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

(Amendment No. 1)

(Mark One)

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

For the quarterly period ended September 30, 2022

OR

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

For the transition period from ____ to

Commission File Number: 001-38125

CHICKEN SOUP FOR THE SOUL ENTERTAINMENT, INC.

(Exact name of registrant as specified in its charter)

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

855-398-0443

(Registrant's Telephone Number, including Area Code)

Not Applicable

Former Name or Former Address, if changed since last report)

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

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

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 W Warrants	CSSEW	OTC Markets
Class Z Warrants	CSSEZ	OTC Markets

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

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

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

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

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

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

The number of shares of Common Stock outstanding as of November 11, 2022 totaled 20,809,845 as follows:

Title of Each Class	
Class A Common Stock, $.0001 par value per share	13,115,339
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.

EXPLANATORY NOTE

The purpose of this Amendment No. 1 (this "Amendment") to our Quarterly Report on Form 10-Q for the period ended September 30, 2022 (the "Form 10-Q"), as filed with the Securities and Exchange Commission (the "SEC") on November 14, 2022, is solely to correct a numeric typographical error in the table entitled "Unaudited Pro Forma Financial Information" as it pertains to the Merger with Redbox Entertainment Inc. in Note 4 to the financial statements contained therein. Specifically, the line item "Net Loss" in the table contained in the previously filed 10-Q read "$(15,492,821)" for the Three months ended September 30, 2022. The correct number is "$(57,047,000)." This typographical error does not affect any other financial or other information in the 10-Q.

This Amendment makes no other changes to the Form 10-Q as filed with the SEC on November 14, 2022 and no attempt has been made in this Amendment to modify or update the other disclosures presented in the Form 10-Q. This Amendment does not reflect subsequent events occurring after the original filing of the Form 10-Q (i.e., those events occurring after November 14, 2022) or modify or update in any way those disclosures that may be affected by subsequent events. Accordingly, this Amendment should be read in conjunction with the Form 10-Q as filed with the SEC on November 14, 2022.

Financial Statements

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

	September 30, 2022 (unaudited)	December 31, 2021
ASSETS		
Cash, cash equivalents and restricted cash	$ 36,303,799	$ 44,286,105
Accounts receivable, net of allowance for doubtful accounts of $974,426 and $786,830, respectively	96,089,197	60,213,807
Prepaid expenses and other current assets	19,621,665	1,904,273
Operating lease right-of-use assets	17,317,175	—
Content assets, net	142,538,634	63,645,396
Intangible assets, net	292,932,777	18,035,091
Indefinite lived intangible assets	12,163,943	12,163,943
Goodwill	277,083,097	39,986,530
Other assets, net	23,348,656	5,190,954
Total assets	$ 917,398,943	$ 245,426,099
LIABILITIES AND EQUITY		
Accounts payable	$ 41,876,561	$ 12,963,902
Accrued expenses	88,021,429	23,185,368
Due to affiliated companies	2,589,867	489,959
Programming obligations	55,159,246	1,641,250
Film library acquisition obligations	40,739,418	24,673,866
Accrued participation costs	25,030,611	12,323,329
Debt, net	461,287,515	55,275,628
Contingent consideration	7,556,856	9,764,256
Put option obligation	11,400,000	11,400,000
Operating lease liabilities	19,064,596	—
Other liabilities	39,374,480	2,109,388
Total liabilities	792,100,579	153,826,946
Commitments and contingencies (Note 15)		
Stockholders' Equity:		
Series A cumulative redeemable perpetual preferred stock, $.0001 par value, liquidation preference of $25.00 per share, 4,300,000 shares authorized; 4,073,491 and 3,698,318 shares issued and outstanding, respectively; redemption value of $101,837,275 and $92,457,950, respectively	407	370
Class A common stock, $.0001 par value, 140,000,000 shares authorized; 15,550,276 and 8,964,330 shares issued, 13,195,738 and 8,019,828 shares outstanding, respectively	1,555	899
Class B common stock, $.0001 par value, 20,000,000 shares authorized; 7,654,506 shares issued and outstanding, respectively	766	766
Additional paid-in capital	343,374,588	240,609,345
Deficit	(191,432,641)	(136,462,244)
Accumulated other comprehensive income	36,957	571
Class A common stock held in treasury, at cost (2,354,538 and 944,502 shares, respectively)	(27,158,429)	(13,202,407)
Total stockholders' equity	124,823,203	90,947,300
Noncontrolling interests	475,161	651,853
Total equity	125,298,364	91,599,153
Total liabilities and equity	$ 917,398,943	$ 245,426,099

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Net revenues	$ 72,392,263	$ 29,096,855	$ 139,235,407	$ 74,428,631
Costs and expenses				
Operating	60,155,906	22,856,374	114,327,838	54,533,027
Selling, general and administrative	27,632,865	14,837,193	55,795,064	34,500,620
Amortization and depreciation	6,349,026	1,538,650	9,677,727	4,114,355
Management and license fees	4,774,758	2,909,686	11,459,073	7,442,863
Merger and transaction costs	15,476,452	201,106	17,503,791	736,860
Total costs and expenses	114,389,007	42,343,009	208,763,493	101,327,725
Operating loss	(41,996,744)	(13,246,154)	(69,528,086)	(26,899,094)
Interest expense	7,658,665	1,304,952	10,991,894	3,533,940
Other non-operating income, net	(4,551,004)	(101,898)	(5,032,201)	(247,037)
Loss before income taxes and preferred dividends	(45,104,405)	(14,449,208)	(75,487,779)	(30,185,997)
Income tax (benefit) provision	(27,320,839)	30,000	(27,286,839)	59,000
Net loss before noncontrolling interests and preferred dividends	(17,783,566)	(14,479,208)	(48,200,940)	(30,244,997)
Net (loss) income attributable to noncontrolling interests	(167,289)	9,085	(348,024)	9,085
Net loss attributable to Chicken Soup for the Soul Entertainment, Inc.	(17,616,277)	(14,488,293)	(47,852,916)	(30,254,082)
Less: preferred dividends	2,443,970	2,253,385	7,117,481	6,760,155
Net loss available to common stockholders	$ (20,060,247)	$ (16,741,678)	$ (54,970,397)	$ (37,014,237)
Net loss per common share:				
Basic and diluted	$ (1.13)	$ (1.04)	$ (3.43)	$ (2.53)
Weighted-average common shares outstanding:				
Basic and diluted	17,802,522	16,145,808	16,040,097	14,622,787

