 and 2022 respectively, \$ 2.1 million and \$ 2.3 million of revenue was deferred related to Perks and is included in Accrued expenses in the accompanying Consolidated Balance Sheets.

***Film Library Acquisition Obligations***

Film library acquisition obligations represent amounts due in connection with acquiring film distribution rights that have been delivered. Pursuant to the film distribution rights agreements, the Company's right to distribute films may revert to the licensor if the Company is unable to satisfy its financial obligations with respect to the acquisition of the related distribution rights. See Note 15, Commitments and Contingencies, for additional information.

***Accrued Participation Costs***

Parties involved in the production of a title may be compensated in part by contingent payments based on the financial results of a title pursuant to contractual formulas (participations) and by contingent amounts due under provisions of collective bargaining agreements (residuals). Such costs are collectively referred to as participation costs. Participations may be given to creative talent, such as actors or writers, or to entities from whom distribution rights are licensed. Such amounts are estimated based on film ultimate revenues or airings.

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***Related Party Transactions – Due To/Due From Affiliated Companies***

The Company follows subtopic 850-10 of the FASB ASC for the identification of related parties and disclosure of related party transactions. Pursuant to Section 850-10-20 the related parties include subsidiaries and affiliates of the Company and Chicken Soup for the Soul Holdings, LLC (“CSS”), the Company’s parent company. The financial statements and accompanying notes include disclosures of material related party agreements and transactions, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business. See Note 14, Related Party Transactions, for additional information.

***Revenue Recognition***

Revenue from contracts with customers is recognized as contractual performance obligations are satisfied; generally, this occurs at the point in time when the customer has the ability to direct the use and obtain substantially all the benefits of that good or service. The Company’s contractual performance obligations include the licensing or sale of content, production services, or delivery of online advertisements. Revenue is measured at contract inception as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services to customers. The Company also generates revenue through its Redbox Service business by providing installation, merchandising and break-fix services to other kiosk operators. The performance obligations are normally satisfied at the time the service is provided.

Revenue from movie rentals is recognized for the period that the movie is rented and is recorded net of promotional discounts offered to the Company’s consumers, uncollected amounts, and refunds that it grants to its customers. Revenue from a direct sale out of the kiosk of previously rented movies is recognized at the time of sale. Revenue from On Demand rentals or purchases is also recognized at the time of sale. See Note 5, Revenue Recognition, for additional information.

***Share-Based Compensation***

The Company’s policy is to issue new shares for purchases under its Long-term Incentive Plan. Share-based compensation expense is estimated at the grant date based on a stock option’s fair value. The determination of the share-based compensation expense related to stock options is calculated using a Black-Scholes-Merton option pricing model and is affected by the Company’s stock price, expected stock price volatility over the term of the awards, expected term, risk free interest rate and expected dividends. The Company records forfeitures as they occur. See Note 6, Share-Based Compensation, for additional information.

***Employee Benefits***

CSSE employees participate in a 401(k) plan administered by CSS. The Company’s contributions to the plan were \$ 1.5 million and \$ 0.6 million in 2023 and 2022. Redbox had historically sponsored a 401(k) plan for all of its eligible employees that was merged into CSSE’s plan as of January 1, 2023. The plan includes optional employee contributions as a percentage of eligible earnings, subject to Internal Revenue Service limitations. The Company matches up to 100 % on the first 3 % of participating employees’ contributions and 50 % on each of the next 2 % (up to a maximum of 4 % when the participant contributes at least 5 %). Matching contributions to the 401(k) plan are expensed as incurred.

***Advertising Costs***

Advertising costs are expensed as incurred and included in Selling, general and administrative expenses on the Consolidated Statements of Operations. Advertising expense was \$ 9.1 million and \$ 8.2 million for the years ended December 31, 2023 and 2022, respectively.

***Treasury Stock***

Treasury stock is accounted for using the cost method.

***Earnings (Loss) Per Share***

Basic earnings (loss) per share is computed based on the weighted average number of shares of all classes of common stock outstanding during the period. Diluted earnings (loss) per share is computed based on the weighted average number of common shares outstanding during the period increased, when applicable, by dilutive common stock equivalents, comprised of Class Z warrants, Class I warrants, Class II warrants, Class III-A warrants, Class III-B warrants, Redbox’s

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public and private warrants and stock options outstanding. When the Company has a net loss, dilutive common stock equivalents are not included as they would be anti-dilutive.

In computing the effect of dilutive common stock equivalents, the Company uses the treasury stock method to calculate the related incremental shares. See Note 7, Earnings Per Share, for additional information.

**Note 3 – Recent Accounting Pronouncements**

*Recently Adopted Accounting Pronouncements*

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 adoption did not have a direct material impact on our 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 adoption did not have a direct material impact on our financial statements.

*Recently Issued Accounting Pronouncements Not Yet Adopted*

In June 2022, the FASB issued ASU No. 2022-03, "Fair Value Measurements (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions," which clarifies and amends the guidance of measuring the fair value of equity securities subject to contractual restrictions that prohibit the sale of the equity securities. The guidance will be effective for fiscal years beginning after December 15, 2023 and interim periods within those fiscal years. The Company does not expect the adoption to have a material impact on our consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, Segment reporting, which requires disclosure of incremental segment information on an annual and interim basis. The standard is effective for years beginning after December 15, 2023, and interim periods beginning after December 15, 2024, and early adoption is permitted. The Company does not expect the adoption to have a material impact on our consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, Improvements to income tax disclosures, which requires disclosure of disaggregated income taxes paid by jurisdiction, enhances disclosures in the effective tax rate reconciliation and modifies other income tax-related disclosures. The amendments are effective for annual periods beginning after December 15, 2024. The Company is currently evaluating the effect of adopting this guidance 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 consolidated financial statements.

**Note 4 – Business Combination**

*Merger with Redbox Entertainment Inc.*

On August 11, 2022, the Company acquired all the outstanding equity interests of Redbox. Immediately prior to the merger closing, CSSE entered into a definitive financing arrangement with HPS Investment Partners, LLC ("HPS"), that amended Redbox's existing credit facility and the Company issued a warrant to HPS to acquire 4.5 % of CSSE on a fully diluted post-merger basis. See Note 11, Debt, and Note 16, Stockholder's Equity, for additional information.

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 units and the common units of Redbox's Redwood Intermediate LLC subsidiary, the

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Company issued an aggregate of approximately 4.7 million shares of Class A common stock and assumed the outstanding warrants of Redbox. Included in the Class A common stock were 199,231 shares issued in connection with the acceleration and settlement of outstanding Redbox's restricted stock units, or RSUs. The preliminary fair value of the Redbox RSUs was \$ 2.9 million of which \$ 0.7 million was associated with services rendered prior to the acquisition and the remaining \$ 2.2 million was expensed upon the acceleration of vesting immediately following the completion of the acquisition. The results of operations and financial position of Redbox are included in the Company's consolidated financial statements from the date of acquisition. The Company's transaction costs of \$ 17.5 million were expensed as incurred in the Merger, transaction, and other costs on the Consolidated Statement of Operations on the Consolidated Statement of Operations for the year ended December 31, 2022.

The transaction was accounted for as a business combination. The purchase price consideration is determined with reference to the value of equity that the Company issued to the Redbox shareholders. The preliminary purchase price was calculated as follows:

Class A common stock	\$ 65,828,719
Class A common stock issued upon vesting of Redbox RSUs	703,244
Class A common stock warrants issued to Redbox warrant holders	3,473,185
Total merger consideration	<u>\$ 70,005,148</u>

The acquisition of Redbox has been accounted for using the acquisition method of accounting, which requires that assets acquired, and liabilities assumed be recognized at their fair values as of the acquisition date. The following table summarizes the preliminary allocation of the purchase price to the assets acquired and liabilities assumed as of the

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acquisition date and subject to change up to one year after the date of acquisition and could result in changes to the amounts recorded below:

	Amounts recognized as of acquisition date (as previously reported)	Measurement period adjustments	Purchase price allocation
<b>Assets acquired:</b>			
Cash, cash equivalents and restricted cash	\$ 12,921,550	\$ —	\$ 12,921,550
Accounts receivable	17,704,843	51,607	17,756,450
Content library	21,241,822	( 594,668 )	20,647,154
Prepaid expenses and other assets	16,783,468	( 343,566 )	16,439,902
Property and equipment	15,504,940	—	15,504,940
Right-of-use assets	7,183,735	—	7,183,735
Intangible assets <sup>(1)</sup>	291,200,000	—	291,200,000
Goodwill	215,284,816	( 3,352,082 )	211,932,734
<b>Total assets acquired</b>	<b>597,825,174</b>	<b>( 4,238,709 )</b>	<b>593,586,465</b>
<b>Liabilities assumed:</b>			
Debt	359,854,921	—	359,854,921
Accounts payable and accrued expenses	91,644,772	( 4,238,709 )	87,406,063
Operating lease liabilities	7,183,736	—	7,183,736
Financing lease liabilities	2,241,304	—	2,241,304
Other liabilities	66,895,293	—	66,895,293
<b>Total liabilities assumed</b>	<b>527,820,026</b>	<b>( 4,238,709 )</b>	<b>523,581,317</b>
<b>Net assets acquired</b>	<b>\$ 70,005,148</b>	<b>\$ —</b>	<b>\$ 70,005,148</b>

(1) The weighted-average useful life of intangible assets acquired is approximately 14 years .

The purchase price allocations for this transaction were formalized during the fiscal year ended December 2023.

The identifiable intangible assets included customer relationships, technology and trade names and are being amortized on a straight-line basis ranging from 3 years to 15 years . The valuation methods require several judgments and assumptions to determine the fair value of intangible assets, including growth rates, discount rates, customer attrition rates, expected levels of cash flows, and tax rate. Key assumptions used included revenue projections for fiscal 2022 through 2037, a tax rate of 25 %, a discount rate of 11 % - 12 %, and a royalty rate of 2 %. The technology intangible asset was valued using the estimated replacement cost method. Goodwill is attributable to the workforce of Redbox as well as expected future growth into new and existing markets and \$ 7.9 million is deductible for income tax purposes.

**1091 Pictures Acquisitions**

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.

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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.

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	49,347
Intangibles	2,810,000
Goodwill	5,476,711
<b>Total assets acquired</b>	<b>17,708,191</b>
Accounts payable and accrued expenses	129,244
Revenue share payable	1,623,177
Accrued third-party share	3,999,544
<b>Total liabilities assumed</b>	<b>5,751,965</b>
<b>Net assets acquired</b>	<b>\$ 11,956,226</b>
Cash consideration	\$ 8,000,000
Equity consideration - Class A common stock	3,303,750
Equity consideration - Series A Preferred Stock	1,980,000
<b>Purchase price consideration</b>	<b>13,283,750</b>
Less: cash acquired	( 1,327,524 )
<b>Total Estimated Purchase Price</b>	<b>\$ 11,956,226</b>

The purchase price allocations for this transaction were formalized during the fiscal year ended December 2023 and there were no material changes to the amounts previously reported at acquisition.

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 their estimated useful life of 24 to 36 months .

***Financial Impact of Acquisitions***

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

	<b>Year Ended December 31, 2023</b>		
	<b>Redbox</b>	<b>1091</b>	<b>Total</b>
Net revenue	\$ 151,046,990	\$ 25,662,405	\$ 176,709,395
Net income (loss)	\$( 454,028,894 )	\$ 4,275,804	\$( 449,753,090 )
	<b>Year Ended December 31, 2022</b>		
	<b>Redbox</b>	<b>1091</b>	<b>Total</b>
Net revenue	\$ 86,322,726	\$ 40,992,549	\$ 127,315,275
Net income (loss)	\$( 35,870,971 )	\$ 24,034,837	\$( 11,836,134 )

**Chicken Soup for the Soul Entertainment, Inc.**  
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Unaudited Pro Forma Financial Information

The following table reflects the pro forma operating results for the Company which gives effect to the acquisition of Redbox as if it had occurred on January 1, 2022. The pro forma results are based on assumptions that the Company believes are reasonable under the circumstances. The pro forma results are not necessarily indicative of future results. The pro forma financial information includes the historical results of the Company and Redbox adjusted for certain items, which are described below, and does not include the effects of any synergies or cost reduction initiatives related to the acquisition.

	Year Ended December 31, 2022
Net revenue	\$ 409,200,000
Net loss	\$ (287,625,000)

Pro forma net losses for the year ended December 31, 2022 reflect adjustments primarily related to acquisition costs, interest expense, the amortization of intangible assets and stock-based compensation expense. The unaudited pro forma financial information is not necessarily indicative of what the Company's consolidated results would have been if the acquisition had been completed at the beginning of the respective periods.

**Note 5 – Revenue Recognition**

The following tables disaggregate the Company's revenue by source:

	Year Ended December 31,			
	2023	% of revenue	2022	% of revenue
<b>Revenue:</b>				
VOD and streaming	\$ 104,004,498	36 %	\$ 144,484,749	57 %
Retail	112,795,918	38 %	67,756,426	27 %
Licensing and other	77,606,478	26 %	40,568,935	16 %
<b>Net revenue</b>	<b>\$ 294,406,894</b>	<b>100 %</b>	<b>\$ 252,810,110</b>	<b>100 %</b>

*VOD and streaming*

VOD and streaming revenue included in this revenue source is generated as the Company exhibits content through the Crackle Plus and Redbox streaming services including AVOD, FAST, TVOD platforms available via connected TV's, smartphones, tablets, gaming consoles and the web through the Company's owned and operated platforms, as well as third-party platforms. The Company generates streaming revenues for its networks in three primary ways, selling advertisers video ad inventory on its AVOD and FAST streaming services, selling advertisers the ability to present content to its viewers, often with fewer commercials, and selling advertisers product and content integrations and sponsorships related to its original productions, as well as revenues from the Company's direct-to-consumer TVOD platform. In addition, this revenue source includes third-party streaming platform license revenues, including TVOD, AVOD, FAST and SVOD related revenues.

