

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

**FORM 10-K**

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

**For the fiscal year ended December 31, 2020**

**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: 000-54389**

**GENIUS BRANDS INTERNATIONAL, INC.**

*(Exact name of registrant as specified in its charter)*

**Nevada**  
*(State or other jurisdiction of  
incorporation or organization)*

**20-4118216**  
*(I.R.S. Employer  
Identification No.)*

**190 N. Canon Drive, 4<sup>th</sup> FL**  
**Beverly Hills, CA**  
*(Address of principal executive offices)*

**90210**  
*(Zip Code)*

Registrant's telephone number, including area code: **310-273-4222**

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

Title of each class	Trading Symbol(s)	Name of Exchange where registered
<b>Common Stock, par value \$0.001 per share</b>	<b>GNUS</b>	<b>The Nasdaq Capital Market</b>

Securities registered pursuant to Section 12(g) of the Act: **None.**

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

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

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

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or 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 <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input checked="" type="checkbox"/>
	Emerging growth company <input type="checkbox"/>

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

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

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

The aggregate market value of the registrant's voting and non-voting common stock held by non-affiliates of the registrant (without admitting that any person whose shares are not included in such calculation is an affiliate) computed by reference to \$2.25 as of the last business day of the registrant's most recently completed second fiscal quarter was \$460,858,761.

As of March 30, 2021, the registrant had 300,321,658 shares of common stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

None

**Genius Brands International, Inc.**  
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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (including the section regarding Management's Discussion and Analysis and Results of Operation) contains forward-looking statements regarding our business, financial condition, results of operations and prospects. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations thereof are intended to identify forward-looking statements, but are not deemed to represent an all-inclusive means of identifying forward-looking statements as denoted in this Annual Report on Form 10-K. Additionally, statements concerning future matters are forward-looking statements. These statements include, among other things, statements regarding:

- our ability to generate revenue or achieve profitability;
- our ability to obtain additional financing on acceptable terms, if at all;
- fluctuations in the results of our operations from period to period;
- general economic and financial conditions; the adverse effects of public health epidemics, including the recent coronavirus outbreak ("COVID-19"), on our business, results of operations and financial condition;
- our ability to anticipate changes in popular culture, media and movies, fashion and technology;
- competitive pressure from other distributors of content and within the retail market;
- our reliance on and relationships with third-party production and animation studios;
- our ability to market and advertise our products;
- our reliance on third-parties to promote our products;
- our ability to keep pace with technological advances;
- performance of our information technology and storage systems;
- a disruption or breach of our internal computer systems;
- our ability to retain key personnel;
- our ability to successfully identify appropriate acquisition targets, successfully acquire identified targets or successfully integrate the business of acquired companies;
- the impact of federal, state or local regulations on us or our vendors and licensees;
- our ability to protect and defend against litigation, including intellectual property claims;
- the volatility of our stock price;
- the marketability of our stock;
- our broad discretion to invest or spend the proceeds of our financings in ways with which our stockholders may not agree and may have limited ability to influence; and
- other risks and uncertainties, including those listed in Item 1A, "*Risk Factors*."

Although forward-looking statements in this Annual Report on Form 10-K reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, without limitation, those specifically addressed under the heading "*Risk Factors*" in Item 1A. below, as well as those discussed elsewhere in this Annual Report on Form 10-K. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. We file reports with the Securities and Exchange Commission ("SEC") and our electronic filings with the SEC (including our Annual Reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and any amendments to these reports) are available free of charge on the SEC's website at <http://www.sec.gov>.

We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Annual Report on Form 10-K, except as required by law. Readers are urged to carefully review and consider the various disclosures made throughout the entirety of this Annual Report on Form 10-K, which are designed to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

## PART I

### Item 1. Business.

#### Overview

Genius Brands International, Inc. (“we,” “us,” “our,” or the “Company”) is a global content and brand management company that creates and licenses multimedia content. Led by experienced industry personnel, we distribute our content in all formats as well as a broad range of consumer products based on our characters. In the children's media sector, our portfolio features “content with a purpose” for toddlers to tweens, which provides enrichment as well as entertainment. New intellectual property titles include the preschool property *Rainbow Rangers*, which debuted in November 2018 on Nickelodeon and which was renewed for a second season and preschool property *Llama Llama*, which debuted on Netflix in January 2018 and was renewed by Netflix for a second season. Our library titles include the award-winning *Baby Genius*, adventure comedy Thomas Edison's Secret Lab® and Warren Buffett’s *Secret Millionaires Club*, created with and starring iconic investor Warren Buffett, which is distributed across our Genius Brands Network on Comcast’s Xfinity on Demand, AppleTV, Roku, Amazon Fire, YouTube, Amazon Prime, Cox, Dish, Sling and Zumo, as well as Connected TV. We are also developing an all-new animated series, *Stan Lee’s Superhero Kindergarten* with Stan Lee’s Pow! Entertainment, Oak Productions. Arnold Schwarzenegger lends his voice as the lead and is also an Executive Producer on the series. The show will be broadcast in the United States on Amazon Prime and the Company’s wholly owned distribution outlet, Kartoan Channel!. In July 2020, the Company entered into a binding term sheet with POW, Inc. (“POW!”) in which we agreed to form an entity with POW! to exploit certain rights in intellectual property created by Stan Lee, as well as the name and likeness of Stan Lee. The entity is called “Stan Lee Universe, LLC”. POW! and the Company are finalizing the details of the venture. This agreement will enable us to assume the worldwide rights, in perpetuity, to the name, physical likeness, physical signature, live-action and animated motion picture, television, online, digital, publishing, comic book, merchandising and licensing rights to Stan Lee and over 100 original Stan Lee creations, from which Genius Brands plans to develop and license approximately multiple properties each year.

In addition, we act as licensing agent for Penguin Young Readers, a division of Penguin Random House LLC which owns or controls the underlying rights to *Llama Llama*, leveraging our existing licensing infrastructure to expand this brand into new product categories, new retailers, and new territories.

#### Our Products

##### Original Content

We own and produce original content that is meant to entertain and enrich toddlers to tweens as well as families. It is generally a three-year cycle from the inception of an idea, through production of the content and development and distribution of a range of consumer products to retail, creating an inevitable lag time between the creation of the intellectual property to the realization of economic benefit of those assets. Our goal is to maintain a robust and diverse portfolio of brands, appealing to various interests and ages, featuring evergreen topics with global appeal. Our portfolio of intellectual property can be licensed, re-licensed, and potentially exploited for years to come, with revenue derived from multiple sources and territories. Our portfolio of original content includes:

##### Content in Production

*Superhero Kindergarten*: In conjunction with Stan Lee’s POW! Entertainment and Arnold Schwarzenegger’s Oak Productions, we are developing an animated pre-school series with the current title of “Stan Lee’s Superhero Kindergarten.” Stan Lee’s Superhero Kindergarten tells the story of a classroom, led by a former superhero/teacher voiced by Mr. Schwarzenegger, filled with kids with superpowers and how they learn to use those powers to fight against the forces of evil while still dealing with all of the issues that come from being six years old.

### Content in Development

*Shaq's Garage*: Shaq's Garage, starring and co-produced by NBA legend, Shaquille O'Neal, is a children's animated series about the secret adventures of Shaquille's extraordinary collection of cars, trucks, and other unique vehicles—the Shaq Pack.

*KC! Pop Quiz* is a quiz show for kids that will be distributed *Kartoon Channel!* on their Kids and Family AVOD and FAST platform. The show's mission is to entertain, inspire, and educate. It will feature social media influencers as hosts and real kids who will win real prizes. It will have a "game show" format and will premiere on *Kartoon Channel!* Q2 2021.

### Already Released Content

*Rainbow Rangers Season 2*: From Shane Morris, the writer of *Frozen*, and Rob Minkoff, the director of *The Lion King*, *Rainbow Rangers* is an animated series about the adventures of seven magical girls from Kaleidoscopia, a fantastic land on the other side of the rainbow. The Rangers serve as Earth's guardians and first-responders. When there's trouble for the people or animals of the Earth, the Rangers ride a rainbow across the sky to save the day. Viacom's Nick Jr. has licensed the series for broadcast in the US. Nick Jr. ordered a second season of *Rainbow Rangers* and we have delivered 26 half hours. International broadcast agreements are currently being negotiated in numerous territories.

*Rainbow Rangers*: We completed 26 half hour episodes in February of 2019 and the series premiered on Nick Jr. in November 2018. The series was created by Shane Morris, the co-writer of *Frozen*, and Rob Minkoff, the director of *The Lion King*, *Rainbow Rangers* is an animated series about the adventures of seven magical girls from Kaleidoscopia, a fantastic land on the other side of the rainbow. The Rangers serve as Earth's guardians and first-responders. When there's trouble for the people or animals of the Earth, the Rangers ride a rainbow across the sky to save the day.