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net loss	$(17,783,566)	$(14,479,208)	$(48,200,940)	$(30,244,997)
Other comprehensive income (loss):				
Foreign currency translation adjustments	90,212	—	63,600	—
Comprehensive loss attributable to noncontrolling interests	(41,941)	—	(27,214)	—
Comprehensive loss	$(17,735,295)	$(14,479,208)	$(48,164,554)	$(30,244,997)

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Preferred Stock		Common Stock									
			Class A		Class B					Accumulated		
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Additional Paid-In Capital	Deficit	Treasury Stock	Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
Balance, December 31, 2021 (audited)	**3,698,318**	**$ 370**	**8,964,330**	**$ 899**	**7,654,506**	**$ 766**	**$240,609,345**	**$(136,462,244)**	**$(13,202,407)**	**$ 571**	**$ 651,853**	**$ 91,599,153**
Share based compensation - stock options							933,047					933,047
Share based compensation - common stock							63,750					63,750
Issuance of preferred stock, net	52,060	5					1,288,734					1,288,739
Purchase of treasury stock									(8,584,102)			(8,584,102)
Acquisition of subsidiary noncontrolling interest			84,000	8			(2,200,008)					(2,200,000)
Locomotive business combination											144,118	144,118
1091 business combination	80,000	8	375,000	38			5,283,705					5,283,751
Net loss attributable to noncontrolling interest											(38,385)	(38,385)
Other comprehensive loss, net										(1,604)		(1,604)
Comprehensive loss attributable to noncontrolling interests										1,015	(1,015)	—
Dividends on preferred stock								(2,282,069)				(2,282,069)
Net loss								(11,844,891)				(11,844,891)
Balance, March 31, 2022	**3,830,378**	**383**	**9,423,330**	**945**	**7,654,506**	**766**	**245,978,573**	**(150,589,204)**	**(21,786,509)**	**(18)**	**756,571**	**74,361,507**
Share based compensation - stock options							894,108					894,108
Share based compensation - common stock							63,750					63,750
Issuance of preferred stock, net	112,770	11					2,727,469					2,727,480
Issuance of common stock			155,871	16			1,120,403					1,120,419
Common stock issued under employee stock purchase plan			12,133	1			89,825					89,826
Shares issued to directors			16,998	2			(2)					—
Purchase of treasury stock									(5,371,920)			(5,371,920)
Net loss attributable to noncontrolling interest											(142,350)	(142,350)
Other comprehensive loss, net										(25,008)		(25,008)
Comprehensive loss attributable to noncontrolling interests										13,712	(13,712)	—
Dividends on preferred stock								(2,391,442)				(2,391,442)
Net loss								(18,391,748)				(18,391,748)
Balance, June 30, 2022	**3,943,148**	**394**	**9,608,332**	**964**	**7,654,506**	**766**	**$250,874,126**	**(171,372,394)**	**(27,158,429)**	**(11,314)**	**600,509**	**52,934,622**
Share based compensation - stock options							798,600					798,600
Share based compensation- common stock							63,750					63,750
Share based compensation - Redbox							2,232,182					2,232,182
Issuance of preferred stock, net	130,343	13					3,100,463					3,100,476
Issuance of common stock, net			219,095	22			2,255,748					2,255,770
Stock options exercised			40,000	4			301,700					301,704
Warrant issued and exercised - HPS			1,011,530	98			14,919,971					14,920,069
Stock issued under ESPP			9,124	1			67,548					67,549
Redbox business combination			4,662,195	466			68,760,500					68,760,966
Dividends on preferred stock								(2,443,970)				(2,443,970)
Net loss attributable to noncontrolling interest											(167,289)	(167,289)
Other comprehensive loss, net										90,212		90,212
Comprehensive loss attributable to noncontrolling interests										(41,941)	41,941	—
Net loss								(17,616,277)				(17,616,277)
Balance, September 30, 2022	**4,073,491**	**$ 407**	**15,550,276**	**$1,555**	**7,654,506**	**$ 766**	**$343,374,588**	**$(191,432,641)**	**$(27,158,429)**	**$ 36,957**	**$ 475,161**	**$125,298,364**

See accompanying notes to unaudited condensed consolidated financial statements.