*Retail*

Revenue from Redbox movie rentals is recognized for the period that the movie is rented and is recorded net of promotional discounts offered to the Company's consumers, uncollected amounts and refunds that it grants to its customers. The sale of previously rented movies out of the Company's kiosks is recognized at the time of sale. On rental transactions for which the related movie has not yet been returned to the kiosk at month-end, revenue is recognized with a corresponding receivable recorded in the balance sheet, net of a reserve for potentially uncollectable amounts that is considered a reduction from gross revenue as collectability is not reasonably assured.

**Chicken Soup for the Soul Entertainment, Inc.**  
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*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, licensing of ancillary content rights, including fees related to the intellectual property infringement and content services revenue, including development, non-writing executive producer fees and production services.

For all customer contracts, the Company evaluates whether it is the principal (i.e., report revenue on a gross basis) or the agent (i.e., report revenue on a net basis). Generally, the Company reports revenue for show productions, acquired distribution rights for films, the sub-licensing of acquired distribution rights and advertising placed on CSSE properties on a gross basis (the amount billed to its customers is recorded as revenue, and the amount paid to the Company's vendors is recorded as a cost of revenue). The Company is the principal because it controls the assets or contractual distribution right before it is transferred to its customers. The Company controls are evidenced by its sole ability to monetize the asset, being primary obligor to its customers, having discretion in establishing pricing, or a combination of these factors. The Company also generates revenue through agency relationships in which revenue is reported net of agency commissions and publisher payments in arrangements where the Company does not own the asset in the form of content or ad inventory.

In the ordinary course of business and as part of its content acquisition strategy, the Company will acquire a film or the worldwide rights to distribute a film, to improve its overall film library offering and generate attractive risk adjusted film returns. The Company will sometimes look to sub-license rights to distributors when it is attractive to do so in order to reduce the risk associated with the acquisition of rights.

*Performance obligations*

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

*Contract balances*

Contract balances include the following:

	December 31, 2023	December 31, 2022
Accounts receivable, net	\$ 10,948,965	\$ 39,467,049
Contract assets (included in accounts receivable)	<u>131,139,260</u>	<u>74,496,376</u>
<b>Total accounts receivable, net</b>	<b><u>\$ 142,088,225</u></b>	<b><u>\$ 113,963,425</u></b>
Deferred revenue (included in accrued expenses)	\$ 18,588,944	\$ 12,043,508
Revenue recognized from beginning balance within reporting period	<u>\$ 4,453,586</u>	

Contract assets are primarily comprised of unbilled receivables that are generally paid over time in accordance with the terms of the Company's contracts with customers and are transferred to accounts receivable when the timing and right to payment becomes unconditional. Contract liabilities or deferred revenues relate to advance consideration received from customers under the terms of its contractual arrangements in advance of satisfaction of the contractual performance obligation. The Company generally receives payments from customers based upon contractual billing schedules and arrangements.

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Contract receivables are recognized in the period the Company performs the agreed upon performance obligations and the Company's right to consideration becomes unconditional. Payment terms vary by the type and location of the customer and the goods or services provided. The term between invoicing and when payment is due not generally significant, but can extend from 1 - 5 years where a significant financing component exists with a minimum guarantee or a fixed license fee.

A contract asset results when goods or services have been transferred to the customer, but payment is contingent upon a future event, other than the passage of time (i.e. type of unbilled receivable). Given the nature of its business from time to time the Company engages with distributors for terms that include minimum guarantees, that may include a significant financing component, which are contractually paid over a period of time at a variable rate of payment – based on sales and net cash collections made by the distributor from third parties. These minimum guarantees are generally collectible via royalty payments on a monthly or quarterly basis over the term of the contractual arrangement.

The Company records deferred revenue (also referred to as contract liabilities under Topic 606) when cash payments are received in advance of the Company satisfying its performance obligations. The Company's deferred revenue balances primarily relate to advance payments received related to content distribution rights agreements, production sponsorship arrangements and Redbox's loyalty and promotional programs. These contract liabilities are recognized as revenue when the related performance obligations are satisfied. No significant changes in the timeframe of the satisfaction of contract liabilities have occurred during the year ended December 31, 2023.

*Arrangements with multiple performance obligations*

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

**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 these 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 years ended December 31, 2023 and 2022, the Company recognized \$ 1.8 million and \$ 3.4 million, respectively, of non-cash share-based compensation expense in Selling, general and administrative expense in the Consolidated Statements of Operations.

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Stock options activity as of December 31, 2023 and 2022 is as follows:

	<u>Number of Stock Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contract Term (Yrs.)</u>	<u>Weighted Aggregate Intrinsic Value</u>
Outstanding at December 31, 2021	1,377,339	\$ 16.13	3.37	\$ 2,579,201
Granted	322,500	8.32	—	—
Forfeited	( 88,793 )	19.27	—	—
Exercised	( 40,000 )	7.54	—	—
Expired	( 60,000 )	9.60	—	—
Outstanding at December 31, 2022	1,511,046	\$ 14.89	3.15	\$ —
Granted	—	—	—	—
Forfeited	( 218,500 )	19.27	16.62	—
Exercised	—	—	—	—
Expired	—	—	—	—
Outstanding at December 31, 2023	<u>1,292,546</u>	<u>\$ 14.41</u>	<u>2.10</u>	<u>\$ —</u>
Vested and exercisable at December 31, 2022	889,623	\$ 14.02	2.62	\$ —
Vested and exercisable at December 31, 2023	938,292	\$ 14.18	1.77	\$ —

As of December 31, 2023, the Company had unrecognized pre-tax compensation expense of \$ 1.6 million related to non-vested stock options under the Plan of which \$ 1.4 million and \$ 0.2 million will be recognized in 2024 and 2025, respectively.

In addition to the compensation expense discussed above, the Company also recognized stock-based compensation in 2022 in connection with the Redbox Merger which upon completion triggered accelerated vesting under the Redbox plans. There is \$ 2.2 million of additional compensation expense in Selling, general and administrative expenses in the Consolidated Statements of Operations, for the year ended December 31, 2022.

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

<b>Weighted Average Assumptions:</b>	<b>Year Ended December 31,</b>	
	<b>2023<sup>(a)</sup></b>	<b>2022</b>
Expected dividend yield	— %	—
Expected equity volatility	— %	80.7
Expected term (years)	—	5
Risk-free interest rate	— %	3.27
Exercise price per stock option	\$ —	\$ 9.52
Market price per share	\$ —	\$ 9.52
Weighted average fair value per stock option	\$ —	\$ 5.45

(a) There were no stock options granted during the year ended December 31, 2023.

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.

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The Company also awards common stock under the Plan to grants to directors, employees and third-party consultants that provide services to the Company. The value is based on the market price of the stock on the date granted and amortized over the vesting period. For the year ended December 31, 2023 and 2022, the Company recognized in Selling, general and administrative expense, non-cash share-based compensation expense relating to stock grants of \$ 0.3 million and \$ 0.3 million, respectively.

**Note 7 – Earnings (Loss) 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 antidilutive. A net loss available to common stockholders causes all potentially dilutive securities to be antidilutive and are not included. There were no anti-dilutive stock options or warrants for the year end December 31, 2023.

Basic and diluted loss per share are computed as follows:

	<b>Year Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Net loss available to common stockholders	<b>\$ ( 636,551,384 )</b>	<b>\$ ( 111,290,202 )</b>
Basic weighted-average common shares outstanding	<b>28,467,334</b>	<b>17,261,460</b>
Dilutive effect of options and warrants	<b>—</b>	<b>—</b>
Weighted-average diluted common shares outstanding	<b><u>28,467,334</u></b>	<b><u>17,261,460</u></b>
Basic and diluted loss per share	<b>\$ ( 22.36 )</b>	<b>\$ ( 6.45 )</b>
Anti-dilutive stock options and warrants	<b>\$ —</b>	<b>\$ 356,969</b>

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**Note 8 – Content Assets**

Content assets consists of the following:

	December 31, 2023	December 31, 2022
Original productions:		
Programming costs released	\$ 34,311,305	\$ 31,081,500
In production	-	806,009
In development	8,089,560	8,377,649
Less: accumulated amortization <sup>(a)</sup>	( 41,630,180 )	( 31,651,552 )
Programming costs, net	<u>770,685</u>	<u>8,613,606</u>
Film library:		
Film library acquisition costs	242,143,403	208,982,878
Less: accumulated amortization <sup>(b)</sup>	( 181,745,110 )	( 125,967,305 )
Film library costs, net	<u>60,398,293</u>	<u>83,015,573</u>
Licensed program rights:		
Programming rights	63,001,943	56,288,723
Less: accumulated amortization <sup>(c)</sup>	( 52,556,827 )	( 21,827,394 )
Programming rights, net	<u>10,445,116</u>	<u>34,461,329</u>
Content assets, net	<u><u>\$ 71,614,094</u></u>	<u><u>\$ 126,090,508</u></u>

<sup>(a)</sup> As of December 31, 2023 and 2022, accumulated amortization includes impairment expense of \$ 10,352,207 and \$ 10,352,207, respectively.

<sup>(b)</sup> As of December 31, 2023 and 2022, accumulated amortization includes impairment expense of \$ 30,274,236 and \$ 8,595,099, respectively.

<sup>(c)</sup> As of December 31, 2023, and 2022, accumulated amortization includes impairment expense of \$0 and \$0, 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.

Licensed program rights consist of licenses to various titles which the Company makes available for streaming on Crackle and Redbox's kiosks and streaming services for an agreed upon license period.

Amortization, including impairments of content assets is as follows:

	Year Ended December 31,	
	2023	2022
Original productions	\$ 9,978,628	\$ 4,080,670
Film library	34,098,668	40,269,681
Licensed program rights	30,729,433	21,020,971
Content asset impairment	21,679,137	9,152,452
Total content asset amortization	<u>\$ 96,485,866</u>	<u>\$ 74,523,774</u>

For the years ended December 31, 2023 and 2022, the Company recognized content impairment charges of \$ 21.7 million and \$ 9.2 million, respectively. The impairments in 2023 principally relate to the under monetization of film distribution

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rights in certain international territories and lower expected future monetization of domestic AVOD rights due to a contract modification in the fourth quarter of 2023 with a distributor, as well as lower performance on certain releases in 2023. The \$ 9.2 million impairment of original programs and film distribution rights in 2022 related to lower monetization in 2022 resulting in decreased future revenues.

**Note 9 – Intangible Assets and Goodwill**

Intangible assets, consists of the following:

	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	Net Carrying Amount
<b>December 31, 2023:</b>				
Crackle Plus content rights	\$ 1,708,270	\$ 1,708,270	\$ -	\$ -
Crackle Plus brand value	18,807,004	12,157,467	6,649,537	-
Crackle Plus partner agreements	4,005,714	3,705,285	300,429	-
Distribution network	3,600,000	3,100,000	-	500,000
Locomotive contractual rights	1,206,870	886,767	-	320,103
1091 intangible assets	2,810,000	1,894,444	-	915,556
Redbox - Trade names and trademarks	82,700,000	6,628,240	52,798,000	23,273,760
Redbox - Technology	30,800,000	5,317,606	17,150,000	8,332,394
Redbox - Customer Relationships	177,700,000	16,025,417	160,103,750	1,570,833
Popcornflix brand value	7,163,943	732,789	5,406,154	1,025,000
<b>Total definite lived intangibles</b>	<b>330,501,801</b>	<b>52,156,285</b>	<b>242,407,870</b>	<b>35,937,646</b>
Chicken Soup for the Soul Brand	5,000,000	-	5,000,000	-
<b>Total indefinite lived intangibles</b>	<b>5,000,000</b>	<b>-</b>	<b>5,000,000</b>	<b>-</b>
<b>Total</b>	<b>\$ 335,501,801</b>	<b>\$ 52,156,285</b>	<b>\$ 247,407,870</b>	<b>\$ 35,937,646</b>
<b>December 31, 2022:</b>				
Crackle Plus content rights	\$ 1,708,270	\$ 1,708,270	\$ —	\$ —
Crackle Plus brand value	18,807,004	9,739,341	—	9,067,663
Crackle Plus partner agreements	4,005,714	2,904,143	—	1,101,571
Distribution network	3,600,000	1,900,000	—	1,700,000
Locomotive contractual rights	1,206,870	484,477	—	722,393
1091 intangible assets	2,810,000	861,111	—	1,948,889
Redbox - Trade names and trademarks	82,700,000	2,067,500	—	80,632,500
Redbox - Technology	30,800,000	1,650,000	—	29,150,000
Redbox - Customer Relationships	177,700,000	5,261,250	—	172,438,750
Popcornflix brand value	7,163,943	—	3,500,000	3,663,943
<b>Total definite lived intangibles</b>	<b>330,501,801</b>	<b>26,576,092</b>	<b>3,500,000</b>	<b>300,425,709</b>
Chicken Soup for the Soul Brand	5,000,000	—	—	5,000,000
<b>Total indefinite lived intangibles</b>	<b>5,000,000</b>	<b>—</b>	<b>—</b>	<b>5,000,000</b>
<b>Total</b>	<b>\$ 335,501,801</b>	<b>\$ 26,576,092</b>	<b>\$ 3,500,000</b>	<b>\$ 305,425,709</b>

Amortization expense was \$ 25.6 million and \$ 15.1 million for the years ended December 31, 2023, and 2022, respectively.