*Llama Llama*: We completed production of fifteen half-hour animated episodes in 2017 which premiered on Netflix in early 2018. *Llama Llama*'s creators include Oscar-winning director Rob Minkoff (*The Lion King*), director Saul Blinkoff (*Doc McStuffins*), showrunner Joe Purdy, art director Ruben Aquino (*Frozen*) and Emmy-winning producers Jane Startz and Andy Heyward. Based on the *NY Times* #1 best-selling children's books of the same name, the animated series centers on young Llama Llama's first steps in growing up and facing childhood milestones. Each episode is structured around a childhood milestone and a life lesson learned by Llama Llama and his friends, told with a sense of humor, vitality, and understanding.

*Llama Llama Season 2*: We completed production of ten half-hour animated episodes in 2019 which were delivered to Netflix in September 2019. Back for Season 2 are *Llama Llama*'s creators including Oscar-winning director Rob Minkoff (*The Lion King*), director Saul Blinkoff (*Doc McStuffins*), showrunner Joe Purdy, art director Ruben Aquino (*Frozen*) and Emmy-winning producers Jane Startz and Andy Heyward. Based on the *NY Times* #1 best-selling children's books of the same name, the animated series centers on young Llama Llama's first steps in growing up and facing childhood milestones. Each episode is structured around a childhood milestone and a life lesson learned by Llama Llama and his friends, told with a sense of humor, vitality, and understanding.

*SpacePop*: *SpacePop* is a music and fashion driven animated property that has garnered over 17 million views and over 63,000 subscribers since its launch in May 2016. With 108 three-minute webisodes produced, *SpacePop* had a best-in-class production team which included Steve Banks (head writer and story editor of *SpongeBob Square Pants*) as content writer; Han Lee (*Pink Fizz*, *Bobby Jack*) for original character designs; multiple Grammy Award-winning producer and music veteran Ron Fair (Fergie, Mary J. Blige, Black Eyed Peas, Pussycat Dolls, Christina Aguilera and more), singer-songwriter Stefanie Fair (founding member of RCA's girl group Wild Orchid with Fergie) for the original *SpacePop* theme music; and veteran music producer and composer John Loeffler (Kidz Bop, Pokemon) for original songs. *SpacePop* products range from apparel and accessories, to beauty, cosmetics, candy, books and music.

*Thomas Edison's Secret Lab*: *Thomas Edison's Secret Lab* is a STEM-based comedy adventure series by Emmy-nominated writer Steve Banks (*SpongeBob Square Pants*), multi-Emmy Award-winning writer Jeffrey Scott (*Dragon Tales*), and Emmy Award-winning producer Mark Young (*All Dogs Go To Heaven 2*). The series includes 52 eleven-minute episodes as well as 52 ninety-second original music videos produced by Grammy Award-winning producer Ron Fair. The animated series follows the adventures of Angie, a 12-year-old prodigy who, along with her young science club, discovers Thomas Edison's secret lab.

Warren Buffett's *Secret Millionaire's Club*: With 26 thirty-minute episodes and 26 four-minute webisodes, this animated series features Warren Buffett who acts as a mentor to a group of entrepreneurial kids who have international adventures that lead them to encounter neighborhood and community problems to solve. Warren Buffett's *Secret Millionaire's Club* empowers kids by helping them learn about the business of life and the importance of developing healthy life habits at an early age.

#### **Licensed Content**

In addition to the wholly owned or partially-owned properties listed above, we represent *Llama Llama* in the licensing and merchandising space.

#### **Kartoon Channel! Network**

In June 2020, Genius Brands launched its Kartoon Channel!, a digital family entertainment destination available across multiple advertiser supported video on demand ("AVOD") and over-the-top ("OTT") platforms, including Comcast, Cox, DISH, Sling TV, Amazon Prime, Amazon Fire, Apple TV, Apple iOS, Android TV, Android Mobile, Google Play, Xumo, Roku, Tubi, and streaming via KartoonChannel.com, as well as accessible via Samsung Smart TVs and LG TVs.

Genius Brands International's digital network, Kartoon Channel!, which is available in over 100 million U.S. television households and over 300 million devices, is a family entertainment destination that delivers enduring childhood moments of humor, adventure, and discovery. Delivering numerous episodes of carefully curated free family-friendly content, the channel features animated classics for little kids, including "The Wubbulous World of Dr. Seuss," "Babar," "Mello Dees," "Super Simple Songs," and "Baby Genius," and content for bigger kids, such as "Pac-Man," "Angry Birds," "Yu-Gi-Oh," and "Bakugan," to original programming like "Stan Lee's Superhero Kindergarten," premiering in spring 2021 and starring Arnold Schwarzenegger, Kartoon Channel! also offers STEM-based content through its Kartoon Classroom!, including "Baby Einstein," "Lil Doc," "Counting with Earl," and more.

#### **Distribution**

##### Content

Today's global marketplace and the manner in which content is consumed has evolved to a point where we believe there is only one viable strategy, ubiquity. Kids today expect to be able to watch what they want whenever they want and wherever they want. As such, content creators now must offer direct access on multiple fronts. This includes not only linear broadcast in key territories around the world but also across a multitude of digital platforms. We have strong relationships to and actively solicit placement for our content via major linear broadcasters, as well as on the digital side with Netflix, Comcast's Xfinity platform, AppleTV, Roku, Samsung TV, Amazon Fire, Amazon Prime, Netflix, YouTube, Cox, Dish, Sling and Zumo and Connected TV. We replicate this model of ubiquity around the world defining content distribution strategies by market that blends the best of linear, VOD, and digital distribution.

Finally, we expanded our long-term strategic partnership with Sony Pictures Home Entertainment from domestic to global in January 2017. On August 31, 2018, Sony Pictures Home Entertainment assigned all of its rights and interest in our programs to Alliance Entertainment, LLC ("AEC").

##### Consumer Products

A source of our revenue is our licensing and merchandising activities from our underlying intellectual property content. We work directly in licensing properties to a variety of manufacturers and occasionally to retailers. We currently have across all brands in excess of 50 licensees and hundreds of licensed products either in development, in market or scheduled to enter the market. Products bearing our marks can be found in a wide variety of retail distribution outlets reaching consumers in retailers such as Wal-Mart, Target, Barnes & Noble, Kohl's, Amazon.com and many more. License agreements that we enter into often include financial guarantees and commitments from the manufacturers guaranteeing a minimum stream of revenue for us. As licensed merchandise is sold at retail, these advances and/or minimum guarantees can earn out at which point we could earn additional revenue.

## Marketing

Our marketing mission is to generate awareness and consumer interest in our brands via a 360-degree approach to reach our audience through all touchpoints. Successful marketing campaigns for our brands have not only included traditional marketing tactics but now include utilizing influencers (individuals with a strong, existing social media presence who drive awareness of our brands to their followers), strategic social media marketing, and cross-promotional consumer product campaigns. We also deploy digital and print advertising to support the brands, as well as work with external media relations professionals to promote our efforts to both consumer and industry. We consistently initiate grass roots marketing campaigns and strategic partnerships with brands that align and offer value to us. Our Cartoon Channel! platform, which reaches over 100 million U.S. television households, provides reach for cross promotion of content and consumer products.

## Competition

We compete against other creators of children's content including Disney, Nickelodeon, PBS Kids, and Sesame Street, as well as other small and large creators. In the saturated children's media space, we compete with these other creators for both content distribution across linear, VOD, and digital platforms, as well as retail shelf space for our licensed products. To compete effectively, we are focused on our strategic positioning of "content with a purpose," which we believe is a point of differentiation embraced by the industry, as well as parents and educators. Additionally, the Cartoon Channel! enables us to increase the awareness of our brands through an owned platform.

## Customers and Licensees

For the year ended December 31, 2020, two customers accounted for 44% of our revenue from the delivery of *Rainbow Rangers Season 2* to Nick Jr. and MTV Networks Latin America. For the year ended December 31, 2019 two customers accounted for 65% of our revenue from the delivery of *Llama Llama Season 2* to Netflix and the delivery of *Rainbow Rangers Season 1* to Nick Jr. As of December 31, 2020, we had partnered with over 50 consumer products licensees. As of the same date, we licensed our content to over 50 broadcasters in over 145 countries globally as well as a number of VOD and online platforms that have a global reach. This broad cross-section of customers includes companies such as Comcast, Netflix, Sony, YouTube, Mattel, Target, Penguin Publishing, Manhattan Toys, Roku, Apple TV, Amazon, Google, Bertelsmann Music Group, Discovery International, and others both domestically and internationally.