	Preferred Stock		Common Stock				Additional Paid-In Capital	Deficit	Treasury Stock	Subsidiary convertible Preferred Stock	Noncontrolling Interests	Total
			Class A		Class B							
	Shares	Par Value	Shares	Par Value	Shares	Par Value						
Balance, December 31, 2020 (audited)	**2,098,318**	**$ 210**	**5,157,053**	**$ 516**	**7,654,506**	**$ 766**	**$106,425,548**	**$ (77,247,982)**	**$(632,729)**	**$ 36,350,000**	**$ 205,462**	**$ 65,101,791**
Share based compensation - stock options							200,594					200,594
Share based compensation - common stock							31,250					31,250
Issuance of common stock			1,122,727	112			23,858,435					23,858,547
Stock options exercised			77,415	8			(8)					—
Warrant exercises - Class W and Z			43,571	4			(4)					—
Issuance of preferred stock, net	1,600,000	160					36,349,840			(36,350,000)		—
Dividends on preferred stock								(2,253,385)				(2,253,385)
Elimination of noncontrolling interests								205,462			(205,462)	—
Net loss								(6,939,996)				(6,939,996)
Balance, March 31, 2021	**3,698,318**	**370**	**6,400,766**	**640**	**7,654,506**	**766**	**166,865,655**	**(86,235,901)**	**(632,729)**	**—**	**—**	**79,998,801**
Share based compensation - stock options							200,594					200,594
Share based compensation - common stock							31,250					31,250
Issuance of common stock			26,000	3			952,263					952,266
Stock options exercised			282,360	28			2,123,757					2,123,785
Warrant exercises - Class W and Z			64,400	6			267,159					267,165
Shares issued to directors			2,290	1			(1)					—
Sonar business combination											100,000	100,000
Dividends on preferred stock								(2,253,385)				(2,253,385)
Net loss								(8,825,793)				(8,825,793)
Balance, June 30, 2021	**3,698,318**	**370**	**6,775,816**	**678**	**7,654,506**	**766**	**170,440,677**	**(97,315,079)**	**(632,729)**	**—**	**100,000**	**72,594,683**
Share based compensation - stock options							1,016,981					1,016,981
Share based compensation - common stock							2,457,250					2,457,250
Stock options exercised			32,916	3			274,615					274,618
Warrant exercises - Class W and Z			11,306	1			18,787					18,788
Shares issued to directors			2,845	1			(1)					—
Common stock grant			100,000	10			(10)					—
Issuance of common stock			1,875,000	188			70,499,812					70,500,000
Dividends preferred stock								(2,253,385)				(2,253,385)
Acquisition subsidiary noncontrolling interest							(6,000,000)					(6,000,000)
Net loss attributable to noncontrolling interest											9,085	9,085
Net loss								(14,488,293)				(14,488,293)
Balance, September 30, 2021	**3,698,318**	**$ 370**	**8,797,883**	**$ 881**	**7,654,506**	**$ 766**	**$ 238,708,111**	**$(114,056,757)**	**$(632,729)**	**$ —**	**$ 109,085**	**$124,129,727**

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Nine Months Ended September 30, 2022	2021
Cash flows from Operating Activities:		
Net loss	$ (48,200,940)	$ (30,244,997)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based compensation	5,049,187	3,937,919
Content asset amortization	30,794,640	28,556,706
Amortization of deferred financing costs	710,885	354,048
Amortization and depreciation of intangibles, property and equipment	11,904,185	5,264,353
Bad debt and video return expense	1,962,407	2,156,308
Loss on debt extinguishment	311,718	—
Deferred income taxes	(27,393,494)	—
Changes in operating assets and liabilities:		
Trade accounts receivable	(16,531,079)	(7,372,707)
Prepaid expenses and other assets	(7,277,542)	(653,453)
Content assets	(83,647,302)	(52,826,947)
Accounts payable, accrued expenses and other payables	(6,876,274)	2,542,629
Film library acquisition and programming obligations	69,583,548	13,079,601
Accrued participation costs	17,470,589	10,328,843
Other liabilities	943,273	1,211,058
Net cash used in operating activities	(51,196,199)	(23,666,639)
Cash flows from Investing Activities:		
Expenditures for property and equipment	(3,485,496)	(1,083,738)
Business combination, net of cash acquired	6,249,076	(19,416,449)
Increase in due from affiliated companies	—	6,239,035
Net cash provided by investing activities	2,763,580	(14,261,152)
Cash flows from Financing Activities:		
Repurchase of common stock	(13,956,022)	—
Payment of contingent consideration	(6,970,707)	(8,085,051)
Acquisition of noncontrolling interests	(750,000)	(6,000,000)
Payments of revolving loan	(26,121,191)	(3,187,232)
Payments on capital leases	(162,925)	—
Proceeds from 9.50% notes due 2025, net	11,094,946	—
Payments on film acquisition advance	(4,767,238)	(2,417,602)
Proceeds from issuance of Class A common stock	3,533,563	95,310,813
Proceeds from issuance of preferred stock	7,116,695	—
Proceeds from revolving loan	55,679,945	18,272,931
Proceeds from film acquisition advance	20,330,867	
Proceeds from exercise of stock options and warrants	301,704	2,684,356
Increase in due to affiliated companies	2,099,908	—
Dividends paid to preferred stockholders	(7,042,832)	(6,435,195)
Net cash provided by financing activities	40,386,713	90,143,020
Effect of foreign exchanges on cash, cash equivalents and restricted cash	63,600	—
Net (decrease) increase in cash, cash equivalents and restricted cash	(7,982,306)	52,215,229
Cash, cash equivalents and restricted cash at beginning of period	44,286,105	14,732,726
Cash, cash equivalents and restricted cash at end of the period	$ 36,303,799	$ 66,947,955
Supplemental data:		
Cash paid for interest	$ 4,120,005	$ 3,601,199
Non-cash investing activities:		
Property and equipment in accounts payable and accrued expenses	$ 552,231	$ 163,606
Non-cash financing activities:		
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	$ —
Warrant issued in conjunction with HPS credit facility	$ 14,920,068	$ —
Preferred stock issued for Crackle Plus acquisition	$ —	$ 40,000,000

See accompanying notes to unaudited condensed 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 over 150 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 some 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 34,000 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 150 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 CEO Mr. William J. Rouhana, Jr., and has historically operated and reported as one reportable segment, the production and distribution of video content. In connection with the acquisition of Redbox, the Company is reassessing its reportable segments. The Company currently operates in the United States and India and derives its revenue primarily in the United States. The Company distributes content in over 56 countries and territories worldwide.

Financial Condition and Liquidity

As of September 30, 2022, the Company has a deficit of $191.4 million and for the three and nine months ended September 30, 2022, the Company had a net loss attributable to common stockholders of $20.0 million and $55.0 million, respectively.