As of December 31, 2023 amortization expense for the next 5 years is expected be:

2024	\$ 6,008,065
2025	4,157,686
2026	3,429,631
2027	3,429,631
2028	3,173,381
Beyond	15,739,252
<b>Total</b>	<b>\$ 35,937,646</b>

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Total goodwill on the Consolidated Balance Sheets was \$ 120.5 million and \$ 260.7 million as of December 31, 2023 and December 31, 2022, respectively. Changes in the carrying amount of goodwill by reporting units for the years ended December 31, 2023 and 2022 were as follows:

	<b>December 31, 2023</b>		
	<b>Digital</b>	<b>Distribution &amp; Production</b>	<b>Retail</b>
Beginning balance	\$ 155,069,845	\$ 26,552,214	\$ 79,125,998
Adjustments	—	—	( 3,352,082 )
Accumulated impairment losses	( 61,128,000 )	—	( 75,773,916 )
<b>Total</b>	<b>\$ 93,941,845</b>	<b>\$ 26,552,214</b>	<b>\$ —</b>

	<b>December 31, 2022</b>		
	<b>Digital</b>	<b>Distribution &amp; Production</b>	<b>Retail</b>
Beginning balance	\$ 18,911,027	\$ 21,075,503	\$ —
Acquisitions	136,158,818	5,476,711	79,125,998
<b>Total</b>	<b>\$ 155,069,845</b>	<b>\$ 26,552,214</b>	<b>\$ 79,125,998</b>

*Goodwill and Intangible Asset Impairment*

As part of the Company finalizing its valuation of Redbox during 2023, \$ 136.2 million of the \$ 215.3 million of goodwill was allocated to Online Networks reporting unit which was renamed Digital reporting unit in 2023. The residual \$ 79.1 million remained in the Redbox reporting unit which was renamed Retail reporting unit.

Goodwill relating to the Company's three reporting units and other intangible assets with indefinite lives are reviewed for impairment on an annual basis at December 31, 2023, or more frequently if events or circumstances indicate the carrying amount may not be recoverable. For annual impairment tests at December 31, 2023, the Company performs a qualitative or quantitative assessment, as required, for its reporting units and the indefinite lived intangibles.

At September 30, 2023, the Company undertook and interim test of its goodwill across its reporting units due to operating results not meeting management's expectations, particularly Redbox's kiosk rentals. The Company performed a qualitative and quantitative assessment, as required, for its reporting units goodwill. The Company utilized a discounted cash flow method that estimates the free cash flow available to both debt and equity investors to determine the enterprise value of the reporting units based on Level 3 inputs. The analysis for the Distribution & Production reporting unit indicated that there was no impairment condition. The analysis for the Digital and Retail reporting units indicated an impairment condition existed. As such, the Company evaluated the recoverability of the long-lived assets associated with the reporting units and determined that there was an intangible impairment of \$ 243.9 million across certain intangibles and an and a goodwill impairment of \$ 136.9 million across the Digital and Retail reporting units. At December 31, 2023, the Company qualitatively determined there was no impairment condition related to its goodwill. A sustained deterioration in business further, including our inability to consummate additional financings under our strategic initiatives discussed elsewhere, could result in additional impairments in the future, which could have a material adverse effect on our business, financial condition and results of operations.

For our 2022 assessment, the Company performed a qualitative assessment of its CSS indefinite lived brand intangible and determined it was not impaired. The Company weighed the relative impact of market-specific and macroeconomic factors, as well as factors specific to the indefinite lived asset. Based on the qualitative assessments, the Company concluded that the fair value of the indefinite lived intangible asset is greater than its carrying value, and therefore, performing a quantitative test was unnecessary.

The Company performed a quantitative test on its Popcornflix indefinite lived intangible at December 31, 2022, the Company recognized an impairment to the Popcornflix brand of \$ 3.5 million. During the Company's assessment of Popcornflix brand it was determined that the useful life was no longer indefinite and the remaining net carrying amount will be amortized over the estimated remaining life of 5 years .

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In 2022, the Company performed a quantitative assessment of the Distribution & Production reporting unit. The Company weighed the relative impact of market-specific and macroeconomic factors, as well as factors specific to the reporting unit. Based on the quantitative assessment, the Company concluded that the fair value of the reporting unit is greater than its carrying value therefore there was no impairment. The Company performed a qualitative and quantitative test for its Online Networks reporting unit. The Online Networks reporting unit had a negative equity value as of December 31, 2022 and therefore was not deemed to be impaired, as the reporting unit's fair value exceeds the carrying value.

**Note 10 – Leases**

The following amounts were recorded on the Consolidated Balance Sheets relating to the Company's operating and finance leases.

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<b>Right-of-Use Assets</b>		
Operating lease right-of-use assets	\$ 10,721,375	\$ 16,315,342
<b>Lease Liabilities:</b>		
Operating lease liabilities	\$ 13,570,976	\$ 18,079,469
<b>Finance Lease cost</b>		
Amortization of right-of-use assets	\$ 1,743,370	\$ 827,191
Interest on lease liabilities	172,888	35,633
Total finance lease cost	\$ 1,916,258	\$ 862,824
	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Operating leases		
Weighted average remaining lease term	5.0 years	5.9 years
Weighted average discount rate	12 %	7 %
Finance Leases		
Weighted average remaining lease term	2.6 years	1.1 years
Weighted average discount rate	6 %	4 %

As the Company's leases do not provide an implicit interest rate, the Company uses its 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. The Company has operating leases primarily for office space. Lease costs are generally fixed, with certain contracts containing escalations in the lessors' annual costs. During fiscal year 2023, certain leases were modified due to non-payment of rent which triggered remeasurement and reduction of lease liability and right-of-use assets. At December 31, 2023, the Company is in default of its primary office leases, distribution center lease and car fleet lease, providing the ability for lessors the ability to evict the Company from its premises or repossess the vehicles.

For the years ended December 31, 2023, and 2022, rent expense including short-term leases was \$ 7.4 million and \$ 4.2 million, respectively. Operating lease expense included in rent expense was \$ 4.6 million and \$ 3.0 million respectively. Cash paid for amounts included in operating lease liabilities was \$ 3.5 million and \$ 3.1 million as of December 31, 2023 and December 31, 2022, respectively.

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The expected future payments relating to the operating and finance lease liabilities at December 31, 2023 are as follows:

	<b>Operating</b>	<b>Financing</b>
2024	\$ 5,333,922	\$ 1,814,953
2025	3,981,337	1,561,380
2026	2,104,048	1,213,515
2027	1,643,022	261,544
2028	1,495,221	—
Thereafter	<u>3,735,105</u>	<u>—</u>
Total minimum payments	18,292,655	4,851,392
Less: amounts representing interest	<u>( 4,721,679 )</u>	<u>( 469,080 )</u>
Present value of minimum payments	<u><u>\$ 13,570,976</u></u>	<u><u>\$ 4,382,312</u></u>

**Note 11 – Debt**

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
HPS term	\$ 382,911,682	\$ 335,342,705
HPS revolving loan	94,070,501	82,362,336
Notes due 2025	44,855,900	44,855,900
Film acquisition advances	29,105,770	27,837,565
MUFG Bank, LTD film financing facility	5,969,896	6,577,243
Other debt	<u>5,477,912</u>	<u>3,204,255</u>
Total gross debt	562,391,661	500,180,004
Less: debt issuance costs and discounts	<u>( 16,186,461 )</u>	<u>( 20,526,393 )</u>
Total debt, net	546,205,200	479,653,611
Less: current portion	<u>( 34,588,027 )</u>	<u>( 18,798,515 )</u>
Total long-term debt, net	<u><u>\$ 511,617,173</u></u>	<u><u>\$ 460,855,096</u></u>

**HPS Credit Agreement**

On August 11, 2022, concurrently with the consummation of the Redbox merger transaction described in Note 4, the Company entered into an Amended and Restated Credit Agreement ("HPS Credit Agreement") by and among the Company, as primary borrower, Redbox Automated, as co-borrower, 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 obtained (i) a term loan facility consisting of the conversion, and assumption by us, 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 credit agreement (the "Redbox Credit Agreement"), dated as of October 20, 2017, by and among Redwood Intermediate, LLC, Redbox Automated, Redwood Incentives LLC, the lenders party thereto and HPS, as amended from time to time thereafter, with the sixth amendment thereto occurring on April 15, 2022 (this last amendment being referred to as 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 us as, revolving loans thereunder), combined all together referred to as the "Senior Facilities".

Interest is payable on the Senior Facilities entirely in cash or, for a period of up to 18 months, could be paid by increasing the principal amount of the Senior Facilities (PIK Interest), or through a combination of cash and PIK Interest. The applicable margin for borrowings under the HPS Term Loan and Revolving Credit Facility is 7.25 % plus the greater of SOFR or 1.0 % per annum. In addition, the loan contains an unused line fee of 3.625 % per annum. Interest and fees on the loan are payable in arrears on the payment dates and on the maturity of the loan. The maturity of the revolving credit

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facility is 30 months or February 11, 2025 and the term loan is 5 years or August 11, 2027. Beginning in August of 2024 the Company may be subject to quarterly payments based upon any excess cash flow.

At the closing, the Company assumed \$ 357.5 million of debt (\$ 325.8 million under a term loan and \$ 31.7 million funded under an \$ 80 million revolving credit facility) and drew down \$ 25.9 million on the revolving credit facility, all at an interest rate of SOFR plus 7.25 % ( 10.3 %). On September 19, 2022, the Company made an additional draw under the revolving facility of \$ 22.3 million with an interest rate of SOFR plus 7.25 % ( 10.85 %). Furthermore, the Company issued a warrant to HPS to acquire 4.5 % of the fully diluted shares of the Company's common stock (known as Class A common stock and Class B common stock as a single class) and paid closing costs of \$ 1.2 million. The warrant was valued at \$ 14.9 million and is included in debt issuance costs and is being amortized over the life of the debt.

Since August 11, 2022, the Company has elected to add PIK interest accrued on the outstanding debt, resulting in an increase to the Senior Facilities. As of December 31, 2023, the total outstanding debt had a net book value of \$ 477.0 million (\$ 382.9 million under the term loan and \$ 94.1 million under the revolving credit facility) where the total PIK interest of approximately \$ 71.2 million has been deferred and compounded and added to the principal balance including an additional \$ 59.3 million during the year ended December 31, 2023.

*Dividend Restrictions & Covenants*

The Credit Agreement contains certain customary affirmative covenants and negative covenants, including a limitation on the Company's ability to pay dividends on its Class A Common Stock or make other restricted payments. The covenant prohibiting dividends and other restricted payments has certain limited exceptions, including for customary overhead, legal, accounting and other professional fees and expenses; taxes; customary salary, bonus and other benefits.

We have entered into a term sheet providing for a mutual forbearance from prosecution of bilateral claims of default and rights by both our principal lender and our company pending consummation of certain refinancing and further capitalization transactions that, if successful, will result in settlement of all obligations to, and claims by and against, our principal lender, in the coming months. We are pressing forward expeditiously and assertively with documentation of these transactions, and pressing to finalize all documents necessary to make these transactions and resolutions happen. However, we cannot assure you that the underlying disputes will ultimately be resolved in a manner that is satisfactory to us or which does not cause us material harm. See Note 19 Subsequent Events under the section entitled "*Proposed Mutual Forbearance Agreement & Strategic Initiatives*" for additional information.

*Prepayments & Collateral*

The Senior Facilities require CSSE to prepay outstanding term loan borrowings, subject to certain exceptions, with:

- a certain percentage set forth in the Credit Agreement governing the Senior Facilities of CSSE's annual excess cash flow, as defined under the Senior Facilities;
- a certain percentage of the net cash proceeds of certain non-ordinary course asset sales, other dispositions of property or certain casualty events, in each case subject to certain exceptions and reinvestment rights; and
- the net cash proceeds of any issuance or incurrence of debt, other than proceeds from debt permitted under the Senior Facilities.

CSSE may voluntarily repay outstanding loans that are funded solely by internally generated cash from business operations under the Senior Facilities at any time, without prepayment premium or penalty, except customary "breakage" costs with respect to SOFR rate loans.

All obligations under the Senior Facilities are unconditionally guaranteed by each of CSSE's existing and future direct and indirect material, wholly-owned domestic subsidiaries, subject to certain exceptions. 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.

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*Letters of Credit*

Under the HPS Credit Agreement, the Company has a letter of credit arrangement to provide for the issuance of standby letters of credit. The arrangement supports the collateral requirements for insurance claims and is good for one year to be renewed annually if necessary. The letter of credit is cash-collateralized at 105 % in the amount of \$ 2.9 million as of December 31, 2023. Additionally, there was a letter of credit arrangement of \$ 0.3 million during fiscal 2022 that served as a security deposit for leased warehouse space and was pledged by an equal amount of cash pledged as collateral which was no longer maintained in 2023. The Company's letter of credit arrangements collateral is classified as restricted cash and reflects balances of \$ 2.9 million and \$ 3.4 million as of December 31, 2023, and 2022 respectively.

**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 July Notes pursuant to the partial exercise of the overallotment option. The Notes bear interest at 9.50 % per annum, payable every March 31, June 30, September 30, and December 31, and at maturity. The Notes mature on July 31, 2025.

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 .

The 9.50 % Notes are not secured by any of our assets. As a result, the Notes are effectively subordinated to all of our existing and future secured indebtedness, such as any new loan facility or other indebtedness to which we grant a security interest, including our film acquisition advances and our MUFG Union Bank film financing facility.