## Government Regulation

The FCC requires broadcast networks to air a required number of hours of Educational and Informational content (E/I). We are subject to online distribution regulations, namely the FTC's Children's Online Privacy Protection Act (COPPA) which regulates the collection of information of children younger than 13 years old.

We are currently subject to regulations applicable to businesses generally, including numerous federal and state laws that impose disclosure and other requirements upon the origination, servicing, enforcement and advertising of credit accounts, and limitations on the maximum amount of finance charges that may be charged by a credit provider. Although credit to some of our customers is provided by third parties without recourse to us based upon a customer's failure to pay, any restrictive change in the regulation of credit, including the imposition of, or changes in, interest rate ceilings, could adversely affect the cost or availability of credit to our customers and, consequently, our results of operations or financial condition.

Licensed toy products are subject to regulation under the Consumer Product Safety Act and regulations issued thereunder. These laws authorize the Consumer Product Safety Commission (the "CPSC") to protect the public from products which present a substantial risk of injury. The CPSC can require the manufacturer of defective products to repurchase or recall such products. The CPSC may also impose fines or penalties on manufacturers or retailers. Similar laws exist in some states and other countries in which we plan to market our products. Although we do not manufacture and may not directly distribute toy products, a recall of any of the products may adversely affect our business, financial condition, results of operations and prospects.

We also maintain websites which include our corporate website located at [www.gnusbrands.com](http://www.gnusbrands.com), as well as [www.spacepopgirls.com](http://www.spacepopgirls.com), [www.kidgeniustv.com](http://www.kidgeniustv.com), [www.babygenius.com](http://www.babygenius.com), [www.smckids.com](http://www.smckids.com), [www.slam7.com](http://www.slam7.com), [www.edisonsecretlab.com](http://www.edisonsecretlab.com) and [www.rainbowrangers.com](http://www.rainbowrangers.com). These websites are subject to laws and regulations directly applicable to Internet communications and commerce, which is a currently developing area of the law. The United States has enacted Internet laws related to children's privacy, copyrights and taxation. However, laws governing the Internet remain largely unsettled. The growth of the market for Internet commerce may result in more stringent consumer protection laws, both in the United States and abroad, that place additional burdens on companies conducting business over the Internet. We cannot predict with certainty what impact such laws will have on our business in the future. In order to comply with new or existing laws regulating Internet commerce, we may need to modify the manner in which we conduct our website business, which may result in additional expense.

Because our products are manufactured by third parties and licensees, we are not significantly impacted by federal, state and local environmental laws and do not have significant costs associated with compliance with such laws and regulations.

### **Human Capital**

Our continued success depends on management implementing effective human resource initiatives in order to recruit, develop and retain key employees. As of December 31, 2020, we had 27 full-time equivalent employees and one contracted part-time employee. We employ on an outsourced, as-needed basis, contractors in the fields of investor relations, public relations, accounting, legal, and production. We strive to foster an innovative and team-oriented culture and view our human capital resources and initiatives as an ongoing priority. Further in 2020, we appointed one of our employees as our first "Director of Diversity." That individual works to both insure that diverse candidates are considered for open positions and works to make sure our content offerings represent characters of diverse backgrounds and are free from bias.

### **Intellectual Property**

As of December 31, 2020, we own the following properties and related trademarks: "*SpacePop*", *Secret Millionaires Club*, *Thomas Edison's Secret Lab*, "*Baby Genius*", "*Kid Genius*", "*Wee Worship*", and "*Kaflooeey*", as well as several other names and trademarks on characters that had been developed for our content and brands. Additionally, we have the United States trademark and various international trademarks applications pending for *Rainbow Rangers*, *Kartoon Channel*, *Kartoon Channel Jr.*, *KC! Pop Quiz*, *Little Genius*, *Little Genius Jukebox*.

As of December 31, 2020, we hold thirteen (13) registered trademarks in multiple classes in the United States associated with our brands. We also have a number of registered and pending trademarks in Europe, Australia, China, Japan and Mexico and other countries in which our products are sold.

As of December 31, 2020, we also held 146 motion pictures, 13 sound recordings, and two literary work copyrights related to our video, music and written work products.

We have 50/50 ownership agreements with the following partners and their related brands: Martha Stewart's *Martha & Friends*; and Gisele Bündchen's *Gisele & the Green Team*.

In addition to the wholly-owned or partially-owned properties listed above, we represent *Llama Llama* in the licensing and merchandising space.

### **Company Information**

We were incorporated in California on January 3, 2006 and reincorporated in Nevada in October 2011. We commenced operations in January 2006, assuming all of the rights and obligations of our then Chief Executive Officer, under an Asset Purchase Agreement between us and Genius Products, Inc., in which we obtained all rights, copyrights, and trademarks to the brands "*Baby Genius*," "*Kid Genius*," "*123 Favorite Music*" and "*Wee Worship*," and all then existing productions under those titles. In October 2011, we (i) changed our domicile to Nevada from California, and (ii) changed our name to Genius Brands International, Inc. from Pacific Entertainment Corporation (the "Reincorporation"). In connection with the Reincorporation, we changed our trading symbol from "PENT" to "GNUS."

Our principal executive offices are located at 190 N Canon Drive, 4<sup>th</sup> Floor, Beverly Hills, California 90210. Our telephone number is 310-273-4222. We maintain an Internet website at [www.gnusbands.com](http://www.gnusbands.com). The information contained on, connected to or that can be accessed via our website is not part of this prospectus.

**Item 1A. Risk Factors.**

The following discussion of risk factors contains forward-looking statements. These risk factors may be important to understanding any statement in this Form 10-K or elsewhere. The following information should be read in conjunction with Part II, Item 7, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and the consolidated financial statements and related notes beginning on Page F-1 of this Form 10-K.

You should consider carefully the risks and uncertainties described below, in addition to other information contained in this Annual Report on Form 10-K, including our consolidated financial statements and related notes. The risks and uncertainties described below are not the only ones we face. Our business, financial condition and operating results can be affected by a number of factors, whether currently known or unknown, including but not limited to those described below. Any one or more of such factors could directly or indirectly cause our actual results of operations and financial condition to vary materially from past or anticipated future results of operations and financial condition. Any of these factors, in whole or in part, could materially and adversely affect our business, financial condition, results of operations and stock price.

Because of the following factors, as well as other factors affecting our financial condition and operating results, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods.

**RISKS RELATING TO OUR BUSINESS**

**Our business has been and may continue to be adversely affected by the COVID-19 pandemic.**

With respect to the ongoing and evolving coronavirus (“COVID-19”) outbreak, which was designated as a pandemic by the World Health Organization on March 11, 2020, COVID-19 has caused substantial disruption in international and U.S. economies and markets. COVID-19 has had an adverse impact on the entertainment industry and, if repercussions of COVID-19 are prolonged, could have a significant adverse impact on our business, which could be material. The majority of our employees have been working remotely from home, with only a few individuals monitoring the office as needed. We have not experienced any disruption in our supply chain, nor have we experienced any negative impact from our animation production partners. With regard to content distribution, we have observed demand increases for streaming entertainment services in 2020. In terms of our consumer products business, we are starting to see some negative impact from COVID-19 as consumer activity decelerates in the U.S. and across the world. Global supply chain issues had a negative impact on the timing of certain toy releases. If the COVID-19 outbreak is prolonged, we will see a negative impact on our revenues.

Our management cannot at this point estimate the impact of COVID-19 on our business and no provision for COVID-19 is reflected in the accompanying financial statements. We will continue to actively monitor the situation and may take further actions that alter our business operations as may be required by federal, state, local or foreign authorities, or that we determine are in the best interests of our employees, customers, partners and stockholders. It is not clear what the potential effects any such alterations or modifications may have on our business, including the effects on our customers, suppliers or vendors, or on our financial results.

**We have incurred net losses since inception.**

We have a history of operating losses and incurred net losses in each fiscal quarter since our inception. For the year ended December 31, 2020, we generated net revenues of \$2,482,127 and incurred a net loss of \$401,669,805, while for the previous year, we generated net revenue of \$5,907,899 and incurred a net loss of \$11,481,245. These losses, among other things, have had an adverse effect on our results of operations, financial condition, stockholders' equity, net current assets and working capital.

We will need to generate additional revenue and/or reduce costs to achieve profitability. We are beginning to generate revenues derived from our existing properties, properties in production, and new brands being introduced into the marketplace. However, the ability to sustain these revenues and generate significant additional revenues or achieve profitability will depend upon numerous factors some of which are outside of our control.