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

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

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

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

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant items subject to such estimates and assumptions include revenue recognition, estimated film ultimate revenues, allowance for doubtful accounts, intangible assets, share-based compensation expense, valuation allowance for deferred income taxes and amortization of programming and film library costs. The Company bases its estimates on historical experience and on various other assumptions that the Company believes to be reasonable under the circumstances. On a regular basis, the Company evaluates the assumptions, judgments and estimates. Actual results may differ from these estimates.

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

Reclassifications

Certain amounts have been reclassified to conform to the current periods presentation.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents include restricted cash of $4.1 million at September 30, 2022 and $1.6 million at December 31, 2021. See Note 11 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 September 30, 2022, $7.1 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 September 30, 2022, $2.4 million of revenue was deferred related to Perks and is included in Accrued expenses in the accompanying Consolidated Balance Sheets.

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:

	Useful Life
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

The value of the Company's property and equipment as of September 30, 2022 is included in Other assets, net on the Consolidated Balance Sheets and is as follows (in thousands):

	September 30, 2022
Redbox kiosks and components	$ 8,507,604
Computers and software	4,766,582
Leasehold improvements (shorter of life of asset or remaining lease term)	4,983,222
Office furniture and equipment	1,363,208
Vehicles	2,642,217
Property and equipment, at cost	22,262,833
Accumulated depreciation and amortization	(3,934,466)
Property and equipment, net	$ 18,328,367

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 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 $8.4 million of ARO liabilities are included in Other liabilities on the Consolidated Balance Sheets.

Note 3 – Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

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

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

Recently Issued Accounting Standards

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"), which requires an entity to assess impairment of its financial instruments based on its estimate of expected credit losses. Since the issuance of ASU 2016-13, the FASB released several amendments to improve and clarify the implementation guidance. The provisions of ASU 2016-13 and the related amendments are effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2022 (fiscal year 2023 for the Company). Entities are required to apply these changes through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The Company does not expect the adoption of the amendments to have a material impact on its consolidated financial statements.

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

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. We do not expect the adoption to have a material impact on our consolidated financial statements.

In September 2022, the Financial Accounting Standards Board issued ASU No. 2022-04, "Liabilities – Supplier Finance Programs" (Subtopic 405—50) giving guidance to enhance the transparency of supplier finance programs to allow financial statement users to understand the effect on working capital, liquidity, and cash flows. The new guidance requires disclosure of key terms of the program, including a description of the payment terms, payment timing and assets pledged as security or other forms of guarantees provided to the finance provider or intermediary. Other requirements include the disclosure of the amount that remains unpaid as of the end of the reporting period, a description of where these obligations are presented in the balance sheet and a rollforward of the obligation during the annual period. The guidance is effective in the first quarter of 2023, except for the rollforward, which is effective in 2024. Early adoption is permitted. We do not expect the adoption to have a material impact on our consolidated financial statements.

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

Note 4 – Business Combinations

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 and Note 16 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 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 and transaction costs on the Consolidated Statement of Operations.

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 (in thousands):

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	$	70,005,148

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 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:

Assets acquired:		
Cash, cash equivalents and restricted cash	$	12,921,550
Accounts receivable		16,650,034
Content library		21,345,576
Prepaid expenses and other assets		11,494,570
Property and equipment		15,504,940
Right-of-use assets		7,183,735
Intangible assets(1)		279,600,000
Goodwill		230,908,179

Total assets acquired	595,608,584
Liabilities assumed:	
Debt	359,854,921
Accounts payable and accrued expenses	95,411,196
Operating lease liabilities	7,183,736
Financing lease liabilities	2,241,304
Other liabilities	60,912,279
Total liabilities assumed	525,603,436
Net assets acquired	$ 70,005,148

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

The above allocation of the purchase price is based upon certain preliminary valuations and other analyses that have not been completed as of the date of this filing. Any changes in the estimated fair values of the net assets recorded for this business combination upon the finalization of more detailed analyses of the facts and circumstances that existed at the date of the transaction will change the allocation of the purchase price. As such, the purchase price allocations for this transaction are preliminary estimates, which are subject to change within the measurement period.

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.

For the three and nine months ended September 30, 2022 Redbox contributed $31.6 million of revenue and $9.5 million of net loss to the Company's consolidated operating results.

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, 2021. 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.

	Three months ended September 30,		**Nine months ended September 30,**	
	2022	**2021**	**2022**	**2021**
		(unaudited)		
Net revenue	$ 99,561,227	$ 99,349,000	$ 295,625,227	$ 290,801,000
Net loss	$ (57,047,000)	$ (36,156,310)	$ (167,863,000)	$ (95,323,179)

Pro forma net losses for the three and nine months ended September 30, 2022 and 2021 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.

1091 Pictures Acquisition

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

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

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

Accounts receivable, net	$	4,677,133
Content assets		4,695,000
Other assets		49,348
Intangibles		2,810,000
Goodwill		6,188,387
Total assets acquired		18,419,868
Accounts payable and accrued expenses		129,244
Revenue share payable		1,623,177
Accrued third party share		3,999,544
Other liabilities		711,677
Total liabilities assumed		6,463,642
Net assets acquired	$	11,956,226

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

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

Acquisition of Sonar Assets

On May 21, 2021, the Company consummated its acquisition of the principal assets of Sonar Entertainment, Inc. ("SEI") and certain of the direct and indirect subsidiaries of SEI (collectively, "Sonar"). Sonar is an award-winning independent television studio that owns, develops, produces, finances and distributes content for global audiences. In consideration for the assets purchased from Sonar ("Purchased Assets"), the Company paid to Sonar an initial cash purchase price of $18,902,000 and from time to time will be required to pay additional purchase price based on the performance of the acquired assets (See Note 15 – Acquisition of Sonar Assets).

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

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

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

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

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

Goodwill was calculated as the excess of the consideration transferred over the fair value of the identifiable net assets acquired and liabilities assumed, and represents the future economic benefits expected to arise from the intangible assets acquired that do not qualify for separate recognition.