**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 \$ 10.2 million 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 January 14, 2023. During 2023, the facility was amended such that the remaining balance is payable the later of when defined contractual receipts are collected or when loan is fully repaid by the Company. All other terms shall remain unaffected. As of December 31, 2023, and December 31, 2022, the outstanding balance was \$ 6.4 million and \$ 6.1 million, respectively. At December 31, 2023, the loan is past due and accruing interest at a default rate of 15 %.

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***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 \$ 26.9 million 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 1.2 % per annum compounded monthly on the amount outstanding. Under the distribution agreement with the SPV, after Screen Media Venture's recoupment, the SPV is entitled to receive a profit participation in the net receipts of the film and, provides Screen Media Venture a bargain purchase option to reacquire the film rights after 6 years . As of December 31, 2023, the outstanding balance was \$ 22.7 million.

***MidCap 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 . As of December 31, 2022, the Company paid off all of the outstanding balances and closed this loan.

***MUFG Union Bank Film Financing Facility***

On December 29, 2020, Redbox Entertainment, LLC entered into a four-year , \$ 20 million film financing facility with MUFG Union Bank (formerly known as Union Bank) (the "Union Film Financing Facility"). The facility is used exclusively to pay for minimum guarantees, license fees and related distribution expenses for original content obtained under the Company's Redbox Entertainment label. On April 15, 2022, Redbox agreed, pursuant to the Voting and Support Agreement, to (i) permanently reduce a portion of the Union Revolving Credit Facility in an amount equal to \$ 10.6 million (and the Company made such reduction) and (ii) among other agreements, refrain from borrowing under the Union Film Financing Facility without the consent of Aspen and Redwood Holdco, LP (other than with respect to certain scheduled borrowings and borrowings to cover interest, fees and expenses). There is no additional availability under the Union Film Financing Facility as of December 31, 2023. Borrowings outstanding under the Union Film Financing Facility as of December 31, 2023, and December 31, 2022 were \$ 5.9 million and \$ 6.6 million, respectively.

Borrowings under the Union Film Financing Facility bear interest at either the alternate base rate or LIBOR (based on an interest period selected by the Company of one month , three months or six months ) in each case plus a margin. The alternate base rate loans bear interest at a per annum rate equal to the greatest of (i) the base rate in effect on such date, (ii) the federal funds effective rate in effect on such day plus 1/2 of 1.0 %, and (iii) daily one month LIBOR plus 1.0 %. The film financing facility borrowings that are LIBOR loans bear interest at a per annum rate equal to the applicable LIBOR plus a margin of 0.50 %. The borrowing interest rate for the Union Film Financing Facility was 8.2 % and 7.1 % as of December 31, 2023, and December 31, 2022, respectively. In addition to paying interest on outstanding principal under the Union Film Financing Facility, the Company is required to pay a commitment fee at 0.50 % per annum to the lenders in respect of the unutilized commitments thereunder.

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**Debt Maturities**

As of December 31, 2023, the expected aggregate maturities of debt for each of the next five years are as follows:

2024	\$ 34,588,016
2025	143,551,002
2026	1,100,753
2027	383,151,890
2028	-
Beyond	-
<b>Total</b>	<b>\$ 562,391,661</b>

**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 repurchase these 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"). In February 2023, MidCap Financial Trust exercised their Put Option resulting in the Put Price of \$ 11,500,000 payable by May 2023, in exchange for Midcap's Financial Trust's 5 % interest in CSS AVOD. As of December 31, 2023, the Company has paid \$ 7,706,633 under the amended payment agreement and the outstanding amount of \$ 3,793,337 is past due. Upon payment, the Company will own 100 % of CSS AVOD. See Note 1 for additional information.

As of December 31, 2023, the 5 % interest in CSS AVOD, Inc. consists of the following:

	December 31, 2023
Put Option Obligation	\$ 3,693,337
Noncontrolling Interests	100,000
<b>Total</b>	<b>\$ 3,793,337</b>

**Note 13 – Income Taxes**

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

	Year Ended December 31,	
	2023	2022
Current provision:		
Federal	\$ 16,296	\$ —
States	228,522	( 343,361 )
Total current provision	<u>\$ 244,818</u>	<u>\$ ( 343,361 )</u>
Deferred provision:		
Deferred income tax benefit	\$( 5,948,090 )	\$( 36,957,881 )
Total deferred benefit	<u>( 5,948,090 )</u>	<u>( 36,957,881 )</u>
Total income tax benefit	<u>\$( 5,703,272 )</u>	<u>\$( 37,301,242 )</u>

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

	<b>Year Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Federal statutory rate of 21 %	21.00 %	21.00 %
<i>Increase (decrease) resulting from:</i>		
State and local taxes	4.25	4.40
Valuation Allowance	( 18.97 )	3.30
Transaction Costs	—	( 0.90 )
Impairment	( 5.30 )	—
Other	( 0.08 )	( 1.00 )
<b>Actual tax provision</b>	<b>0.90 %</b>	<b>26.80 %</b>

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<b>Deferred tax assets:</b>		
Net operating loss carry-forwards	\$ 64,385,856	\$ 36,323,046
Section 163(j) carryover	25,110,095	6,325,013
ROU liabilities	3,411,689	4,582,241
Compensatory accruals	2,642,369	3,228,997
ARO liabilities	3,588,499	3,461,123
Other liabilities	4,260,392	3,800,018
Property plant & equipment	4,642,718	3,374,008
Film library and other intangibles	31,298,536	18,608,104
Other liabilities	9,378,778	—
<b>Total deferred tax assets</b>	<b>\$ 148,718,932</b>	<b>\$ 79,702,550</b>
<b>Deferred tax liabilities:</b>		
ROU assets	( 2,695,311 )	( 4,135,123 )
Intangible assets	—	( 51,706,018 )
Indefinite lived intangibles	—	( 2,195,876 )
Goodwill	( 594,165 )	( 987,618 )
Other assets	( 909,699 )	( 1,334,703 )
<b>Total deferred tax liabilities</b>	<b>( 4,199,175 )</b>	<b>( 60,359,338 )</b>
Valuation allowance	( 144,519,757 )	( 25,291,302 )
<b>Net deferred tax asset (liabilities)</b>	<b>\$ —</b>	<b>\$ ( 5,948,090 )</b>

The Company and its subsidiaries have combined net operating losses of approximately \$ 258.0 million, \$ 10.8 million of which were incurred before 2018 and expire between 2031 and 2037 with the balance of \$ 247.2 million having no expiration under changes made by the Tax Cuts and Jobs Act but may only be utilized generally to offset 80 percent of taxable income. The ultimate realization of the tax benefit from net operating losses is dependent upon future taxable income, if any, of the Company.

Internal Revenue Code Section 382 imposes limitations on the use of net operating loss carryovers when the stock ownership of one or more 5% stockholders (stockholders owning 5% or more of the Company's outstanding capital stock) has increased by more than 50 percentage points. Additionally, the separate-return-limitation-year (SRLY) rules that apply

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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 valuation allowance. Public trading of the Company's stock poses a risk of an additional successive ownership change beyond the control of the Company that could trigger a limitation of the use of the loss carryover.

The valuation allowance increased by \$ 119.2 million and decreased by \$ 6.1 million for the years ended December 31, 2023 and 2022, respectively.

As of December 31, 2023, the Company's effective income tax rate was a benefit of 0.9 %, which differed from the federal statutory rate of 21.0 % primarily due to the increase of the Company's valuation allowance. As of December 31, 2022, the Company's effective income tax rate was 26.8 % primarily due to a change in the Company's valuation allowance as a result of the acquired deferred tax liability of Redbox.

The Company evaluates its deferred tax assets on a quarterly basis to determine if they can be realized and establishes a valuation allowance when it is more likely than not that all or a portion of the net deferred tax asset may not be realized. At December 31, 2023, the Company determined that its deferred tax assets are not more likely than not to be realized and has recorded a full valuation allowance.

On August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 ("IRA") into law. The IRA contains several revisions to the Internal Revenue Code, including a 15% corporate minimum income tax and a 1% excise tax on corporate stock repurchases in tax years beginning after December 31, 2023 with certain exclusions for (a) repurchased shares for withholding taxes on vested restricted stock units ("RSUs"), and (b) treasury shares reissued in the same tax year for settlement of stock option exercises or vesting of RSUs. These tax law changes have not had a material adverse effect on the Company's results of operations.

*Unrecognized Tax Benefits*

The aggregate changes in the balance of unrecognized tax benefits were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Balance, beginning of the period	\$ 123,168	\$ —
Adjustments for accrual to return differences	( 86,192 )	—
Additions based on tax positions related to the current year	—	86,192
Additions for tax positions related to prior years	—	36,976
Reductions for tax positions related to prior years	( 27,246 )	—
Balance, end of period	<u><u>\$ 9,730</u></u>	<u><u>\$ 123,168</u></u>

The Company recognizes interest and penalties, if any, related to income tax matters in income tax expense. The Company accrued interest of \$ 0.0 million and \$ 0.0 million for the years ended December 31, 2023 and 2022, respectively.

At December 31, 2023 and 2022, \$ 0.0 million and \$ 0.1 million, respectively, of unrecognized tax benefits would favorably impact the effective tax rate if recognized.

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**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 December 31, 2023, CSS directly owns approximately 100 % of the Company's Class B common stock and 3,668,942 shares of the Company's Class A common stock. On a combined basis, CSS ownership of common stock represents an ownership interest of 35.0 % of the total outstanding common stock and 79.2 % 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 and a license agreement, where combined, the Company pays 10 % of its net revenue earned to CSS. Beginning in August 2022 until certain conditions are met, under the terms of the HPS Credit Facility, the 10 % fee as it relates to Redbox's net revenues is applied to certain limited revenue categories. A summary of the relevant ongoing agreements is as follows:

***CSS Management Services Agreement***

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

Under the terms of the Management Agreement, the Company pays a quarterly fee to CSS equal to 5 % of the net revenue as reported under GAAP for each fiscal quarter.

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

***CSS License Agreement and Marketing Support Fee***

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

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

***Modification of CSS Management and License Agreements***

In March of 2023, the Company entered into a modification of the CSS Management Agreement and CSS License Agreement pursuant to which (a) \$ 3.45 million of the aggregate fees under the CSS Management Agreement and CSS License Agreement that have been earned by CSS in the first quarter of 2023 and (b) 25 % (or \$ 12.75 million) of the next \$ 51 million of such fees that will be earned by CSS after April 1, 2023 shall be paid through the issuance by our Company of shares of our Class A common stock. The Company has issued an aggregate of 2,025,927 shares of Class A common stock to CSS under the modification as of December 31, 2023. The shares that shall become issuable in the future under clause (b) shall be issued each fiscal quarter as such fees are earned at a fixed price of \$ 3.05 per share. As of December 31, 2023, \$ 6.2 million of accrued and payable management and license fees have been satisfied through the issuance to CSS shares of Class A common stock, and an aggregate of \$ 6.6 million of future management and license fees will be offset by the issuance of Class A common stock to CSS in the periods after December 31, 2023.

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For the years ended December 31, 2023 and 2022, the Company recorded management fee expense of \$ 9.2 million and \$ 9.2 million, respectively, payable to CSS. For the years ended December 31, 2023 and 2022, the Company recorded a combined license and marketing support fee expense of \$ 9.2 million and \$ 9.2 million, respectively, payable to CSS.

**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 December 31, 2023 and 2022, the Company had an intercompany payable with affiliated companies.

	December 31, 2023	December 31, 2022
Due to affiliated companies	\$ 5,537,842	\$ 3,778,936
Total due to/due from affiliated companies	<u>\$ 5,537,842</u>	<u>\$ 3,778,936</u>

**Other Related Parties**

In the ordinary course of business, the Company is involved in arms-length transactions with certain minority shareholders of a consolidated subsidiary related to the licensing of television and film programming properties. For the years ended December 31, 2023 and 2022, the amount of revenue recognized was \$ 0 and \$ 0 million, respectively. At December 31, 2023 and 2022, the Company had accounts receivable of \$ 3.5 million and \$ 4.8 million, 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 the Company enters into agreements to obtain future titles. Once a title is delivered, accepted and becomes available for exploitation, a content liability is recorded on the consolidated balance sheet. As of December 31, 2023, the Company had \$ 161.9 million in content obligations, comprised of \$ 46.0 million of film library acquisition obligations, \$ 67.6 million of programming obligations and \$ 48.3 million of accrued participation costs. As of December 31, 2022, the Company had \$ 124.3 million in content obligations, comprised of \$ 39.8 million of film library acquisition obligations, \$ 55.8 million of programming obligations and \$ 28.7 million of accrued participation costs.

In the ordinary course of business, the Company from time to time enters into contractual arrangements under which it agrees to commitments with producers and other content providers for the acquisition of content and distribution rights which are in production or have not yet been completed, delivered to, and accepted by the Company ready for exploitation. Based on those contractual arrangements, generally, the Company is committed but is not contractually liable to transfer any financial consideration until final delivery and acceptance has occurred. These commitments which are expected to be fulfilled in the normal course of business have. Additionally, the Company licenses minimum quantities of theatrical and direct-to-video titles under licensing agreements with certain movie content providers. The total estimated content commitments under the terms of the Company's distribution and license agreements in effect as of December 31, 2023 is presented in the following table. The Company does not include any estimated obligation for these future titles beyond the known minimum amount.

Future minimum payments off-balance sheet content commitments as of December 31, 2023 were as follows:

	Total	2024	2025 and thereafter
Minimum estimated content commitments	\$ 25,865,517	\$ 25,865,517	\$ -

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**Acquisition of Sonar Assets**

The Company owes contingent consideration related to the acquisition of Sonar of \$ 5.3 million at December 31, 2023. 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 which was exercised during fiscal 2023. See Note 12, Put Option Obligation, for additional information.