**If we are not able to obtain sufficient capital, we may not be able to continue our growth.**

We expect that as our business continues to evolve and grow, we will need additional working capital. If adequate additional debt and/or equity financing is not available on reasonable terms or at all, we may not be able to continue to expand our business, and we will have to modify our business plans accordingly. These factors could have a material adverse effect on our future operating results and our financial condition.

**Our revenues and results of operations may fluctuate from period to period.**

Cash flow and projections for any entertainment company producing original content can be expected to fluctuate until the animated content and ancillary consumer products are in the market and could fluctuate thereafter even when the content and products are in the marketplace. There is significant lead time in developing and producing animated content before that content is in the marketplace. Unanticipated delays in entertainment production can delay the release of the content into the marketplace. Structured retail windows that dictate when new products can be introduced at retail are also out of our control. While we believe that we have mitigated this in part by creating a slate of properties at various stages of development or production as well as representing certain established brands which contribute immediately to cash flow, any delays in the production and release of our content and products or any changes in the preferences of our customers could result in lower than anticipated cash flows.

As with our cash flows, our revenues and results of operations depend significantly upon the appeal of our content to our customers, the timing of releases of our products and the commercial success of our products, none of which can be predicted with certainty. Accordingly, our revenues and results of operations may fluctuate from period to period. The results of one period may not be indicative of the results of any future period. Any quarterly fluctuations that we report in the future may not match the expectations of market analysts and investors. This could cause the price of our common stock to fluctuate.

Production cost will be amortized according to the individual film forecasting methodology. If estimated remaining revenue is not sufficient to recover the unamortized production costs, the unamortized production costs will be written down to fair value. In any given quarter, if we lower our previous forecast with respect to total anticipated revenue, we would be required to adjust amortization of related production costs. These adjustments would adversely impact our business, operating results and financial condition.

**Changes in the United States, global or regional economic conditions could adversely affect the profitability of our business.**

A decrease in economic activity in the United States or in other regions of the world in which we do business could adversely affect demand for our products, thus reducing our revenue and earnings. A decline in economic conditions could reduce demand for and sales of our products. In addition, an increase in price levels generally, or in price levels in a particular sector, could result in a shift in consumer demand away from the animated content and consumer products we offer, which could also decrease our revenues, increase our costs, or both.

**Inaccurately anticipating changes and trends in popular culture, media and movies, fashion, or technology can negatively affect our sales.**

While trends in the toddler to tween sector change quickly, we respond to trends and developments by modifying, refreshing, extending, and expanding our product offerings on an on-going basis. However, we operate in extremely competitive industries where the ultimate appeal and popularity of content and products targeted to this sector can be difficult to predict. We believe our focus on “content with a purpose” serves an underrepresented area of the toddler to tween market; however, if the interest of our audience trends away from our current properties toward other offerings based on current media, movies, animated content or characters, and if we fail to accurately anticipate trends in popular culture, movies, media, fashion, or technology, our products may not be accepted by children, parents, or families and our revenues, profitability, and results of operations may be adversely affected.

**We face competition from a variety of retailers that sell similar merchandise and have better resources than we do.**

The industries in which we operate are competitive, and our results of operations are sensitive to, and may be adversely affected by, competitive pricing, promotional pressures, additional competitor offerings and other factors, many of which are beyond our control. Indirectly through our licensing arrangements, we compete for retailers as well as other outlets for the sale and promotion of our licensed merchandise. Our primary competition comes from competitors such as The Walt Disney Company, Nickelodeon Studios, and the Cartoon Network.

We have sought a competitive advantage by providing “content with a purpose” which are both entertaining and enriching for children and offer differentiated value that parents seek in making purchasing decisions for their children. While we do not believe that this value proposition is specifically offered by our competitors, our competitors have greater financial resources and more developed marketing channels than we do which could impact our ability, through our licensees, to secure shelf space thereby decreasing our revenues or affecting our profitability and results of operations.

**The production of our animated content is accomplished through third-party production and animation studios around the world, and any failure of these third-parties could negatively impact our business.**

As part of our business model to manage cash flows, we have partnered with a number of third-party production and animation studios around the world for the production of our new content in which these partners fund the production of the content in exchange for a portion of revenues generated in certain territories. We are reliant on our partners to produce and deliver the content on a timely basis meeting the predetermined specifications for that product. The delivery of inferior content could result in additional expenditures by us to correct any problems to ensure marketability. Further, delays in the delivery of the finished content to us could result in our failure to deliver the product to broadcasters to which it has been pre-licensed. While we believe we have mitigated this risk by aligning the economic interests of our partners with ours and managing the production process remotely on a daily basis, any failures or delays from our production partners could negatively affect our profitability.

**We cannot assure you that our original programming content will appeal to our distributors and viewers or that any of our original programming content will not be cancelled or removed from our distributors’ platforms.**

Our business depends on the appeal of our content to distributors and viewers, which is difficult to predict. Our business depends in part upon viewer preferences and audience acceptance of our original programming content. These factors are difficult to predict and are subject to influences beyond our control, such as the quality and appeal of competing programming, general economic conditions and the availability of other entertainment activities. We may not be able to anticipate and react effectively to shifts in tastes and interests in markets. A change in viewer preferences could cause our original programming content to decline in popularity, which could jeopardize renewal of agreements with distributors. Low ratings or viewership for programming content produced by us may lead to the cancellation, removal or non-renewal of a program and can negatively affect future license fees for such program. If our original programming content does not gain the level of audience acceptance we expect, or if we are unable to maintain the popularity of our original programming, we may have a diminished negotiating position when dealing with distributors, which could reduce our revenue. We cannot assure you that we will be able to maintain the success of any of our current original programming content or generate sufficient demand and market acceptance for new original programming content in the future. This could materially adversely impact our business, financial condition, operating results, liquidity and prospects.

**We may be required to pay significant penalties if we are not able to meet our obligations under our outstanding registration rights agreements.**

We have entered into registration rights agreements in connection with certain of our securities offerings. We may be obligated to pay liquidated damages if we do not meet our obligations under those agreements.

If we are required to pay significant amounts, such as the liquidated damages described above, under these or future registration rights agreements, it could have a material adverse effect on our financial condition and ability to finance our operations.

**Failure to successfully market or advertise our products could have an adverse effect on our business, financial condition and results of operations.**

Our products are marketed worldwide through a diverse spectrum of advertising and promotional programs. Our ability to sell products is dependent in part upon the success of these programs. If we or our licensees do not successfully market our products or if media or other advertising or promotional costs increase, these factors could have an adverse effect on our business, financial condition, and results of operations.

**The failure of others to promote our products may adversely affect our business.**

The availability of retailer programs relating to product placement, co-op advertising and market development funds, and our ability and willingness to pay for such programs, are important with respect to promoting our properties. In addition, although we may have agreements for the advertising and promotion of our products through our licensees, we will not be in direct control of those marketing efforts and those efforts may not be done in a manner that will maximize sales of our products and may have a material adverse effect on our business and operations.

**We may not be able to keep pace with technological advances.**

The entertainment industry in general, and the music and motion picture industries in particular, continue to undergo significant changes, primarily due to technological developments. Because of the rapid growth of technology, shifting consumer tastes and the popularity and availability of other forms of entertainment, it is impossible to predict the overall effect these factors could have on potential revenue from, and profitability of, distributing entertainment programming. As it is also impossible to predict the overall effect these factors could have on our ability to compete effectively in a changing market, if we are not able to keep pace with these technological advances, our revenues, profitability and results from operations may be materially adversely affected.

**Failure in our information technology and storage systems could significantly disrupt the operation of our business.**

Our ability to execute our business plan and maintain operations depends on the continued and uninterrupted performance of our information technology (“IT”) systems. IT systems are vulnerable to risks and damages from a variety of sources, including telecommunications or network failures, malicious human acts and natural disasters. Moreover, despite network security and back-up measures, some of our and our vendors’ servers are potentially vulnerable to physical or electronic break-ins, including cyber-attacks, computer viruses and similar disruptive problems. These events could lead to the unauthorized access, disclosure and use of non-public information. The techniques used by criminal elements to attack computer systems are sophisticated, change frequently and may originate from less regulated and remote areas of the world. As a result, we may not be able to address these techniques proactively or implement adequate preventative measures. If our computer systems are compromised, we could be subject to fines, damages, litigation and enforcement actions, and we could lose trade secrets, the occurrence of which could harm our business. Despite precautionary measures to prevent unanticipated problems that could affect our IT systems, sustained or repeated system failures that interrupt our ability to generate and maintain data could adversely affect our ability to operate our business.