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

Cash	$ 18,902,000
Fair Value of Additional Purchase Price – Library Accounts Receivable	1,580,000
Fair Value of Additional Purchase Price – Contracted TV Cash Flow	13,700,000
Fair Value of Additional Purchase Price – % of Film Cash Flow	630,000
Fair Value of Additional Purchase Price – % of Non-TV Business Cash Flow	2,300,000
Fair Value of Additional Purchase Price – Development Slate Cash Flow	5,200,000
Fair Value of Additional Purchase Price – CSS AVOD Equity Put	11,500,000
Total Estimated Purchase Price	$ 53,812,000

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

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

Financial Impact of Acquisitions

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

	Three Months Ended September 30, 2022			
	Redbox	**Sonar**	**Other**	**Total**
Net revenue	$ 31,585,586	$ 11,764,766	$ 8,464,883	$ 51,815,235
Net income (loss)	$ (9,542,257)	$ 6,271,509	$ 685,381	$ (2,585,367)

	Nine Months Ended September 30, 2022			
	Redbox	**Sonar**	**Other**	**Total**
Net revenue	$ 31,585,586	$ 25,831,967	$ 21,167,973	$ 78,585,526
Net income (loss)	$ (9,542,257)	$ 13,131,657	$ 453,211	$ 4,042,611

Note 5 – Revenue Recognition

The following table disaggregates our revenue by source:

	Three Months Ended September 30,			
	2022	**% of revenue**	**2021**	**% of revenue**
Revenue:				
VOD and streaming	$ 31,417,733	44 %	$ 16,907,012	58 %
Retail	24,830,730	34 %	—	0 %
Licensing and other	16,143,800	22 %	12,189,843	42 %
Net revenue	$ 72,392,263	100 %	$ 29,096,855	100 %

	Nine Months Ended September 30,			
	2022	**% of revenue**	**2021**	**% of revenue**
Revenue:				
VOD and streaming	$ 82,275,461	59 %	$ 45,884,136	62 %
Retail	24,830,730	18 %	—	0 %
Licensing and other	32,129,216	23 %	28,544,495	38 %
Net revenue	$ 139,235,407	100 %	$ 74,428,631	100 %

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 and TVOD platforms available via connected TV's, smartphones, tablets, gaming consoles and the web through our owned and operated platforms, as well as third-party platforms. The Company generates streaming revenues for our networks in three primary ways, selling advertisers video ad inventory on our AVOD and FAST streaming services, selling advertisers the ability to present content to our viewers, often with fewer commercials, and selling advertisers product and content integrations and sponsorships related to our original productions, as well as revenues from our 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 our 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.

Licensing and other

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

For the three and nine months ended September 30, 2022, total licensing revenues, including VOD and streaming, were $30,229,285 and $69,653,316, respectively.

For the three and nine months ended September 30, 2021, total licensing revenues, including VOD and streaming, were $16,288,229 and $41,282,120, respectively.

Contract balances include the following:

	September 30, 2022	December 31, 2021
Accounts receivable, net	$ 42,508,259	$ 25,818,447
Contract assets (included in accounts receivable)	53,580,938	34,395,360
Total accounts receivable, net	$ 96,089,197	$ 60,213,807
Deferred revenue (included in accrued expenses)	$ 11,680,118	$ 1,536,687

Note 6 – Share-Based Compensation

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

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

The compensation expense associated with these stock options is amortized on a straight-line basis over their respective vesting periods. For the three months ended September 30, 2022 and 2021, the Company recognized $798,600 and $1,016,981, respectively, and for the nine months ended September 30, 2022 and 2021, the Company recognized $2,625,756 and $1,418,169, respectively, of non-cash share-based compensation expense in selling, general and administrative expenses in the condensed consolidated statements of operations.

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

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (Yrs.)	Aggregate Intrinsic Value
Outstanding at December 31, 2021	1,377,339	$ 16.13	3.37	$ 2,579,201
Granted	277,500	8.82		
Forfeited	(68,793)	18.76		
Exercised	(40,000)	7.54		
Expired	—	—		
Outstanding at September 30, 2022	1,546,046	$ 14.89	3.24	$ 14,950
Vested and exercisable at December 31, 2021	648,119	$ 11.64	2.77	$ 2,407,521
Vested and exercisable at September 30, 2022	883,760	$ 13.42	2.63	$ 4,792

As of September 30, 2022 the Company had unrecognized pre-tax compensation expense of $6,094,009 related to non-vested stock options under the Plan of which $886,105, $3,333,955, $1,766,755 and $125,194 will be recognized in 2022, 2023, 2024 and 2025, respectively.

In addition to the compensation expense discussed above, the Company also recognized stock-based compensation in connection with the Redbox Merger which upon completion triggered accelerated vesting under the Redbox plans. There is $2,232,182 of additional compensation expense in selling, general and administrative expenses in the condensed consolidated statements of operations.

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

Weighted Average Assumptions:	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Expected dividend yield	— %	— %
Expected equity volatility	68.9 %	60.7 %
Expected term (years)	5	5
Risk-free interest rate	2.66 %	1.40 %
Exercise price per stock option	$ 8.82	$ 14.28
Market price per share	$ 8.82	$ 14.13
Weighted average fair value per stock option	$ 4.89	$ 7.48

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

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

The Company also awards common stock under the Plan to directors, employees and third-party consultants that provide services to the Company. The value is based on the market price of the stock on the date granted and amortized over the vesting period. For the three months ended September 30, 2022 and 2021, the Company recognized in selling, general and administrative expense, non-cash share-based compensation expense relating to common stock grants of $63,750 and $2,457,250, respectively. For the nine months ended September 30, 2022 and 2021, the Company recognized in selling, general and administrative expense, non-cash share-based compensation expense relating to common stock grants of $191,250 and $2,519,750, respectively.