**Legal and Other Matters**

During fiscal 2023, the Company is currently subject to numerous litigations and other potential litigations and claims due to unpaid vendor payments because of the capital shortfalls. We are a defendant in numerous commercial actions claiming breach of contract and other causes, including breach of contract relating to the content relationships, company leases, and advertising relationships.

*BBC v. Screen Media and CSSE, New York Court*- In this action, Plaintiff filed an arbitration for unpaid dues and claimed approximately \$ 9 million including accruing interest and attorney fees. This matter is currently on-going and balance due and accrued under this agreement as of December 31, 2023, was approximately \$ 7.4 million. CSSE has filed a counter claim against BBC that substantially offsets the alleged claim for breach of contract.

*SPHE Scan Based Trading v. CSSE, Redbox and Crackle Plus, California Court* - In this action, Plaintiff filed an arbitration for unpaid dues and claimed up to \$30 million including accruing interest and attorney fees. This matter is currently on-going and balance due and accrued under this agreement as of December 31, 2023, was approximately \$ 23.8 million, the low end of the range of our estimate of loss.

*Universal City Studios v. Redbox, Superior Court of Los Angeles County, California* - In this action, Plaintiff filed suit for unpaid dues and claimed up to \$ 16.8 million including accruing interest and attorney fees. This matter is currently on-going and the claim is adequately accrued under this agreement as of December 31, 2023.

We have entered into a term sheet providing for a mutual forbearance from the prosecution of bilateral claims of default and rights by both our principal lender and our company pending consummation of certain refinancing and further capitalization transactions that, if successful, will result in settlement of all obligations to, and claims by and against, our principal lender, in the coming months. We are pressing forward expeditiously and assertively with documentation of these transactions, and pressing to finalize all documents necessary to make these transactions and resolutions happen. However, we cannot assure you that the underlying disputes will ultimately be resolved in a manner that is satisfactory to us or which does not cause us material harm. See Note 19 Subsequent Events under the section entitled "*Proposed Mutual Forbearance Agreement & Strategic Initiatives*" for additional information.

While we believe that, if we are able to consummate the series of strategic financing transactions that we believe are available to us in the near term (as more generally described in Note 1 under the section entitled "*Substantial Doubt Exists Regarding Our Ability To Continue As A Going Concern*" and Note 19 "*Proposed Mutual Forbearance Agreement & Strategic Initiatives*"), we will be able to settle material litigations, defend those for which we have a defense, and promptly reinstitute key relationships, including with our key content producers and suppliers, we ultimately may not be able to consummate all such financing transactions or settle or defend all such cases in a manner that avoids continued operational and economic consequences that harm our business and financial performance. If we are unable to consummate these strategic financing transactions in the near term, we likely will be required to seek relief and protections under United States federal bankruptcy laws.

Other than the items discussed above, we believe that the other matters that the Company is currently subject to litigation are not significant, and, in the opinion of our management, are not likely to have a material adverse effect on the Company in adjudicated or settled in a manner adverse to the Company. Legal proceedings (both existing proceedings and any additional proceedings arising from such defaults) are subject to inherent uncertainties, and an unfavorable outcome could include monetary damages, loss of office access, loss of equipment use, and other adverse consequences, and excessive

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

verdicts can result from litigation, and as such, could result in further material adverse impacts on our 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 in the future.

**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 25, 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 December 31, 2023, the Company had \$ 3,474,299 of authorization remaining under the \$ 30,000,000 stock repurchase program. During 2023, The Company did not repurchase any shares. During 2022, the Company repurchased 1,410,036 shares of common stock at an average price of \$ 9.90 .

***Public Offering***

On April 3, 2023, the Company issued 4,688,015 shares of its Class A common stock at a price of \$ 2.30 per share, resulting in net proceeds of \$ 10.4 million. The Company used the proceeds of this offering for general corporate purposes and working capital, including payment of an aggregate of approximately \$ 3.8 million due to CSS under the CSS Management Agreement and CSS License Agreement for 2022.

***Common Stock Purchase Agreement***

On March 12, 2023, the Company, entered into a purchase agreement (the “Purchase Agreement”) with Lincoln Park Capital Fund, LLC (“Lincoln Park” or “Investor”), which provides that, upon the terms and subject to the conditions and limitations set forth therein, the Company may sell to Lincoln Park up to\$ 50,000,000 of shares (the “Purchase Shares”) of the Company’s Class A common stock (the “Class A common stock”) over the thirty-six (36) month term of the Purchase Agreement. Concurrently with entering into the Purchase Agreement, the Company also entered into a registration rights agreement with Lincoln Park, pursuant to which it agreed to provide Lincoln Park with certain registration rights related to the shares issued under the Purchase Agreement (the “Registration Rights Agreement”).

As of December 31, 2023 the Company sold 500,000 shares of Class A common stock to Lincoln Park for net proceeds of \$ 1,470,000 .

***Shares Issued In Lieu of Payment***

During the year ended December 31, 2023, the Company issued an aggregate of 2,025,927 shares of Class A common stock to its parent (CSS) in lieu of \$ 6,179,075 cash for fees due under the CSS Management Agreement and the CSS License Agreement. See Note 14, for more information.

During the year ended December 31, 2023 the Company issued 35,714 shares valued at \$ 42,500 in lieu of cash payments to two of the Company’s Directors.

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

**Common Stock Issuance for Redbox Merger**

On August 11, 2022, the Company acquired all the outstanding equity interests of Redbox. In conjunction with the merger, the Company issued 4,662,195 shares of its Class A common stock. See Note 4, Business Combinations, for additional information.

**Common and Preferred Stock Issuance for 1091**

On March 4, 2022, the Company acquired all the outstanding equity interests of 1091. In conjunction with the merger, the Company issued 375,000 shares of its Class A common stock and 80,000 shares of its preferred stock. See Note 4, Business Combinations, for additional information.

**At the Market Offerings and Private Placements**

During the years ended December 31, 2023 and 2022, the Company completed the sale of an aggregate of 3,375,897 and 376,163 shares, respectively of Class A common stock, generating net proceeds of \$ 5,820,404 and \$ 3,706,926 in the respective periods.

During the year ended December 31, 2023, the Company completed the sale of an aggregate of 1,198,965 shares of Series A preferred stock, generating net proceeds of \$ 18,774,269 . During the year ended December 31, 2022, the Company completed the sale of an aggregate of 718,027 shares, respectively of Series A preferred stock, generating net proceeds of \$ 16,699,901 during the period.

**Noncontrolling Interests**

Noncontrolling interests represent an equity interest in consolidated subsidiaries, including CSS AVOD, Locomotive Global and Landmark Studio Group. On September 8, 2021, the Company purchased an additional 25,000 units of common equity in Landmark Studio Group from Cole Investments VII, LLC for \$ 6,000,000 . 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 %. In October 2021, the Company acquired a 51 % stake in Locomotive Global Inc., a film production services company in India.

**Voting Rights**

*Common Stock*

Holders of shares of Class A Common Stock and Class B Common Stock have substantially identical rights, except that holders of shares of Class A Common Stock are entitled to one vote per share and holders of shares of Class B Common Stock are entitled to ten votes per share. Holders of shares of Class A Common Stock and Class B Common Stock vote together as a single class on all matters (including the election of directors) submitted to a vote of stockholders, unless otherwise required by law or charter.

*Preferred Stock*

Holders of Series A Preferred Stock generally have no voting rights except for the right to add two members to the board of directors if dividends payable on the outstanding Series A Preferred Stock are in arrears for eighteen or more consecutive or non-consecutive monthly dividend periods. The Series A Preferred Stock is not convertible into common stock of the Company.

**Dividend Rights**

*Common Stock*

Shares of Class A Common Stock and Class B Common Stock shall be treated equally, identically and ratably, on a per share basis, with respect to any dividends or distributions as may be declared and paid from time to time by the Board of Directors out of any assets legally available thereof.

**Chicken Soup for the Soul Entertainment, Inc.**  
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**Preferred Stock**

Holders of the Series A Preferred Stock will receive cumulative cash dividends at a rate of 9.75 % per annum, as and when declared by the Board of Directors. See Note 19 Subsequent Events for additional information regarding suspension of preferred dividends.

**No Preemptive or Similar Rights**

The Company's common stock is not entitled to preemptive rights and is not subject to conversion, redemption or sinking fund provisions.

**Right to Receive Liquidation Distributions**

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

**Warrants**

Warrant activity as of December 31, 2023 is as follows:

Warrants	Outstanding at December 31, 2022			Outstanding at December 31, 2023			Weighted Average Exercise Price	Weighted Average Remaining Contract Term (Yrs.)
	Issued	Exercised	Expired	Issued	Exercised	Expired		
Class W	526,362	—	( 526,362 )	—	—	—	\$ —	—
Class Z	123,109	—	—	123,109	—	12.00	0.50	
CSSE Class I	800,000	—	—	800,000	—	8.13	0.37	
CSSE Class II	1,200,000	—	—	1,200,000	—	9.67	0.37	
CSSE Class III-A	380,000	—	—	380,000	—	11.61	0.37	
CSSE Class III-B	1,620,000	—	—	1,620,000	—	11.61	0.37	
Redbox Public (CSSEL) <sup>(1)</sup>	1,039,183	—	—	1,039,183	—	132.18	2.82	
Redbox Private <sup>(1)</sup>	339,065	—	—	339,065	—	132.18	2.82	
<b>Total</b>	<b>6,027,719</b>	<b>—</b>	<b>( 526,362 )</b>	<b>5,501,357</b>	<b>\$ 32.75</b>	<b>—</b>	<b>0.98</b>	

<sup>(1)</sup> The number of warrants is shown on an as converted basis based on the exchange ratio of 0.087, the gross warrants are 11,944,627 public and 3,897,303 private.

In connection with the HPS Credit Agreement, the Company issued HPS and affiliates a five-year warrant ("Credit Facility Warrants") to purchase up to an aggregate of 1,011,530 shares of the Company's Class A common stock, at a per-share exercise price of \$ 0.0001 . All the Credit Facility Warrants were exercised in September 2022.

**Warrants Classified as Liabilities**

In connection with the merger of Redbox, the Company assumed all of Redbox's 15,841,930 outstanding Public and Private Placement Warrants.

The Redbox warrants prior to assumption had entitled the holder to purchase one whole share of Redbox Class A common stock at a price of \$ 11.50 per share, subject to adjustment. As a result of the mergers and adjustment caused thereby, 11,494 warrants (the "Per Share Warrant Requirement") are required to purchase one whole share of Company Class A common stock at an aggregate exercise price of \$ 132.18 per share, subject to adjustment. This was calculated by dividing the pre-merger \$ 11.50 per-share exercise price of the Redbox warrants by the 0.087 Exchange Ratio. No fractional shares will be issued upon exercise of the warrants, with shares of Company Class A common stock issued upon exercise of such

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

warrants rounded up to nearest whole share based on the total shares of Company Class A common stock being exercised and, subject to the Per Share Warrant Requirement.

The public warrants expire five years after issuance (October 24, 2026) or earlier upon redemption or liquidation

The Company may redeem the public warrants under the following conditions:

- In whole and not in part;
- At a price of \$ 0.01 per warrant;
- Upon not less than 30 days ' prior written notice of redemption (the "30-day redemption period") to each warrant holder; and
- if, and only if, the last reported sale price of the Company's Class A common stock equals or exceeds \$ 206.90 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within a 30 -trading day period ending on the third trading day prior to the date on which the Company gives proper notice of such redemption and provided certain other conditions are met.

The redemption criteria discussed above prevent a redemption call unless there is at the time of the call a significant premium to the warrant exercise price. If the foregoing conditions are satisfied and the Company issues a notice of redemption of the warrants, each warrant holder will be entitled to exercise its warrant prior to the scheduled redemption date. However, the price of the Company's Class A common stock may fall below the \$ 206.90 redemption trigger price (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) as well as the \$ 132.18 warrant exercise price after the redemption notice is issued.

The Private Placement Warrants are identical to the Public Warrants, except that the Private Placement Warrants are exercisable on a cashless basis and are non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the Private Placement Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Placement Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

As both the terms of the Private and Public warrants are substantively the same, the Company has determined to use the fair market value of the Public warrants to value all of the warrants. At the time of initial recording the warrants, they were valued at \$ 2.52 per warrant or approximately \$ 3,473,184 . As of December 31, 2023, the fair market value of the warrants was \$ 0.01 or \$ 9,923 . For year ended December 31, 2023, the Company recognized a gain of \$ 15,299 on the change in fair value of the warrant liabilities in Other income (expense), net in the Company's Consolidated Statements of Operations.

**Note 17 – Segment and Geographic Information**

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

Net revenue generated in the United States accounted for approximately 83 % and 95 % of total net revenue for the years ended December 31, 2023 and 2022, respectively. All of the Company's long-lived assets are based in the United States.

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**Notes to Consolidated Financial Statements**

**Note 18 – Customer Concentrations**

Customers with concentrations in excess of 10% of Net revenue and Gross accounts receivable for the years ended and as of December 31, 2023 and 2022 are as follows:

	<b>Year Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Revenues</b>		
Customer A	14 %	— %
Customer B	11 %	— %
 <b>Accounts Receivable</b>		
Customer A	32 %	— %
Customer B	27 %	— %
Customer C	— %	14 %
Customer D	— %	12 %

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**Note 19 – Subsequent Events**

**Series A Preferred Stock**

On January 5, 2024, the Company's Board of Directors determined to temporarily suspend the payment of monthly cash dividends on the Company's Series A Cumulative Redeemable Perpetual Preferred Stock ("Series A Preferred Stock") beginning with the payment scheduled for on or around January 15, 2024. The suspension of these dividends will defer approximately \$ 1.2 million in cash dividend payments each month.