**Our internal computer systems, or those of our collaborators or other contractors or consultants, may fail or suffer security breaches, which could result in a material disruption and cause our business and reputation to suffer.**

In the ordinary course of business, our internal computer systems and those of our current and any future collaborators and other contractors or consultants are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. While we do not believe that we have experienced any such material system failure, accident or security breach to date, if such an event were to occur and cause interruptions in our operations, it could adversely affect our business operations, whether due to a loss of our trade secrets or other proprietary information or other similar disruptions. Any such access, disclosure or other loss of such information could result in legal claims or proceedings and damage our reputation.

**Loss of key personnel may adversely affect our business.**

Our success greatly depends on the performance of our executive management team, including Andy Heyward, our Chief Executive Officer. The loss of the services of any member of our core executive management team or other key persons could have a material adverse effect on our business, results of operations and financial condition.

**Our management team currently owns a substantial interest in our voting stock.**

As of March 30, 2021, our management team and board of directors (“Board of Directors”) beneficially own or control (including conversions, options or warrants exercisable or convertible within 60 days) a combined 20,656,535 shares or 6.74%, of our shares currently outstanding (including conversions, options or warrants exercisable or convertible within 60 days). Sales of significant amounts of shares held by our directors and executive officers, or the prospect of these sales, could adversely affect the market price of our common stock. Additionally, management has the ability to control any proposals submitted to shareholders, including corporate actions and board changes which may not be in accordance with the votes of other shareholders.

**Litigation may harm our business or otherwise distract management.**

Substantial, complex or extended litigation could cause us to incur large expenditures and could distract management. For example, lawsuits by licensors, consumers, employees or stockholders could be very costly and disrupt business. We recently had a securities class action and derivative shareholder action filed against us. While disputes from time to time are not uncommon, we may not be able to resolve such disputes on terms favorable to us.

**Our vendors and licensees may be subject to various laws and government regulations, violation of which could subject these parties to sanctions which could lead to increased costs or the interruption of normal business operations that could negatively impact our financial condition and results of operations.**

Our vendors and licensees may operate in a highly regulated environment in the US and international markets. Federal, state and local governmental entities and foreign governments may regulate aspects of their businesses, including the production or distribution of our content or products. These regulations may include accounting standards, taxation requirements (including changes in applicable income tax rates, new tax laws and revised tax law interpretations), product safety and other safety standards, trade restrictions, regulations regarding financial matters, environmental regulations, advertising directed toward children, product content, and other administrative and regulatory restrictions. While we believe our vendors and licensees take all the steps necessary to comply with these laws and regulations, there can be no assurance that they are compliant or will be in compliance in the future. Failure to comply could result in monetary liabilities and other sanctions which could increase our costs or decrease our revenue resulting in a negative impact on our business, financial condition and results of operations.

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

Our ability to compete in the animated content and entertainment industry depends, in part, upon successful protection of our proprietary and intellectual property. We protect our property rights to our productions through available copyright and trademark laws and licensing and distribution arrangements with reputable companies in specific territories and media for limited durations. Despite these precautions, existing copyright and trademark laws afford only limited, or no, practical protection in some jurisdictions. It may be possible for unauthorized third parties to copy and distribute our productions or portions of our productions. In addition, although we own most of the music and intellectual property included in our products, there are some titles which the music or other elements are in the public domain and for which it is difficult or even impossible to determine whether anyone has obtained ownership or royalty rights. It is an inherent risk in our industry that people may make such claims with respect to any title already included in our products, whether or not such claims can be substantiated. If litigation is necessary in the future to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or invalidity. Any such litigation could result in substantial costs and the resulting diversion of resources could have an adverse effect on our business, operating results or financial condition.

**RISKS RELATING TO OUR COMMON STOCK**

**Our stock price may be subject to substantial volatility, and stockholders may lose all or a substantial part of their investment.**

Our common stock currently trades on the Nasdaq Capital Market. There is limited public float, and trading volume historically has been low and sporadic. As a result, the market price for our common stock may not necessarily be a reliable indicator of our fair market value. The price at which our common stock trades may fluctuate as a result of a number of factors, including the number of shares available for sale in the market, quarterly variations in our operating results, actual or anticipated announcements of new releases by us or competitors, the gain or loss of significant customers, changes in the estimates of our operating performance, market conditions in our industry and the economy as a whole.

**Our failure to meet the continued listing requirements of Nasdaq Capital Market could result in a delisting of our Common Stock.**

On September 4, 2019, we received a notification letter from The Nasdaq Stock Market (“Nasdaq”) informing us that for the last 30 consecutive business days, the bid price of our Common Stock had closed below \$1.00 per share, which is the minimum required closing bid price for continued listing on The Nasdaq Capital Market pursuant to Listing Rule 5550(a)(2) (the “Rule”).

This notice had no immediate effect on our Nasdaq listing or trading of its Common Stock. In accordance with Nasdaq Listing Rule 5810(c)(3)(A), we had 180 calendar days, or until March 2, 2020, to regain compliance. To regain compliance, the closing bid price of our Common Stock must have been at least \$1.00 per share for a minimum of ten consecutive business days. If we did not regain compliance by March 2, 2020, we were potentially eligible for additional time to regain compliance or if we were otherwise not eligible, we were able to request a hearing before a Nasdaq Hearings Panel (“Panel”).

On March 3, 2020, we received notification from Nasdaq that we were granted an additional 180-day compliance period, or until August 31, 2020, to regain compliance with the minimum \$1.00 bid price per share requirement of the Rule. Nasdaq’s determination to grant the additional 180-day compliance period was based on our meeting the continued listing requirement for the market value of publicly held shares and all other applicable requirements for initial listing on the Nasdaq Capital Market with the exception of the bid price requirement, and our provision of written notice of our intention to cure the deficiency during the second compliance period, including effecting a reverse stock split if necessary.

On May 28, 2020, we received notification from Nasdaq that the closing bid of our Common Stock had been trading at \$1.00 per share or greater for the required ten-day period. Accordingly, the Company had regained compliance with Listing Rule 5550(a)(2) and the matter was closed.

This current notification from Nasdaq has no immediate effect on the listing or trading of our Common Stock, which will continue to trade on the Nasdaq Capital Market under the symbol “GNUS”.

If we fail to satisfy the continued listing requirements of Nasdaq Capital Market, such as minimum financial and other continued listing requirements and standards, including those regarding minimum stockholders' equity, minimum share price, and certain corporate governance requirements, Nasdaq may take steps to delist our Common Stock. Such a delisting would likely have a negative effect on the price of our Common Stock and would impair your ability to sell or purchase our Common Stock when you wish to do so. In the event of a delisting, we would expect to take actions to restore our compliance with Nasdaq's listing requirements, but we can provide no assurance that any such action taken by us would allow our Common Stock to become listed again, stabilize the market price or improve the liquidity of our Common Stock, prevent our Common Stock from dropping below the Nasdaq minimum bid price requirement, or prevent future non-compliance with Nasdaq's listing requirements.

**If our Common Stock becomes subject to the penny stock rules, it may be more difficult to sell our Common Stock.**

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than \$5.00 (other than securities registered on certain national securities exchanges or authorized for quotation on certain automated quotation systems, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system). The OTC Bulletin Board does not meet such requirements and if the price of our Common Stock is less than \$5.00 and our Common Stock is no longer listed on a national securities exchange such as Nasdaq, our stock may be deemed a penny stock. The penny stock rules require a broker-dealer, at least two business days prior to a transaction in a penny stock not otherwise exempt from those rules, to deliver to the customer a standardized risk disclosure document containing specified information and to obtain from the customer a signed and dated acknowledgment of receipt of that document. In addition, the penny stock rules require that prior to effecting any transaction in a penny stock not otherwise exempt from those rules, a broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive: (i) the purchaser's written acknowledgment of the receipt of a risk disclosure statement; (ii) a written agreement to transactions involving penny stocks; and (iii) a signed and dated copy of a written suitability statement. These disclosure requirements may have the effect of reducing the trading activity in the secondary market for our Common Stock, and therefore stockholders may have difficulty selling their shares.

**If we fail to maintain effective internal controls over financial reporting, the price of our common stock may be adversely affected.**

Our internal control over financial reporting may have weaknesses and conditions that could require correction or remediation, the disclosure of which may have an adverse impact on the price of our common stock. We are required to establish and maintain appropriate internal controls over financial reporting. Failure to establish those controls, or any failure of those controls once established, could adversely affect our public disclosures regarding our business, prospects, financial condition or results of operations.