Note 7 - Earnings Per Share

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

Basic and diluted loss per share are computed as follows:

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021
Net loss available to common stockholders	$ (20,060,247)	$ (16,741,678)
Basic weighted-average common shares outstanding	17,802,522	16,145,808
Dilutive effect of options and warrants	—	—
Weighted-average diluted common shares outstanding	17,802,522	16,145,808
Basic and diluted loss per share	$ (1.13)	$ (1.04)
Anti-dilutive stock options and warrants	272,987	3,701,061

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Net loss available to common stockholders	$ (54,970,397)	$ (37,014,237)
Basic weighted-average common shares outstanding	16,040,097	14,622,787
Dilutive effect of options and warrants	—	—
Weighted-average diluted common shares outstanding	16,040,097	14,622,787
Basic and diluted loss per share	$ (3.43)	$ (2.53)
Anti-dilutive stock options and warrants	248,940	3,785,734

Note 8 – Content Assets, net

Content assets, net consists of the following:

	September 30, 2022	December 31, 2021
Original productions:		
Programming costs released	$ 27,646,669	$ 25,669,921
In production	2,244,593	562,808
In development	8,461,662	6,662,591
Accumulated amortization [(a)]	(24,852,300)	(23,268,306)
Programming costs, net	13,500,624	9,627,014
Film library:		
Film library acquisition costs	190,489,922	134,463,191
Accumulated amortization [(b)]	(100,026,970)	(80,847,748)
Film library costs, net	90,462,952	53,615,443
Licensed program rights:		
Programming rights	49,412,905	1,209,362
Accumulated amortization	(10,837,847)	(806,423)
Programming rights, net	38,575,058	402,939
Content assets, net	$ 142,538,634	$ 63,645,396

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

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

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

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

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

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

Amortization of content assets is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Original productions	$ 520,471	$ 1,756,901	$ 1,583,994	$ 4,674,805
Film library	7,008,740	10,087,539	19,874,419	23,831,464
Licensed program rights	8,119,792	24,346	9,336,227	50,437
Total content asset amortization	$ 15,649,003	$ 11,868,786	$ 30,794,640	$ 28,556,706

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

Note 9 - Intangible Assets and Goodwill

Intangible assets, net, consists of the following:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
September 30, 2022:			
Crackle Plus content rights	$ 1,708,270	$ 1,708,270	$ —
Crackle Plus brand value	18,807,004	9,067,662	9,739,342
Crackle Plus partner agreements	4,005,714	2,703,857	1,301,857
Distribution network	3,600,000	1,600,000	2,000,000
Locomotive contractual rights	1,500,986	477,464	1,023,522
1091 intangible assets	2,810,000	602,778	2,207,222
Redbox - Trade names and trademarks	73,600,000	613,333	72,986,667
Redbox - Technology	29,400,000	525,000	28,875,000
Redbox - Customer Relationships	176,600,000	1,800,833	174,799,167
Total	$ 312,031,974	$ 19,099,197	$ 292,932,777
December 31, 2021:			
Crackle Plus content rights	$ 1,708,270	$ 1,494,736	$ 213,534
Crackle Plus brand value	18,807,004	7,052,626	11,754,378
Crackle Plus partner agreements	4,005,714	2,103,000	1,902,714
Distribution network	3,600,000	700,000	2,900,000
Locomotive contractual rights	1,356,868	92,403	1,264,465
Total	$ 29,477,856	$ 11,442,765	$ 18,035,091

Amortization expense was $4,494,547 and $1,483,361 for the three months ended September 30, 2022 and $7,656,432 and $3,994,264 for the nine months ended September 30, 2022 and 2021, respectively.

As of September 30, 2022 amortization expense for the next five years is expected be:

Remainder of 2022	$ 7,433,713
2023	29,734,853
2024	28,190,254
2025	25,961,437
2026	23,554,185
2027 and beyond	178,058,335
Total	$ 292,932,777

Total goodwill on our Condensed Consolidated Balance Sheets was $277,083,097 and $39,986,530 as of September 30, 2022 and December 31, 2021, respectively, and is comprised of the following:

	September 30, 2022		
	Online Networks	**Distribution & Production**	**Retail**
Beginning balance	$ 18,911,027	$ 21,075,503	$ —
Acquisitions	—	6,188,388	230,908,179
Total	$ 18,911,027	$ 27,263,891	$ 230,908,179

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

The Company is still assessing the goodwill allocation associated with its acquisition of Redbox between its reporting units. There was no impairment recorded related to goodwill and intangible assets in the nine months ended September 30, 2022 and 2021, respectively.

Note 10 – Leases

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

	September 30, 2022
Right-of-Use Assets	
Operating lease right-of-use assets	$ 17,317,175
Lease Liabilities:	
Operating lease liabilities	$ 19,064,596
Finance Lease cost	
Amortization of right-of-use assets	$ 216,904
Interest of lease liabilities	12,626
Total finance lease cost	$ 229,530

	September 30, 2022
Operating leases	
Weighted average remaining lease term	6.0 years
Weighted average discount rate	7%
Finance Leases	
Weighted average remaining lease term	1.2 years
Weighted average discount rate	4%

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

For the three months ended September 30, 2022, and 2021, rent expense including short-term leases was $1,357,780 and $506,033, respectively, and $2,683,697 and $1,505,455, for the nine months ended September 30, 2022 and 2021, respectively. Cash paid for amounts included in operating lease liabilities was $1,187,931 as of September 30, 2022.