Pursuant to Section 4 of the Certificate of Designations of the Series A Preferred Stock, dividends on the Series A Preferred Stock will continue to accumulate whether or not the Company has earnings, there are funds legally available for the payment of those dividends, or those dividends are declared by the Board of Directors. No interest, or sum in lieu of interest, will be payable in respect of any dividend payment or payments on the Series A Preferred Stock which may be in arrears, and holders of the Series A Preferred Stock will not be entitled to any dividends in excess of the full cumulative dividends. Any dividend payment made on the Series A Preferred Stock shall first be credited against the earliest accumulated but unpaid dividend due with respect to the Series A Preferred Stock.

**Interest Payments on 9.50 % Notes**

On January 9, 2024, the Company notified U.S. Bank Trust Company, National Association, as successor in interest to U.S. Bank National Association, as Trustee (the "Trustee"), with respect to the Company's 9.50 % Notes due 2025 (the "Notes"), of the Company's intent to make a special payment on January 30, 2024 (the "Special Distribution Date") in the amount of \$ 1,074,042.20 , representing all accrued and unpaid interest that was due and not paid to the Note holders on the original interest payment due date of January 2, 2024 (an aggregate of \$ 1,065,327.23 ), plus interest on such interest (an aggregate of \$ 8,714.97 ) at the same rate prescribed by the Notes (the "Special Payment"). The record date for the Special Payment is January 19, 2024 (the "Special Record Date"). Subject to receipt of such funds from the Company, the Trustee will distribute an aggregate of \$ 1,074,042.20 pro rata to holders as of the Special Record Date.

On April 4, 2024, the Company notified U.S. Bank Trust Company, National Association, as successor in interest to U.S. Bank National Association, as Trustee (the "Trustee"), with respect to the Company's 9.50 % Notes due 2025 (the "Notes"), of the Company's intent to make a special payment on April 30, 2024 (the "Special Distribution Date") in the amount of \$ 1,074,042.20 , representing all accrued and unpaid interest that was due and not paid to the Note holders on the original interest payment due date of April 1, 2024 (an aggregate of \$ 1,065,327.23 ), plus interest on such interest (an aggregate of \$ 8,714.97 ) at the same rate prescribed by the Notes (the "Special Payment"). The record date for the Special Payment is April 16, 2024 (the "Special Record Date"). Subject to receipt of such funds from the Company, the Trustee will distribute an aggregate of \$ 1,074,042.20 pro rata to holders as of the Special Record Date.

**Nasdaq Delisting Notice**

On March 25, 2024, the Company received a staff determination from The Nasdaq Stock Market ("Nasdaq") to delist the Company's securities from the Nasdaq Capital Market (the "Staff Determination"). As disclosed previously, the Company received three separate notices from Nasdaq advising the Company that it is not in compliance with certain Nasdaq listing requirements. The notices include the failure of our Class A common stock to trade at or above the Nasdaq required minimum \$1 threshold for 30 consecutive days, maintain a public float above \$5M on its Class A common stock (CSSE) and maintain equity of \$10 million. The Company appealed the Staff Determination on April 1, 2024 and expects the hearing to occur within 45 days after the date of its hearing request. The hearing request will stay the delisting of the Company's securities pending the appeal and the Company's securities will continue to be listed on the Nasdaq Capital Market until a decision is made. In the meantime, the Company is considering various strategic options to remedy its noncompliance with Nasdaq Listing Rules described above. If the Company is not be able to cure and meet the listing requirements with Nasdaq its Class A common stock (CSSE), 9.75 % Series A Cumulative Redeemable Preferred Perpetual Stock (CSSEP), Common Stock Purchase Warrant (CSSEL) and 9.50 % Notes due 2025 (CSSEN) may cease to be publicly traded on the Nasdaq Global Market. In such event, the Company intends to list such securities on another Nasdaq market, although there can be no assurance the Company will meet the criteria of any other market or will be able to secure listing thereon.

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**Accounts Receivable**

In March 2023 a customer who has a \$ 50 million outstanding balance related to a content licensing agreement approached us about expanding and amending the terms of the agreement. The proposal includes modifying the form of consideration to include a non-cash component. As of the date of this filing, there are no changes to the terms of the agreement.

**Proposed Mutual Forbearance Agreement & Strategic Initiatives**

In April 2024, as an integral part of our strategic initiatives to improve the capital position of our Company and resolve our mutual disputes with our principal lender, we established a framework with such lender, pursuant to which we would waive certain claims and the lenders under our credit facility would forbear (the "Forbearance") for a period of time (the "Mutual Forbearance Period") from exercising any remedies they may have under such credit facility in order to allow our company approximately 60 days to pursue certain proposed transactions ("Proposed Transactions"). The Proposed Transactions include (a) a \$ 50 million sublicense (the "Proposed Sublicense") and (b) a \$ 125 million agreement with a third party comprised of a \$ 65 million line of credit and a \$ 60 million equipment lease to Redbox secured by assets owned by Redbox (the "Proposed Redbox Facility"). We would be required to apply a portion of the aggregate net proceeds of the Proposed Transactions to the prepayment of a portion of the outstanding loans under our credit facility on a pro rata basis (the "Initial Prepayment").

In the event the Proposed Transactions are consummated and the Initial Prepayment is made prior to the expiration of the Mutual Forbearance Period, the Mutual Forbearance Period would be extended until September 30, 2024 (the "Extended Mutual Forbearance Period") during which time we would be required to prepay an additional amount under the credit facility. If these additional payments are made during the Extended Mutual Forbearance Period and the lenders have collectively received the specified amount in combined cash and permitted asset value (the "Payment Threshold"), all remaining amounts due and owing under the credit facility shall be deemed satisfied and paid in full, constituting a reduction that represented the majority of aggregate stated principal and interest.

The proposed agreement is subject to certain condition precedents, which management expects to meet in the near term. Under the proposed agreement, should the Company fail to make the payments timely or default under the existing credit agreement, the Mutual Forbearance Period will terminate and HPS will be able to pursue certain remedies to be outlined in the agreement, and to exercise their existing rights under the credit facility. Similarly, the Company would in that circumstance be free to pursue its claims against the principal lender, as well as any other legal courses of action it might deem necessary or appropriate in such circumstance.

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

None.

**ITEM 9A. Controls and Procedures**

**Management's Evaluation of our Disclosure Controls and Procedures**

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

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

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2023, the end of the period covered by our Annual Report on Form 10-K. Based upon such evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of such date.

**Management's Report on Internal Control over Financial Reporting**

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

Under the supervision and with the participation of management, including our Chief Executive and Chief Financial Officers, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2023 based on those portions of the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013 Framework) that we believed to be applicable to us as a smaller reporting company. Based on this evaluation, management concluded that the Company's internal controls over financial reporting were not effective at the reasonable assurance level as of December 31, 2023. As a result of our evaluation, we identified a material weakness in our controls related to implementation and testing of design and operating effectiveness of controls, including Redbox that was acquired in 2022, and other immaterial weakness in the areas of data management and documentation. While the material weakness set forth was a result of the small scale of the Company's

operations, financial constraint and high employee turnover, the Company believes the risk of a material misstatement relative to the financial reporting is minimal.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting based on the exemption for non-accelerated filers with less than \$75 million in public float per the Sarbanes-Oxley Act. The management's report was not subject to the attestation by the Company's registered public accounting firm pursuant to these rules that permit the Company to provide only the management's report in this annual report.

**Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during our fourth fiscal quarter ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. Other Information**

None.

**PART III**

**ITEM 10. Directors, Executive Officers and Corporate Governance**

The information required by this Item 10 is incorporated by reference to our Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended December 31, 2023.

**ITEM 11. Executive Compensation**

The information required by this Item 11 is incorporated by reference to our Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended December 31, 2023.

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

The information required by this Item 12 is incorporated by reference to our Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended December 31, 2023.

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

The information required by this Item 13 is incorporated by reference to our Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended December 31, 2023.

**ITEM 14. Principle Accounting Fees and Services**

The information required by this Item 14 is incorporated by reference to our Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended December 31, 2023.

**PART IV**

**ITEM 15. Exhibits, Financial Statement Schedules**

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

<b>Exhibit No.</b>	<b>Description</b>	<b>Included</b>	<b>Form</b>	<b>Filing Date</b>
3.1	<a href="#">Certificate of Incorporation of Chicken Soup for the Soul Entertainment Inc.</a>	By Reference	DOS	September 21, 2016
3.2	<a href="#">Bylaws of Chicken Soup for the Soul Entertainment Inc.</a>	By Reference	DOS	September 21, 2016
4.1	<a href="#">Specimen Class A Common Stock Certificate.</a>	By Reference	1-A	June 21, 2017
4.2.1	<a href="#">Certificate of Designations, Rights and Preferences of 9.75% Series A Cumulative Redeemable Perpetual Preferred Stock.</a>	By Reference	8-K	June 29, 2019
4.2.2	<a href="#">Certificate of Amendment to the Certificate of Designations, Rights and Preferences of 9.75% Series A Cumulative Redeemable Perpetual Preferred Stock.</a>	By Reference	S-3	September 28, 2018
4.2.3	<a href="#">Certificate of Amendment to the Certificate of Designations, Rights and Preferences of 9.75% Series A Cumulative Redeemable Perpetual Preferred Stock dated November 14, 2018.</a>	By Reference	8-K	November 18, 2019
4.2.4	<a href="#">Certificate of Amendment to the Certificate of Designations, Rights and Preferences of 9.75% Series A Cumulative Redeemable Perpetual Preferred Stock dated July 31, 2019.</a>	By Reference	S-1/A	August 1, 2018
4.2.4	<a href="#">Certificate of Amendment to the Certificate of Designations, Rights and Preferences of 9.75% Series A Cumulative Redeemable Perpetual Preferred Stock, dated November 22, 2022</a>	By Reference	8-K	November 22, 2022
4.2.5	<a href="#">Certificate of Amendment to the Certificate of Designations, Rights and Preferences of 9.75% Series A Cumulative Redeemable Perpetual Preferred Stock, dated March 1, 2023</a>	By Reference	8-K	March 1, 2023
4.3	<a href="#">Class I Warrant.</a>	By Reference	8-K	May 15, 2019
4.4	<a href="#">Class II Warrant.</a>	By Reference	8-K	May 15, 2019
4.5.1	<a href="#">Class III-A Warrant.</a>	By Reference	8-K	May 15, 2019
4.5.2	<a href="#">Class III-B Warrant.</a>	By Reference	8-K	May 15, 2019
4.7	<a href="#">Class Z Warrant Agreement between Chicken Soup for the Soul Entertainment Inc. and Continental Stock Transfer &amp; Trust Co.</a>	By Reference	8-K	November 24, 2020
4.9	<a href="#">Form of Class Z Warrant.</a>	By Reference	8-K	November 24, 2020
4.10	<a href="#">Indenture, dated as of July 17, 2020, between Chicken Soup for the Soul Entertainment Inc. and U.S. Bank National Association, as Trustee.</a>	By Reference	8-K	July 22, 2020
4.11	<a href="#">First Supplemental Indenture, dated as of July 17, 2020, between Chicken Soup for the Soul Entertainment Inc. and U.S. Bank National Association, as Trustee.</a>	By Reference	8-K	July 22, 2020
4.12	<a href="#">Form of 9.50% Notes due 2025 (included as Exhibit A to Exhibit 4.11 hereto).</a>	By Reference	8-K	July 22, 2020
4.13	<a href="#">Description of Securities.</a>	Herewith	--	--
4.14	<a href="#">Warrant Assumption and Amendment Agreement, dated as of August 11, 2022, by and among Redbox Entertainment Inc., a Delaware corporation, f/k/a Seaport Global Acquisition Corp. (the "Company"), Chicken Soup for the Soul Entertainment Inc., a Delaware corporation ("CSSE"), and Continental Stock Transfer &amp; Trust Company, a New York corporation ("CST").</a>	By Reference	8-K/A	August 15, 2022