Rules adopted by the SEC pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 require an annual assessment of internal controls over financial reporting, and for certain issuers an attestation of this assessment by the issuer's independent registered public accounting firm. The standards that must be met for management to assess the internal controls over financial reporting as effective are evolving and complex, and require significant documentation, testing, and possible remediation to meet the detailed standards. We expect to incur significant expenses and to devote resources to Section 404 compliance on an ongoing basis. In addition, we are not subject to auditor attestation of internal controls which may identify weaknesses and conditions that need to be addressed in our internal controls over financial reporting or other matters that may raise concerns for investors. Any actual or perceived weaknesses and conditions that need to be addressed in our internal control over financial reporting or disclosure of management's assessment of our internal controls over financial reporting may have an adverse impact on the price of our common stock.

**We are authorized to issue "blank check" preferred stock without stockholder approval, which could adversely impact the rights of holders of our common stock.**

Our Articles of Incorporation authorize us to issue up to 10,000,000 shares of blank check preferred stock. Any additional preferred stock that we issue in the future may rank ahead of our common stock in terms of dividend priority or liquidation premiums and may have greater voting rights than our common stock. In addition, such preferred stock may contain provisions allowing those shares to be converted into shares of common stock, which could dilute the value of common stock to current stockholders and could adversely affect the market price, if any, of our common stock. In addition, the preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of our company. Although we have no present intention to issue any additional shares of authorized preferred stock, there can be no assurance that we will not do so in the future.

**We do not expect to pay dividends in the future and any return on investment may be limited to the value of our common stock.**

We do not currently anticipate paying cash dividends in the foreseeable future. The payment of dividends on our common stock will depend on earnings, financial condition and other business and economic factors affecting it at such time as our Board of Directors may consider relevant. Our current intention is to apply net earnings, if any, in the foreseeable future to increasing our capital base and development and marketing efforts. There can be no assurance that we will ever have sufficient earnings to declare and pay dividends to the holders of our common stock, and in any event, a decision to declare and pay dividends is at the sole discretion of our Board of Directors. If we do not pay dividends, our common stock may be less valuable because the return on investment will only occur if its stock price appreciates.

**Offers or availability for sale of a substantial number of shares of our common stock may cause the price of our common stock to decline.**

If our stockholders sell substantial amounts of our common stock in the public market upon the expiration of any statutory holding period under Rule 144, or shares issued upon the exercise of outstanding options or warrants, it could create a circumstance commonly referred to as an “overhang” and, in anticipation of which, the market price of our common stock could fall. The existence of an overhang, whether or not sales have occurred or are occurring, also could make more difficult our ability to raise additional financing through the sale of equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate.

In general, under Rule 144, a non-affiliated person who has held restricted shares of our common stock for a period of six months may sell into the market all of their shares, subject to us being current in our periodic reports filed with the Commission.

As of March 30, 2021, approximately 282,712,035 shares of common stock of the 300,321,658 shares of common stock issued and outstanding are free trading. Additionally, as of March 30, 2021, there are no shares of common stock underlying the Series A Convertible Preferred Stock that could be sold pursuant to Rule 144. As of the same date, there are 5,406,465 shares of common stock underlying outstanding warrants that could be sold pursuant to Rule 144 to the extent permitted by any applicable vesting requirements as well as 40,105,500 shares of common stock underlying registered warrants. Lastly, as of March 29, 2021, there are 9,731,176 shares of common stock underlying outstanding options granted, 9,128,796 shares of common stock underlying outstanding restricted stock units (“RSUs”) and 13,307,695 shares reserved for issuance under our Genius Brands International, Inc. Amended 2020 Incentive Plan, all of which are unregistered but will become eligible for sale in the public market to the extent permitted by any applicable vesting requirements and Rule 144 under the Securities Act of 1933, as amended (the “Securities Act”).

**Concentration of ownership among our existing officers, directors and principal stockholders may prevent other stockholders from influencing significant corporate decisions and depress our stock price.**

Based on the number of shares outstanding as of March 30, 2021, our officers, directors and stockholders who hold at least 5% of our stock beneficially own a combined total of approximately 6.74% of our outstanding common stock, including shares of common stock subject to preferred shares, stock options, and warrants that are currently convertible or exercisable or will be convertible or exercisable within 60 days after March 30, 2021. If these officers, directors, and principal stockholders or a group of our principal stockholders act together, they will be able to exert a significant degree of influence over our management and affairs and control matters requiring stockholder approval, including the election of directors and approval of mergers, business combinations or other significant transactions. The interests of one or more of these stockholders may not always coincide with our interests or the interests of other stockholders. For instance, officers, directors, and principal stockholders, acting together, could cause us to enter into transactions or agreements that we would not otherwise consider. Similarly, this concentration of ownership may have the effect of delaying or preventing a change in control of our company otherwise favored by our other stockholders.

**Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

On February 6, 2018, we entered into a lease for 6,969 square feet of general office space at 131 South Rodeo Drive, Suite 250, Beverly Hills, CA 90212 pursuant to a 91-month lease that commenced on May 25, 2018. We paid rent of \$364,130 annually, subject to annual escalations of 3.5%.

Effective January 21, 2019, we entered into a sublease for the 6,969 square feet of general office space located at 131 South Rodeo Drive, Suite 250, Beverly Hills, CA 90212 pursuant to an 83-month sublease that commenced on February 4, 2019. The subtenant paid us rent of \$422,321 annually, subject to annual escalations of 3.5%.

On September 11, 2020, the Company entered into a Surrender Agreement with the landlord, for the space at 131 South Rodeo Drive, which terminated the lease agreement. As a result, the Company recorded decreases in the Right Of Use asset, accumulated amortization, and the lease liability of \$2,142,863, \$465,124 and \$1,760,302 respectively. The termination of the lease resulted in a loss of \$338,856. Simultaneously, as part of the Surrender Agreement the Sublease was terminated.

On December 28, 2018, we entered into a lease for 5,765 square feet of general office space at 8383 Wilshire Blvd., Suite 412, Beverly Hills, CA 90211 pursuant to a 6-month lease that commenced January 28, 2019. We paid rent of \$24,501 monthly.

On January 30, 2019, we entered into a lease for 5,838 square feet of general office space at 190 Cannon Drive, Suite 400, Beverly Hills, CA 90210 pursuant to a 96-month lease that commenced on September 1, 2019. We paid rent of \$392,316 annually, subject to annual escalations of 3.5%.

**Item 3. Legal Proceedings.**

As of December 31, 2020, there were no material pending legal proceedings to which we are a party or as to which any of its property is subject other than described below.

As previously disclosed, on August 18, 2020, the Company and its Chief Executive Officer Andy Heyward were named as defendants in a putative class action lawsuit filed in the U.S. District Court for the Central District of California and styled Salvador Verdin v. Genius Brands International, Inc. and Andy Heyward, Case No. 2:20-cv-07457-DDP-PJW. We were later served with a similar lawsuit Sumit Garg v. Genius Brands International, Inc. and Andy Heyward, Case No. 2:20-cv-07764. Both suits allege generally that defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 by making materially false or misleading statement regarding the Company's business and business prospects, artificially inflating the Company's stock price. Plaintiff seeks unspecified damages on behalf of the alleged class. The two above-referenced securities suits have been consolidated into a single proceeding before Judge Fischer in the U.S. District Court for the Central District of California. The proceeding will now be known as In re Genius Brands International, Inc. Securities Litigation. The amended complaint in this action was filed on February 1, 2021. On March 17, 2021, the defendants filed a motion to dismiss the amended complaint. Briefing that motion is, by court-ordered schedule, expected to extend into June 2021, with a hearing currently scheduled for July 5, 2021. Pending resolution of the motion to dismiss, neither discovery nor other substantive proceedings are expected.

Related to the securities class action, the Company's directors, Chief Executive Officer and Chief Financial Officer have been named as defendants in a putative shareholder derivative lawsuit filed in September 2020 in the U.S. District Court for the Central District of California and styled *Eduardo Correa, etc., v. Andy Heyward, et. al.*, Case No. 2:20-cv-08277-DSF (RAOx). On November 20, 2020 a second case, Son Ly, on behalf of Genius Brands International, Inc. v. Andy Heyward; 11/20/2020 CNS Temporary No. E167721482, was filed in a different court – specifically the Los Angeles County Superior Court. The suits make similar allegations, generally stating that the defendants breached fiduciary duties owed to the Company by, among other things, causing the Company to issue the supposedly false and misleading statements that underlie the *Verdin* securities litigation and thereby purportedly exposing the Company to liability and damaging the Company in an unspecified amount. No recovery is sought from the Company. Instead, as a shareholder derivative action, the Company is named as Nominal Defendant; and plaintiff, an alleged stockholder of the Company, purports to sue on behalf and for the benefit of the Company. Pursuant to an agreement among the parties, the court has stayed proceedings in the derivative litigations pending the outcome of anticipated motions to dismiss in the securities class action.