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

	Operating	Financing
Remainder of 2022	$ 1,296,353	$ 523,994
2023	4,941,930	1,165,031
2024	4,195,545	475,805
2025	3,675,921	216,739
2026	2,104,048	14,744
2027 and thereafter	6,909,533	—
Total minimum payments	23,123,330	2,396,313
Less amounts representing interest	4,058,734	317,934
Present value of minimum payments	$ 19,064,596	$ 2,078,379

Note 11 – Debt

Debt for the periods presented was as follows:

	September 30, 2022	December 31, 2021
Notes due 2025	$ 44,855,900	$ 32,895,900
HPS term	325,774,229	—
HPS revolving loan	79,999,939	—
Midcap revolving loan	—	17,585,699
Film acquisition advances	22,254,898	6,196,909
Union Bank revolving credit facility	6,577,243	—
Other debt	3,737,101	—
Total gross debt	483,199,310	56,678,508
Less: debt issuance costs and discounts	(21,911,795)	(1,402,880)
Total debt, net	461,287,515	55,275,628
Less: current portion	(17,742,742)	(6,196,909)
Total long-term debt, net	$ 443,544,773	$ 49,078,719

Midcap Revolving Loan

On May 21, 2021, the Company entered into a Credit Agreement with Midcap Financial Trust. The credit agreement provided 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 to be adjusted monthly, as necessary.

The loan had interest at 4% plus the greater of LIBOR or 0.75% per annum. In addition, the loan contained 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 were payable in arrears on the first day of each month and on the maturity of the loan.

The Credit Agreement and other loan documents contained customary representations and warranties and affirmative and negative covenants. Under the Credit Agreement, the Company was 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 September 30, 2022, the Company paid off all of the outstanding balances and closed this loan.

9.50% Notes Due 2025

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

HPS Credit Agreement

On August 11, 2022, concurrently with the consummation of the Redbox merger transaction described in Note 4, we entered into an Amended and Restated Credit Agreement ("HPS Credit Agreement") by and among our 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, we 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, subject to certain liquidity thresholds. 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 facility is 30 months and the term loan is 5 years. 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%). 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%). Additionally, we 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 $1.0 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.

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. The Company is in compliance with the covenants at September 30, 2022.

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.

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 $3.1 million as of September 30, 2022. Additionally, there is a letter of credit arrangement of $0.8 million that serves as a security deposit for leased warehouse space and is pledged by an equal amount of cash pledged as collateral. The Company's letter of credit arrangements collateral is classified as restricted cash and reflects balances of $3.9 million as of September 30, 2022.

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 November

30, 2022. During the nine months ended September 30, 2022, the Company repaid $81,222 of the principal outstanding under the Film Acquisition Advance.

Film Acquisition Advances: Media Entertainment Partners

In January 2022, the Company began entering into individual film acquisition advance agreements with Media Entertainment Partners ("MEP"). Under the agreements, MEP financed the Company $20.1 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 12% 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 also, provides Screen Media Venture a bargain purchase option to reacquire the film rights after 6 years.

Union Revolving Credit Facility

On December 29, 2020, Redbox Entertainment, LLC entered into a four-year, $20 million revolving credit facility with Union Bank (the "Union Revolving Credit 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 Revolving Credit 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 Revolving Credit Facility as of September 30, 2022. Borrowings outstanding under the Union Revolving Credit Facility as of the merger at August 11, 2022 and September 30, 2022 were $6.6 million and $6.6 million, respectively.

Borrowings under the Union Revolving Credit 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 ½ of 1.0%, and (iii) daily one month LIBOR plus 1.0%. The revolving credit 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 Revolving Credit Facility was 3.9% as of September 30, 2022. In addition to paying interest on outstanding principal under the Union Revolving Credit 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.

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

Remainder of 2022	$	8,442,631
2023		9,546,961
2024		13,791,429
2025		125,630,115
2026		13,946
2027		325,774,228
Total	$	483,199,310

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 November 8, 2022 and expiring on November 7, 2025 ("Put Election Period").

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

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

Note 13 – Income Taxes

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Current provision:				
Federal	$ —	$ —	$ —	$ —
States	39,000	30,000	$ 73,000	59,000
Total current provision	39,000	30,000	73,000	59,000
Deferred provision:				
Deferred income tax (benefit) provision	(27,359,839)	—	(27,359,839)	—
Total deferred (benefit) provision	(27,359,839)	—	(27,359,839)	—
Total income tax (benefit) provision	$ (27,320,839)	$ 30,000	$ (27,286,839)	$ 59,000

For the nine months ended September 30, 2022, the Company's effective income tax rate was a benefit of 35.9%, which differed from the federal statutory rate of 21.0% primarily due to the release of a portion of the Company's valuation allowance as a result of the acquired deferred tax liability of Redbox. In connection with the Redbox acquisition, the Company recorded a deferred tax liability of $40.2 million, which enabled the Company to release a portion of beginning of year's valuation allowance of $27.4 million. For the nine months ended September 30, 2021, the Company's effective income tax rate was a benefit of 0.0% primarily due to the release of a portion of the beginning of the year's valuation allowance due to the Redbox acquisition.

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 September 30, 2022, the Company determined that a portion of its deferred tax assets are not more likely than not to be realized. The Company maintains a valuation allowance against the net operating loss carryovers of A Sharp and Pivot Share, since it was determined that it is more likely than not, based on available objective evidence, that these separate filing jurisdictions would have insufficient taxable income in the current or carryforward periods under the tax laws to realize the future tax benefits for this portion of its deferred tax assets.

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, 2022 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. While these tax law changes have no immediate effect and are not expected to have a material adverse effect on our results of operations going forward, we will continue to evaluate its impact as further information becomes available.

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 September 30, 2022, CSS directly owns approximately 100% of the Company's Class B common stock. CSS ownership of Class B common stock represents an ownership interest of 36.7% of the total outstanding common stock and 85% control of the voting power of the Company. CSS is controlled by Mr. William J. Rouhana, Jr., the Company's CEO. The Company has agreements with CSS and its affiliated companies that provide the Company with access to important assets and resources including key personnel and office space. The assets and resources provided are included as a part of a management services agreement and a license agreement, where combined, the Company pays 10% of its net revenue earned to CSS. 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. For the three and nine months ended September 30, 2022 and 2021, the Company recorded management and license fees of $4,774,758 and $11,459,073, respectively and $2,909,686 and $7,442,863, respectively.