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4.15	<a href="#">HPS Warrant Agreement, dated as of August 11, 2022</a>	By Reference	8-K/A	August 15, 2022
10.1	<a href="#">Trademark and Intellectual Property License Agreement between Chicken Soup for the Soul Entertainment Inc. and Chicken Soup for the Soul, LLC</a>	By Reference	DOS	September 21, 2016
10.2.1	<a href="#">Management Services Agreement between Chicken Soup for the Soul Entertainment Inc. and Chicken Soup for the Soul, LLC</a>	By Reference	DOS	September 21, 2016
10.2.2	<a href="#">Amendment to Management Services Agreement</a>	By Reference	8-K	June 30, 2019
10.2.3	<a href="#">Second Amendment to Management Services Agreement</a>	Herewith	--	--
10.3	<a href="#">Form of Indemnification Agreement</a>	By Reference	1-A	June 21, 2017
10.4	<a href="#">Chicken Soup for the Soul Entertainment Inc. 2017 Long-term Incentive Plan.</a>	By Reference	1-A	June 21, 2017
10.5.1	<a href="#">Amended and Restated Limited Liability Company Operating Agreement by and among Crackle Plus, LLC, Chicken Soup for the Soul Entertainment, Inc. and Crackle, Inc.</a>	By Reference	8-K	May 15, 2019
10.5.2	<a href="#">Amendment to the Amended and Restated Limited Liability Company Operating Agreement of Crackle Plus, LLC.</a>	By Reference	8-K	November 16, 2020
10.5.3	<a href="#">Put Option Closing Agreement, dated January 13, 2021, between Crackle Plus, LLC, Chicken Soup for the Soul Entertainment Inc., and CPE Holdings Inc.</a>	Herewith	--	--
10.6	<a href="#">Limited Liability Company Operating Agreement by and among Landmark Studio Group, Chicken Soup for the Soul Entertainment, Inc., Cole Investments VII LLC, David Ozer, Legend Capital Management, LLC, and Kevin Duncan.</a>	By Reference	8-K	October 18, 2019
10.7	<a href="#">Securities Purchase Agreement, dated as of January 14, 2021, between Chicken Soup for the Soul Entertainment Inc. and the Investors party thereto.</a>	By Reference	8-K	January 20, 2021
10.8	<a href="#">Registration Rights Agreement, dated as of January 14, 2021, between Chicken Soup for the Soul Entertainment Inc. and the Investors party thereto.</a>	By Reference	8-K	January 20, 2021
10.9	<a href="#">Amended and Restated Credit Agreement, dated as of August 11, 2022, by and among Chicken Soup for the Soul Entertainment, Inc., Redbox Automated LLC, the Lenders named therein and HPS Investment Partners LLC, as administrative agent for the Lenders</a>	By Reference	8-K/A	August 15, 2022
10.10	<a href="#">Purchase Agreement, dated March 12, 2023, between Chicken Soup for the Soul Entertainment, Inc. and Lincoln Park.</a>	By Reference	8-K	March 13, 2023
10.11	<a href="#">Registration Rights Agreement, dated March 12, 2023 by and between Chicken Soup for the Soul Entertainment, Inc. and Lincoln Park.</a>	By Reference	8-K	March 13, 2023
10.14	<a href="#">At the Market Issuance Agreement, dated as of January 25, 2022 by and among Chicken Soup for the Soul Entertainment, Inc., B. Riley Securities Inc. and Virtu Americas LLC</a>	By Reference	8-K	January 26, 2022
21	<a href="#">Subsidiaries of the Registrant</a>	Herewith	--	--
23.1	<a href="#">Consent of Rosenfield &amp; Company PLC</a>	Herewith	--	--
31.1	<a href="#">Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>	Herewith	--	--
31.2	<a href="#">Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>	Herewith	--	--
32.1	<a href="#">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.</a>	Herewith	--	--
32.2	<a href="#">Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>	Herewith	--	--
97.1	<a href="#">Compensation Clawback Policy</a>	Herewith	--	--
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 Inline XBRL document).

**ITEM 16. Form 10-K Summary**

Not applicable.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on April 19, 2024.

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

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

/s/ Jason Meier  
Jason Meier  
Chief Financial Officer

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

By:

<u>/s/ William J. Rouhana, Jr.</u>	April 19, 2024
William J. Rouhana, Jr., Chairman, Chief Executive Officer, Director (Principal Executive Officer)	
<u>/s/ Jason Meier</u>	April 19, 2024
Jason Meier, Chief Financial Officer and Principal Accounting Officer (Principal Financial and Accounting Officer)	
<u>/s/ Christopher Mitchell</u>	April 19, 2024
Christopher Mitchell, Director	
<u>/s/ Amy L. Newmark</u>	April 19, 2024
Amy L. Newmark, Director	
<u>/s/ Cosmo DeNicola</u>	April 19, 2024
Cosmo DeNicola, Director	
<u>/s/ Fred M. Cohen</u>	April 19, 2024
Fred M. Cohen, Director	
<u>/s/ Christina Weiss Lurie</u>	April 19, 2024
Christina Weiss Lurie, Director	
<u>/s/ Diana Wilkin</u>	April 19, 2024
Diana Wilkin, Director	
<u>/s/ Vikram Somaya</u>	April 19, 2024
Vikram Somaya, Director	
<u>/s/ Martin Pompadur</u>	April 19, 2024
Martin Pompadur, Director	

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

The following description of the Company's securities is based upon the Company's amended and restated certificate of incorporation ("Charter"), the Company's Bylaws ("Bylaws") and applicable provisions of law. We have summarized certain portions of the Charter and Bylaws below. The summary is not complete and is subject to, and is qualified in its entirety by express reference to, the provisions of our Charter and Bylaws, each of which is filed as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.13 is a part.

**Authorized Capital Stock**

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

**Common Stock**

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

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

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

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

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

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consent of stockholders is permitted at such time under our Certificate of Incorporation) of the holders of a majority of the outstanding shares of Class A common stock and Class B common stock, each voting separately as a class.

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

### **Preferred Stock**

#### **General**

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

#### **Series A Preferred Stock**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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made to holders of our common stock or any other class or series of our capital stock we may issue that ranks junior to the Series A Preferred Stock as to liquidation rights.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On each matter on which holders of Series A Preferred Stock are entitled to vote, each share of Series A Preferred Stock will be entitled to one vote. In instances described below where holders of Series A Preferred Stock vote with

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holders of any other class or series of our preferred stock as a single class on any matter, the Series A Preferred Stock and the shares of each such other class or series will have one vote for each \$25.00 of liquidation preference (excluding accumulated dividends) represented by their respective shares.

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

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

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

So long as any shares of Series A Preferred Stock remain outstanding, we will not, without the affirmative vote or consent of the holders of at least 66.67% of the votes entitled to be cast by the holders of the Series A Preferred Stock outstanding at the time, given in person or by proxy, either in writing or at a meeting (voting together as a class with all other series of parity preferred stock that we may issue upon which like voting rights have been conferred and are exercisable), (a) authorize or create, or increase the authorized or issued amount of, any class or series of capital stock ranking senior to the Series A Preferred Stock with respect to payment of dividends or the

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distribution of assets upon liquidation, dissolution or winding up or reclassify any of our authorized capital stock into such shares, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares; or (b) unless redeeming all Series A Preferred Stock in connection with such action, amend, alter, repeal or replace our certificate of incorporation, including by way of a merger, consolidation or otherwise in which we may or may not be the surviving entity, so as to materially and adversely affect and deprive holders of Series A Preferred Stock of any right, preference, privilege or voting power of the Series A Preferred Stock (each, an "Event"). An increase in the amount of the authorized preferred stock, including the Series A Preferred Stock, or the creation or issuance of any additional Series A Preferred Stock or other series of preferred stock that we may issue, or any increase in the amount of authorized shares of such series, in each case ranking on a parity with or junior to the Series A Preferred Stock with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed an Event and will not require us to obtain 66.67% of the votes entitled to be cast by the holders of the Series A Preferred Stock and all such other similarly affected series, outstanding at the time (voting together as a class).

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

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

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

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

#### **Warrants**

*Class W Warrants* - Each outstanding Class W warrant entitles the registered holder to purchase one share of our Class A common stock at a price of \$7.50 per share, subject to adjustment as discussed below. Each warrant is exercisable at any time through June 30, 2023 at 5:00 p.m., New York City time.

*Class Z Warrants* - Each outstanding Class Z warrant entitles the registered holder to purchase one share of our Class A common stock at a price of \$12.00 per share, subject to adjustment as discussed below. Each warrant is exercisable at any time through June 30, 2024 at 5:00 p.m., New York City time.

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

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

The criteria for calling our warrants have been established at a price which is intended to provide warrant holders a reasonable premium to the initial exercise price and provide a sufficient differential between the then-prevailing

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share price and the warrant exercise price so that if the share price declines as a result of our call, the call will not cause the share price to drop below the exercise price of the warrants.

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

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

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

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

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

#### **9.50% Notes Due 2025**

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

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

*Maturity*: July 31, 2025.

*Trustee*: U.S. Bank National Association.

*Credit Rating*: Our Notes are ranked BBB by Egan-Jones Ratings Company. The Notes have not been rated by any other NRSRO or other agency. A securities rating reflects only the view of a rating agency and is not a recommendation to buy, sell, or hold the Notes. Any rating may be subject to revision upward or downward or withdrawal at any time by a rating agency if such rating agency decides that circumstances warrant that change. Each rating should be evaluated independently of any other rating. No report of any rating agency is being incorporated herein by reference. More information about credit ratings assigned by Egan-Jones is included under "Series A Preferred Stock" above.

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

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

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- Senior to any of our future indebtedness that expressly provides it is subordinated to the Notes. We currently do not have outstanding debt that is subordinated to the Notes and do not currently intend to issue indebtedness that expressly provides that it is subordinated to the Notes. Therefore, the Notes, as currently contemplated, will not be senior to any indebtedness or obligations.
- Effectively subordinated to all of our existing and future secured indebtedness (including indebtedness that is initially unsecured to which we subsequently grant a security interest), but only to the extent of the value of the assets securing such indebtedness, as well as any secured indebtedness that we may incur in the future, such as a new loan facility, or any new indebtedness that is initially unsecured to which we subsequently grant a security interest, to the extent of the value of the assets securing such indebtedness. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the Notes, and any assets of our subsidiaries will not be directly available to satisfy the claims of our creditors, including holders of the Notes.
- Structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries and financing vehicles, since the Notes are obligations exclusively of Chicken Soup for the Soul Entertainment Inc., and not of any of our subsidiaries. Structural subordination means that creditors of a parent entity are subordinate to creditors of a subsidiary entity with respect to the subsidiary's assets.

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

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

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

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

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

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

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

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

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

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

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

#### **Certain Provisions in our Certificate of Incorporation**

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

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AMENDMENT

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

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

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

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

CHICKEN SOUP FOR THE SOUL ENTERTAINMENT,  
INC.

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

CHICKEN SOUP FOR THE SOUL, LLC

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

By: E BRANDS, LLC, Manager

By: TREMA, LLC, Manager

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

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Put Option Closing Agreement

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

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

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

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

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

1. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Agreement.
2. The consummation and closing (the "Closing") of the purchase of the Subject Units by CSSE is taking place concurrently with the execution of this Agreement.
3. The Purchase Price is \$40,000,000, as determined in accordance with Schedule C of the Agreement.
4. Pursuant to Section 9.03(a), CSSE hereby elects to pay the entirety of the Purchase Price through the issuance of Preferred Stock.
5. At Closing, CSSE is causing the instruction letter attached hereto as **Exhibit A** to be delivered to its transfer agent, Continental Stock Transfer & Trust Company Inc. ("Continental"), pursuant to which CSSE instructs Continental to issue to CPEH an aggregate of 1,600,000 shares of Preferred Stock as payment in full for the Subject Units. A copy of the signed instruction letter, and evidence of delivery thereof to Continental, shall be delivered by CSSE to CPEH at Closing.
6. At Closing, CSSE is causing the opinion of Graubard Miller, its outside general counsel, attached hereto as **Exhibit B** to be delivered to Continental, pursuant to which Graubard Miller opines that the shares of Preferred Stock to be issued to CPEH in connection with the foregoing may be issued without registration under the Securities Act of 1933, as amended (the "Act") and must bear restrictive legend prohibiting sale or transfer of same

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

7. Concurrently herewith, CPEH is delivering to CSSE and Crackle Plus (a) an assignment of the Units held by CPEH executed by CPEH, in the form attached hereto as **Exhibit C** and (b) a certificate meeting the requirements of IRS Notice 2018-29 and Treasury Regulations Section 1.1445-2(b) that CPEH is not a foreign person with the meaning of IRS Codes Section 1446(f) or 1445, in the form attached hereto as **Exhibit D**.
8. Concurrently herewith, the resignations of each of Jon Hookstratten and Maria Anguelova as Managers of Crackle Plus as attached hereto as **Exhibit E** have been delivered to Crackle Plus, and Crackle Plus hereby accepts each such resignation to be effective immediately upon delivery of the Preferred Stock to CPEH.
9. Upon issuance of the Preferred Stock to CPEH in accordance with the foregoing (as evidenced by documentation provide by Continental to CPEH in form and substance reasonably satisfactory to CPEH), all Units owned by CPEH shall be deemed returned to Crackle Plus and no longer outstanding, and CPEH shall no longer be deemed a Member of Crackle Plus or entitled to any rights of a Member under the terms of the Agreement, except with respect to rights or obligations that expressly survive the termination of the Agreement and/or the termination of any Member's membership.
10. Each of CSSE and Crackle Plus hereby represents and warrants to CPEH that (a) each of CSSE and Crackle Plus has all necessary corporate or company authority to consummate the transactions as contemplated hereby, (b) there are no orders, actions or claims that would be reasonably deemed to prevent or prohibit either of CSSE or Crackle Plus from consummating such transactions, (c) the shares of Preferred Stock shall be duly and validly issued, fully paid and nonassessable, and (d) no consent, approval, order or authorization of, or registration, declaration or filing with, any governmental authority or any third party is required in connection with the CSSE or Crackle Plus' execution and delivery of this Closing Agreement, or the issuance and delivery of the Preferred Stock.
11. CPEH hereby represents and warrants to each of CSSE and Crackle Plus that (a) it has all necessary corporate authority to consummate the transactions as contemplated hereby and that there are no orders, actions or claims that would be reasonably deemed to prevent or prohibit CPEH from consummating such transactions, (b) there are no liens, mortgages or encumbrances on the Units (except for restrictions under the Agreement and/or under state and/or federal securities laws) and that CPEH has record and beneficial ownership interest in and to the Units, (c) CPEH is an "accredited investor" as that term is defined in Rule 501(a) under the Act, (d) CPEH is acquiring the Preferred Stock for investment purposes and not with a view to distribution to any other person or entity, (e) CPEH understands that the Preferred Stock has not been registered under the Act by reason of a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of CPEH's investment intent as expressed herein, (f) CPEH understands that CSSE makes no representation as to the credit rating of the Preferred Shares at any