In all of the above-mentioned proceedings, defendants have denied and continue to deny any wrongdoing and intend to defend the claims vigorously.

On July 7, 2020, we received a letter from a law firm alleging that rights Genius Brands had licensed from POW!, LLC, through its the Stan Lee Universe, LLC joint venture, had already been sold to another company, represented by that law firm. The law firm alleged that the Company is, inter alia, interfering with their contractual rights. This matter was referred to our outside litigation counsel. We have been informed that the matter is being adjudicated in an arbitration and that the arbitrator issued a gag order preventing further communications from Plaintiff to 3<sup>rd</sup> parties.

As a result of COVID 19, the majority of our employees started working remotely and we stopped paying rent in April of 2020. On November 30, 2020, the landlord filed a lawsuit demanding that the Company pay all past due rent. On February 18, 2021 we entered into a settlement agreement with the landlord whereby we agreed to pay \$237,500 in full settlement of all claims and promised to resume paying the contractually agreed rent in full starting March 1, 2021.

**Item 4. Mine Safety Disclosures.**

Not applicable.

## PART II

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

#### Market Information

Our Common Stock began trading on the Nasdaq Capital Market under the symbol "GNUS" on November 21, 2016. Prior to that, our Common Stock traded on the OTCQB of the OTC Markets Group Inc. under the same symbol.

The last reported closing price for our common stock on the Nasdaq Capital Market on March 30, 2021 was \$2.07 per share.

#### Stockholders

As of March 30, 2021, the number of shares of Common Stock outstanding was 300,321,658. As of March 30, 2021, there were approximately 170 active record holders of our shares of issued and outstanding Common Stock. This number does not include persons or entities that hold their stock in nominee or "street" name through various brokerage firms.

#### Dividends

We have never declared or paid dividends on our Common Stock. Moreover, we currently intend to retain any future earnings for use in our business and, therefore, do not anticipate paying any dividends on our Common Stock in the foreseeable future.

#### Equity Compensation Plan Information

On September 18, 2015, the Company adopted the Genius Brands International, Inc. 2015 Incentive Plan (the "2015 Plan"). The 2015 Plan was approved by our stockholders in September 2015. The 2015 Plan as approved by the stockholders authorized the issuance up to an aggregate of 150,000 shares of Common Stock. On December 14, 2015, the Board of Directors voted to amend the 2015 Plan to increase the total number of shares that can be issued under the 2015 Plan by 1,293,334 from 150,000 shares to 1,443,334 shares. The increase in shares available for issuance under the 2015 Plan was approved by stockholders on February 3, 2016. On May 18, 2017, the Board of Directors voted to amend the 2015 Plan to increase the total number of shares that can be issued under the 2015 Plan by 223,333 shares from 1,443,334 shares to an aggregate of 1,667,667 shares. The increase in shares available for issuance under the 2015 Plan was approved by the stockholders on July 25, 2017.

On September 6, 2018, the Board of Directors voted to amend the 2015 Plan to increase the total number of shares that can be issued under the 2015 Plan by 500,000 shares from 1,667,667 shares to an aggregate of 2,167,667 shares. The increase in shares available for issuance under the 2015 Plan was approved by the Company's stockholders on October 2, 2018.

On August 4, 2020, the Board of Directors voted to adopt the Genius Brands International, Inc 2020 Incentive Plan (the "2020 Plan"). The shares available for issuance under the 2020 Plan was approved by stockholders on August 27, 2020. The 2020 Plan as approved by the stockholders increased the maximum number of shares available for issuance up to an aggregate of 32,167,667 shares of Common Stock.

The following tables reflect, as of December 31, 2020, compensation plans pursuant to which we are authorized to issue options, warrants, RSUs, or other rights to purchase shares of its Common Stock, including the number of shares issuable under outstanding options, warrants and rights issued under the plans and the number of shares remaining available for issuance under the plans.

Plan category	(a)	(b)	(c)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by shareholders	18,191,176	\$ 1.54	13,976,491
Equity compensation plans not approved by shareholders	-	-	-
<b>Total</b>	<b>18,191,176</b>	<b>\$ 1.54</b>	<b>13,976,491</b>

#### Issuances of Unregistered Sales of Securities

During the year ended December 31, 2020, the Company issued 5,219,048 shares of Common Stock pursuant to the conversion of 1.097 shares of Series A Convertible Preferred Stock at a conversion price of \$0.21 per share.

These securities were issued solely to “accredited investors” in reliance on the exemption from registration afforded by Section 4(a)(2) of the Securities Act.

On November 18, 2020, the Company issued 500,000 shares of Common Stock valued at \$1.39 per share to a provider for production and marketing services. The issuance of the shares of Common Stock was exempt from registration pursuant to Section 4(a)(2) of the Securities Act.

On December 18, 2020, the Company issued 500,000 shares of Common Stock valued at \$1.39 per share to a provider for production and marketing services. The issuance of the shares of Common Stock was exempt from registration pursuant to Section 4(a)(2) of the Securities Act.

#### Item 6. Selected Financial Data

Not required.

## Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion and analysis of our results of operations, financial condition and liquidity and capital resources should be read in conjunction with our audited financial statements and related notes for the years ended December 31, 2020 and 2019. Certain statements made or incorporated by reference in this report and our other filings with the Securities and Exchange Commission, in our press releases and in statements made by or with the approval of authorized personnel constitute forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and are subject to the safe harbor created thereby. Forward looking statements reflect intent, belief, current expectations, estimates or projections about, among other things, our industry, management’s beliefs, and future events and financial trends affecting us. Words such as “anticipates,” “expects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “may,” “will” and variations of these words or similar expressions are intended to identify forward looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward looking statements. Although we believe the expectations reflected in any forward-looking statements are reasonable, such statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors. These differences can arise as a result of the risks described above in the section entitled “Item 1A. Risk Factors” and elsewhere in this report, as well as other factors that may affect our business, results of operations, or financial condition. Forward looking statements in this report speak only as of the date hereof, and forward-looking statements in documents incorporated by reference speak only as of the date of those documents. Unless otherwise required by law, we undertake no obligation to publicly update or revise these forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, we cannot assure you that the forward-looking statements contained in this report will, in fact, transpire.*

### Overview

The management’s discussion and analysis is based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make certain estimates and judgments that affect the reported amounts of assets, liabilities and expenses and related disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

### Our Business

#### Overview

Genius Brands International, Inc. (“we,” “us,” “our,” or the “Company”) is a global content and brand management company that creates and licenses multimedia content. Led by experienced industry personnel, we distribute our content in all formats as well as a broad range of consumer products based on our characters. In the children's media sector, our portfolio features “content with a purpose” for toddlers to tweens, which provides enrichment as well as entertainment. New intellectual property titles include the preschool property *Rainbow Rangers*, which debuted in November 2018 on Nickelodeon and which was renewed for a second season and preschool property *Llama Llama*, which debuted on Netflix in January 2018 and was renewed by Netflix for a second season. Our library titles include the award-winning *Baby Genius*, adventure comedy Thomas Edison's Secret Lab® and Warren Buffett's *Secret Millionaires Club*, created with and starring iconic investor Warren Buffett, which is distributed across our Genius Brands Network on Comcast’s Xfinity on Demand, AppleTV, Roku, Amazon Fire, YouTube, Amazon Prime, Cox, Dish, Sling and Zumo, as well as Connected TV. We are also developing an all-new animated series, *Stan Lee’s Superhero Kindergarten* with Stan Lee’s Pow! Entertainment, Oak Productions and Alibaba. Arnold Schwarzenegger lends his voice as the lead and is also an Executive Producer on the series. The show will be broadcast in the United States on Amazon Prime and the Company’s wholly owned distribution outlet, Cartoon Channel!. In July 2020, the Company entered into a binding term sheet with POW, Inc. (“POW!”) in which we agreed to form an entity with POW! to exploit certain rights in intellectual property created by Stan Lee, as well as the name and likeness of Stan Lee. The entity is called “Stan Lee Universe, LLC” and POW! and the Company are finalizing the details of the venture. Through this agreement we are assuming the worldwide rights, in perpetuity, to the name, physical likeness, physical signature, live-action and animated motion picture, television, online, digital, publishing, comic book, merchandising and licensing rights to Stan Lee and over 100 original Stan Lee creations, from which Genius Brands plans to develop and license approximately multiple properties each year.

In addition, we act as licensing agent for Penguin Young Readers, a division of Penguin Random House LLC which owns or controls the underlying rights to *Llama Llama*, leveraging our existing licensing infrastructure to expand this brand into new product categories, new retailers, and new territories.