Due To/From Affiliated Companies

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

	September 30, 2022	December 31, 2021
Due to affiliated companies	$ 2,589,867	$ 489,959
Total due to/due from affiliated companies	$ 2,589,867	$ 489,959

Other Related Parties

In the ordinary course of business, the Company is involved in transactions with certain minority shareholders of a consolidated subsidiary related to licensing of television and film programming properties. For the three and nine months ended September 30, 2022 the amount of revenue recognized was $0 and for the three and nine months ended September 30, 2021, revenue recognized was $0 and $6,880,000, respectively. At September 30, 2022 and December 31, 2021, the Company had accounts receivable of $5,138,973 and $6,363,951, respectively.

Note 15 - Commitments and Contingencies

Content Obligations

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

As of September 30, 2022, after completing the acquisition of Redbox, the Company had $120,929,275 of content obligations, comprised of $40,739,418 in film library acquisition obligations, $55,159,246 of programming obligations and $25,030,611 of accrued participation costs.

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

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 are expected to be fulfilled in the normal course of business. 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 September 30, 2022 is presented in the following table:

	Total	2022	2023
Minimum estimated content commitments	$ 87,759,191	$ 13,882,944	$ 73,876,247

Acquisition of Sonar Assets

The Company owes contingent consideration related to the acquisition of Sonar of $7,556,856 at September 30, 2022. The liability is an estimate and is payable upon the collection of receipts from defined receivables, noncontracted TV business receipts and profit participations on a slate of development projects. Additionally, the Company has a Put obligation for $11,500,000 to acquire 5% of the shares of CSS AVOD Inc., that can be triggered any time during the three-year period immediately following the 18-month anniversary of the asset purchase agreement. See Notes 4 and 12 for additional information.

Legal and Other Matters

The Company is not presently a party to any legal proceedings the resolution of which the Company believes would have a material adverse effect on its business, financial condition, operating results, or cash flows. However, any legal proceedings are subject to inherent uncertainties, and an unfavorable outcome could include monetary damages, and excessive verdicts can result from litigation, and as such, could result in a material adverse impact on 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.

Note 16 – Stockholders’ Equity

Amendment to Authorized Shares

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

Treasury Stock

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

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 for additional information.

At the Market Offering

During the nine months ended September 30, 2022, the Company completed the sale of an aggregate of 295,173 shares of Series A preferred stock, generating net proceeds of $7,116,965.

During the nine months ended September 30, 2022, the Company completed the sale of an aggregate of 332,734 shares of Class A common stock, generating net proceeds of $3,339,883.

Common Stock Private Placement

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

Subsidiary Convertible Preferred Stock

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

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

Noncontrolling Interests

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

Warrants

Warrant activity for the nine months ended September 30, 2022 is as follows:

Warrants	Outstanding at December 31, 2021	Issued	Exercised	Outstanding at September 30, 2022	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (Yrs.)
Class W	526,362	—	—	526,362	$ 7.50	0.75
Class Z	123,109	—	—	123,109	12.00	1.75
CSSE Class I	800,000	—	—	800,000	8.13	1.62
CSSE Class II	1,200,000	—	—	1,200,000	9.67	1.62
CSSE Class III-A	380,000	—	—	380,000	11.61	1.62
CSSE Class III-B	1,620,000	—	—	1,620,000	11.61	1.62
HPS	—	1,011,530	(1,011,530)	—	—	—
Redbox Public (CSSEL) (1)	—	1,039,183	—	1,039,183	132.18	4.07
Redbox Private (1)	—	339,065	—	339,065	132.18	4.07
Total	4,649,471	2,389,778	(1,011,530)	6,027,719	$ 30.54	2.11

(1) The number of warrants is shown on an as converted basis based on 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, we issued HPS and affiliates a five-year warrant ("Credit Facility Warrants") to purchase up to an aggregate of 1,011,530 shares of our 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 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 September 30, 2022 the fair market value of the warrants was $0.06 or $85,589. For the three and nine months ended September 30, 2022, the Company recognized a gain of $3,387,595 on the change in fair value of the warrant liabilities in Other income (expense), net in the Company's Condensed Consolidated Statements of Operations.

Note 17 – Segment Reporting and Geographic Information

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

Net revenue generated in the United States accounted for approximately 98% and 82% of total net revenue for the three months ended September 30, 2022 and 2021, respectively, and 91% and 91% for the nine months ended September 30, 2022 and 2021, respectively. All of the Company's long-lived assets are based in the United States.

Item 6 - Exhibits

The exhibits filed as part of this Amendment No. 1 to our Quarterly Report on Form 10 Q are set forth on the Exhibit Index, which is incorporated herein by reference.

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

* Included herewith.

SIGNATURES

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

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

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

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

Date: November 15, 2022

Exhibit 31.1

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

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

1. I have reviewed this quarterly report on Form 10-Q, as amended by Amendment No. 1, of Chicken Soup for the Soul Entertainment, Inc.;

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

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

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 15, 2022

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

Exhibit 31.2

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

I, Christopher Mitchell, certify that:

1. I have reviewed this quarterly report on Form 10-Q, as amended by Amendment No. 1, of Chicken Soup for the Soul Entertainment, Inc.;

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

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

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

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

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

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

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

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

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

Dated: November 15, 2022

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

Exhibit 32.1

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

In connection with the Quarterly Report of Chicken Soup for the Soul Entertainment, Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2022 as filed with the Securities and Exchange Commission and amended by Amendment No. 1 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: November 15, 2022

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

Exhibit 32.2

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

In connection with the Quarterly Report of Chicken Soup for the Soul Entertainment, Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2022 as filed with the Securities and Exchange Commission and as amended by Amendment No. 1 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: November 15, 2022

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