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

12. Each of CSSE and Crackle Plus, on behalf of themselves and their subsidiaries, affiliates, parent companies, officers, directors and employees, hereby waive and release any and all claims, demands, damages, judgments, causes of action and liabilities of any nature whatsoever, whether or not known, suspected or claimed, arising directly or indirectly on or prior to the date hereof against CPEH and/or its Affiliates, or any of them, arising out of CPEH's (or Crackle's) ownership of the Units and membership in Crackle Plus; provided, however, that in no event shall the foregoing waive, release affect or impair any claims or rights of CSSE, Crackle Plus, or their subsidiaries, affiliates, parent companies, officers, directors and employees arising out of that certain Agreement, dated as of June 30, 2020, by and among Crackle Plus, CSSE, CPEH, Sony Pictures Television Inc. and Funimation Global Group, LLC (the “Settlement Agreement”).
13. CPEH, on behalf of itself and its subsidiaries, affiliates, parent companies, officers, directors and employees, hereby waives and releases any and all claims, demands, damages, judgments, causes of action and liabilities of any nature whatsoever, whether or not known, suspected or claimed, arising directly or indirectly on or prior to the date hereof against Crackle Plus and CSSE and/or their respective Affiliates, or any of them, arising out of CPEH's (or Crackle's) ownership of the Units and membership in Crackle Plus; provided, however, that in no event shall the foregoing waive, release affect or impair any claims or rights of CSSE, Crackle Plus, or their subsidiaries, affiliates, parent companies, officers, directors and employees arising out of (i) the Settlement Agreement or (ii) any right to indemnification, reimbursement or advancement of expenses under the provisions of any member, manager or officer indemnification agreement with CSSE or Crackle Plus, owed to CPEH or its subsidiaries, affiliates, parent companies, officers, directors or employees, or any of them, in its or their capacity(ies) as a member, officer or manager of Crackle Plus, with respect to any third party claim relating to an act, omission, event or transaction occurring on or prior to the Closing.
14. Each of the parties hereto acknowledges and agrees that such party has read and understands and has been fully advised by its attorneys as to the contents of Section 1542 of the Civil Code of the State of California, and that Section 1542 and the benefits thereof are hereby expressly waived. Section 1542 reads as follows:

1542. General Release; extent.

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

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

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

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

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

CRACKLE PLUS, LLC

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

William J. Rouhana, Jr.  
CEO

CHICKEN SOUP FOR THE SOUL  
ENTERTAINMENT, INC.

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

William J. Rouhana, Jr.  
CEO

CPE HOLDINGS, INC.

By: /s/ Eric Gaynor ss

Eric Gaynor ss  
Assistant Secretary

## SUBSIDIARIES OF REGISTRANT

Name of Subsidiary	Proportion of Ownership Interest
Pivotshare, Inc.	100% by the Registrant
Powerslam, LLC	100% by Pivotshare, Inc.
Screen Media Ventures, LLC	100% by the Registrant
757 Film Acquisition LLC	100% by Screen Media Ventures, LLC
Digital Media Enterprises LLC	100% by Screen Media Ventures, LLC
Screen Media Films, LLC	100% by Screen Media Ventures, LLC
TOFG, LLC	100% by Screen Media Ventures, LLC
A Sharp, Inc.	100% by the Registrant
BD Productions, LLC	100% by the Registrant
PH2017, LLC	100% by the Registrant
VRP2018, LLC	100% by the Registrant
RSHOOD2017, LLC	100% by the Registrant
The Fixer 2018, LLC	100% by the Registrant
Crackle Plus, LLC	100% by the Registrant
Halcyon Television, LLC	100% by the Registrant
TOFG, LLC	100% by the Registrant
RRB Second Merger Sub, LLC	100% by the Registrant
CSS AVOD, Inc.	95% by the Registrant
Landmark Studio Group, LLC	100% by the Registrant
Locomotive Global, Inc.	51% by the Registrant

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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Registration No. 333-267761), Form S-4 (Registration No. 333-265642), Form S-3 (Registration No. 333- 267356, 333-257057), and Form S-1 (Registration No. 333-239201) of Chicken Soup for the Soul Entertainment, Inc. of our report dated April 19, 2024, relating to the consolidated financial statements of Chicken Soup for the Soul Entertainment, Inc. and subsidiaries as of December 31, 2023 and 2022 and for each of the years in the two-year period ended December 31, 2023, and appearing in the Registration Statements and to the reference to us under the heading "Experts" in the Registration Statements.

/s/ Rosenfield and Company, PLLC

April 19, 2024

Rosenfield and Company, PLLC

New York, New York

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 [WWW.ROSENFIELDANDCO.COM](http://WWW.ROSENFIELDANDCO.COM)

 [INFO@ROSENFIELDANDCO.COM](mailto:INFO@ROSENFIELDANDCO.COM)

 888-556-1154

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

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

1. I have reviewed this annual report on Form 10-K of Chicken Soup for the Soul Entertainment, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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: April 19, 2024

*/s/* William J. Rouhana, Jr.

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

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

I, Jason Meier, certify that:

1. I have reviewed this annual report on Form 10-K of Chicken Soup for the Soul Entertainment, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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: April 19, 2024

*/s/* Jason Meier

Jason Meier  
Chief Financial Officer

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

In connection with the Annual Report of Chicken Soup for the Soul Entertainment, Inc. (the "Company") on Form 10-K for the year ended December 31, 2023 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: April 19, 2024

/s/ William J. Rouhana, Jr.

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

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

In connection with the Annual Report of Chicken Soup for the Soul Entertainment, Inc. (the "Company") on Form 10-K for the year ended December 31, 2023 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: April 19, 2024

*/s/* Jason Meier

Jason Meier

Chief Financial Officer

(Principal Financial and Accounting Officer)

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CHICKEN SOUP FOR THE SOUL ENTERTAINMENT INC.

COMPENSATION CLAWBACK POLICY

Effective as of October 2023

**Introduction**

The Board of Directors (the "Board") of Chicken Soup for the Soul Entertainment Inc. (the "Company") believes that it is in the best interests of the Company and its shareholders to create and maintain a culture that emphasizes integrity and accountability and that reinforces the Company's pay-for-performance compensation philosophy. The Board has therefore adopted this policy, which provides for the recoupment (or "clawback") of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under the federal securities laws of the United States (the "Policy"). This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934, as amended (the **Exchange Act**"), Rule 10D-1 promulgated under the Exchange Act ("Rule 10D-1") and the listing standards of the national securities exchange on which the Company's securities are listed (the "Exchange"), which is, as of the effective date hereof, the Capital Market of The Nasdaq Stock Market LLC ("Nasdaq").

**Administration**

This Policy shall be administered by the Board or, if so designated by the Board, the Compensation Committee of the Board, in which case references herein to the Board shall be deemed references to the Compensation Committee. Any determinations made by the Board shall be final and binding on all affected individuals. Subject to any limitation under applicable law, the Board may authorize and empower any officer or employee of the Company to take any and all actions necessary or appropriate to carry out the purpose and intent of this Policy (other than with respect to any recovery under this Policy involving such officer or employee).

**Covered Executives**

This Policy applies to the Company's current and former executive officers, as determined by the Board in accordance with Section 10D of the Exchange Act and the Exchange, and such other senior executives and employees who may from time to time be deemed subject to the Policy by the Board ("Covered Executives"). The Company shall seek to have all Covered Executives sign an acknowledgement of the terms of this Policy; provided that this Policy shall apply to each Covered Executive whether or not they have signed any such acknowledgement.

**Recoupment; Accounting Restatement**

In the event the Company is required to prepare an accounting restatement of its financial statements due to the Company's material noncompliance with any financial reporting requirement under the securities laws, the Board will require reasonably prompt reimbursement or forfeiture of any excess Incentive Compensation (as defined below) received by any Covered Executive during the three completed fiscal years immediately preceding the date on which the Company is required to prepare an accounting restatement. In addition to these last three completed fiscal years, this Policy applies to any transition period (that results from a change in the Company's fiscal year) within or immediately following those three completed fiscal years. However, a transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months is deemed a completed fiscal year. The Company's obligation to recover excess Incentive Compensation under this Policy is not dependent on if or when the restated financial statements are filed. This Policy applies to all Incentive Compensation received after beginning service as a Covered Executive, by an individual who served as a Covered Executive at any time during the performance period for that Incentive Compensation, while the Company had a class of securities listed on a national securities exchange or a national securities association.

**Material Noncompliance.** Without limiting the generality of the foregoing, reimbursement is required in the event of any restatement that either: (i) corrects an error in previously issued financial statements that is material to the previously issued financial statements, or (ii) would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

**Date of Restatement.** For purposes of determining the relevant recovery period, the date that the Company is required to prepare an accounting restatement as described above is the earlier to occur of: (A) the date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an accounting restatement as described above; or (B) the date a court, regulator, or other legally authorized body directs the Company to prepare an accounting restatement as described above.

Fiscal Period of Receipt. Incentive Compensation is deemed received in the Company's fiscal period during which the financial reporting measure specified in the Incentive Compensation award is attained, even if the payment or grant of the Incentive Compensation occurs after the end of that period.

#### **Incentive Compensation**

For purposes of this Policy, "Incentive Compensation" means any of the following:

- Annual bonuses and other short- and long-term cash incentives;
- Stock options;
- Stock appreciation rights;
- Restricted stock;
- Restricted stock units;
- Performance shares; or
- Performance units,

*provided*, that such compensation is granted, earned or vested based wholly or in part on the attainment of a financial reporting measure.

Financial reporting measures are measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures that are derived wholly or in part from such measures. Stock price and total shareholder return are also financial reporting measures. A financial reporting measure need not be presented within the financial statements or included in a filing with the U.S. Securities and Exchange Commission (the "Commission"). Financial reporting measures may include, but are not limited to, the following:

- Company stock price;
- Total shareholder return;
- Revenues;
- Net income;
- Earnings before interest, taxes, depreciation, and amortization (EBITDA);
- Funds from operations;
- Liquidity measures such as working capital or operating cash flow;
- Return measures such as return on invested capital or return on assets; and
- Earnings measures such as earnings per share.

#### **Excess Incentive Compensation: Amount Subject to Recovery**

The amount to be recovered will be the excess of the Incentive Compensation paid to the Covered Executive based on the erroneous data over the Incentive Compensation that would have been paid to the Covered Executive had it been based on the restated results, as determined by the Board, and without regard to any taxes paid by or withheld from the Covered Executive.

If the Board cannot determine the amount of excess Incentive Compensation received by the Covered Executive directly from the information in the accounting restatement, then it will make its determination based on a reasonable estimate of the effect of the accounting restatement. For Incentive Compensation based on stock price or total shareholder return, where the amount of erroneously awarded compensation is not subject to mathematical recalculation directly from the information in an accounting restatement, the amount will be based on a reasonable estimate of the effect of the accounting restatement on the stock price or total shareholder return.

upon which the Incentive Compensation was received. In such case, the Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to Nasdaq.

#### **Method of Recoupment**

The Board will determine, in its sole discretion, the method for recouping Incentive Compensation hereunder which may include, without limitation:

- (a) requiring reimbursement of cash Incentive Compensation previously paid;
- (b) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards;
- (c) offsetting the recouped amount from any compensation otherwise owed by the Company to the Covered Executive in accordance with applicable law;
- (d) cancelling outstanding vested or unvested equity awards; and/or
- (e) taking any other remedial and recovery action permitted by law, as determined by the Board.

#### **No Indemnification**

The Company shall not indemnify any Covered Executives against the loss of any Incentive Compensation recovered under this Policy or from any consequence arising therefrom.

#### **Interpretation**

The Board is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. Any determination of the Board shall be conclusive and binding on the Company and the applicable Covered Executives. The determination of the Board need not be uniform with respect to one or more Covered Executives.

It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act, Rule 10D-1 and any applicable rules or standards adopted by the Securities and Exchange Commission or any national securities exchange on which the Company's securities are listed.

#### **Effective Date**

This Policy shall be effective as of the date it is adopted by the Board (the **Effective Date**) but shall apply to Incentive Compensation that is received by any Covered Executives on or after October 2, 2023.

#### **Amendment; Termination**

The Board may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary to comply with regulations adopted by the Securities and Exchange Commission under Section 10D of the Exchange Act, any rules or standards adopted by any national securities exchange on which the Company's securities are listed and any other "clawback" provision required by law. The Board may terminate this Policy at any time.

#### **Other Recoupment Rights**

The Board intends that this Policy will be applied to the fullest extent of the law. The Board may require that any employment agreement, equity award agreement, or similar agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of: (a) any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company, including termination of employment, the initiation of civil or criminal proceedings, and any right to repayment under applicable law, including Section 304 of the Sarbanes-Oxley Act of 2002. For the avoidance of doubt, any amounts paid to the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 shall be considered (and may be credited) in determining any amounts recovered under this Policy.

#### **Impracticability**

The Board shall recover any excess Incentive Compensation in accordance with this Policy unless one of the following conditions is met and such recovery would be impracticable, as determined by the Board in accordance with Rule 10D-1 of the Exchange Act and the listing standards of the national securities exchange on which the Company's securities are listed:

- The direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered after making a reasonable attempt to recover such Incentive Compensation. Note that the attempt(s) to recover must be documented by the Company and such documentation provided to the Exchange;
- Recovery would violate home country law where that law was adopted prior to November 28, 2022. Note that the Company must obtain a legal opinion of home country counsel that such recovery would result in a violation of local law and provide such opinion to the Exchange; or
- Recovery would likely cause an otherwise tax-qualified retirement plan under which benefits are broadly available to Company employees to fail to meet the requirements for qualified pension, profit-sharing and stock bonus plans under Section 401(a)(13) of the U.S. Internal Revenue Code or the minimum vesting standards under Section 411(a) of the U.S. Internal Revenue Code.

#### **Successors**

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.