### Recent Developments

On January 28, 2021, we entered into letter agreements (the “Letter Agreements”) with certain existing institutional and accredited investors to exercise certain outstanding warrants (the “Existing Warrants”) to purchase up to an aggregate of 39,740,500 shares of the Company’s common stock at their original exercise price of \$1.55 per share (the “Exercise”). The Existing Warrants (the “Registered Existing Warrants”) and the shares of common stock underlying the Registered Existing Warrants were previously registered pursuant to a registration statement on Form S-3 (File No. 333-248623). In consideration for the exercise of the Existing Warrants for cash, the exercising holders will receive new unregistered warrants to purchase up to an aggregate of 39,740,500 shares of common stock (the “New Warrants”) at an exercise price of \$2.37 per share and with an exercise period of five years from the initial issuance date.

The Special Equities Group, a division of Bradley Woods & Co. Ltd., acted as warrant solicitation agent and will receive a cash fee of approximately \$4.3 million.

The gross proceeds to the Company from the Exercise were approximately \$61.6 million. The Company intends to use the net proceeds from the Exercise for acquisitions of children’s and family intellectual property, and/or companies in the children’s and family entertainment space.

On February 1, 2021, the Company through GBI Acquisition LLC, a New Jersey limited liability company, and 2811210 Ontario Inc., a company organized under the laws of the Province of Ontario, two wholly owned subsidiaries of the Company, closed its previously announced acquisition pursuant to a Purchase and Sale Agreement (the “Purchase Agreement”) with (i) Harold Aaron Chizick, (ii) Jennifer Mara Chizick, (iii) Wishing Thumbelina Inc. (“Wishing Thumbelina”), and (iv) Harold Aaron Chizick and Jennifer Mara Chizick, the trustees of The Chizsix (2019) Family Trust for and on behalf of Harold Aaron Chizick, Jennifer Mara Chizick and Jay Mark Sonshine, trustees of The Chizsix (2019) Family Trust, (the “Trustees”) (each a “Seller” and, collectively, “Sellers”), pursuant to which the Company acquired from the Sellers all of the issued and outstanding equity interests of ChizComm Ltd., a corporation organized in Canada (“ChizComm Canada”), and ChizComm USA Corp., a New Jersey corporation (“ChizComm USA” and, together with ChizComm Canada, “ChizComm”) (the “Acquisition”).

Total consideration paid by the Company in the transaction at closing consisted of \$8.5 million in cash and 1,966,292 shares (the “Closing Shares”) of the Company’s common stock, \$0.001 par value per share (the “Common Stock”) with a value of approximately \$3.5 million, both as subject to certain purchase price adjustments. Of the Closing Shares, 674,157 shares of Common Stock, with a value of approximately \$1.2 million, were deposited into an escrow account to cover potential post-closing indemnification obligations of Sellers under the Purchase Agreement. Additionally, the Purchase Agreement also provides for the issuance of additional shares of Common Stock with an aggregate value of up to \$8.0 million that may be issued to the Sellers if certain EBITDA and performance levels are achieved within a four-year period commencing on the date of the Purchase Agreement.

The parties to the Purchase Agreement made certain representations, warranties and covenants, agreed to certain indemnification terms as set forth in the Purchase Agreement, and agreed to enter into certain employment agreements in connection with the Acquisition.

Prior to the closing of the Acquisition, neither the Company nor any of its affiliates, or any director or officer of the Company or any of its affiliates, or any associate of any such director or officer, had any material relationship with the Sellers. The terms of the Purchase Agreement, including the purchase price, were determined by arm’s length negotiations between the Company and Sellers.

## Financings

### *January 2020 Warrant Exercise Agreement*

On January 22, 2020, we entered into a private transaction pursuant to a Warrant Agreement (the “Agreement”) with the holder of the Company’s existing warrants (the “Original Warrants”). The Original Warrants were originally issued on October 3, 2017, to purchase an aggregate of 500,000 shares of the Common Stock (as defined below) at an exercise price of \$3.90 per share and were to expire in October 2022.

Pursuant to the Agreement, the holder of the Original Warrants and the Company agreed that such Original Warrant holder would exercise its Original Warrants in full and the Company would amend the Original Warrants to reduce the exercise price thereof to \$0.34 (the average closing price (as reflected on Nasdaq.com) of the Common Stock (as defined below) for the five trading days immediately preceding the signing of the Agreement). We received approximately \$170,000 from the exercise of the Original Warrants.

### *March 2020 Secured Convertible Note and Warrant Private Placement*

On March 11, 2020, we entered into a Securities Purchase Agreement (the “SPA”) with certain accredited investors (each an “Investor” and collectively, the “Investors”) pursuant to which we agreed to sell and issue (1) Senior Secured Convertible Notes to the Investors in the aggregate principal amount of \$13,750,000 (each, a “Note” and collectively, the “2020 Convertible Notes”) and \$11,000,000 funding amount (reflecting an original issue discount of \$2,750,000) and (2) warrants to purchase 65,476,190 shares of our Common Stock, exercisable for a period of five years at an initial exercise price of \$0.26 per share (each a “Warrant” and collectively, the “Warrants”), for consideration consisting of (i) a cash payment of \$7,000,000, and (ii) full recourse cash secured promissory notes payable by the Investors to the Company (each, an “Investor Note” and collectively, the “Investor Notes”) in the principal amount of \$4,000,000 (the “Investor Notes Principal”) (collectively, the “Financing”). Andy Heyward, our Chairman and Chief Executive Officer, participated as an Investor and invested \$1,000,000 in connection with the Financing, all of which was paid at the closing and not pursuant to an Investor Note. The Special Equities Group, LLC, a division of Bradley Woods & Co. LTD, acted as placement agent and received warrants to purchase 6,547,619 shares at an exercise price of \$0.26 per share (the “Placement Agent Warrants”).

The closing of the sale and issuance of the 2020 Convertible Notes, the Warrants and the Placement Agent Warrants occurred on March 17, 2020 (the “Closing Date”). The maturity date of the 2020 Convertible Notes was September 30, 2021 and the maturity date of the Investor Notes was March 11, 2060.

The Company held a stockholder meeting (the “Stockholder Meeting”) to approve the issuance of shares of Common Stock issuable under the 2020 Convertible Notes and pursuant to the terms of the SPA for the purposes of compliance with the stockholder approval rules of The Nasdaq Stock Market (“Stockholder Approval”).

In addition, pursuant to the terms of the SPA, the 2020 Convertible Notes and the Warrants, the Company agreed that the following will apply or become effective only following Stockholder Approval: (1) the conversion price of the 2020 Convertible Notes shall be reduced to \$0.21 per share and may be further reduced to any amount and for any period of time deemed appropriate by the board of directors of the Company (the “Board of Directors”), (2) the exercise price of the Warrants shall be immediately reduced to \$0.21 per share and may be further reduced to any amount and for any period of time deemed appropriate by the Board of Directors, (3) the 2020 Convertible Notes and Warrants shall each have full ratchet anti-dilution protection for subsequent financings (subject to certain exceptions), (4) existing warrant holders that are participating in the Financing (representing warrants to purchase an aggregate of 8,715,229 shares of Company Common Stock) will have their existing warrants’ exercise prices reduced to \$0.21 and (5) the investors shall have a most favored nations right which provides that if the Company enters into a subsequent financing, then the Investors (together with their affiliates) at their sole discretion shall have the ability to exchange their 2020 Convertible Notes on a \$1 for \$1 basis into securities issued in the new transaction. Additionally, in the event that any warrants or options (or any similar security or right) issued in a subsequent financing include any terms more favorable to the holders thereof (less favorable to the Company) than the terms of the Warrants, the Warrants shall be automatically amended to include such more favorable terms.

On March 16, 2020, the holders of the August 2018 Secured Convertible Notes were repaid in full including any outstanding interest.

On May 15, 2020, the Company received the necessary Stockholder Approval in connection with the Nasdaq proposals described above. As a result, the Conversion Price of the 2020 Convertible Notes and the exercise price of the Warrants were each reduced to \$0.21. In addition, existing warrant holders that participated in the Financing (representing warrants to purchase an aggregate of 9,172,463 shares of Common Stock) also had their existing warrants' exercise prices reduced to \$0.21.

#### *March 2020 Securities Purchase Agreement*

On March 22, 2020, we entered into a Securities Purchase Agreement (the "Purchase Agreement") with certain long standing investors (the "March 22<sup>nd</sup> Investors"), pursuant to which we agreed to issue and sell, in a registered direct offering by the Company directly to the March 22<sup>nd</sup> Investors, an aggregate of 4,000,000 shares of Common Stock, at an offering price of \$0.2568 per share for gross proceeds of approximately \$1.0 million before deducting offering expenses.

#### *May 2020 Securities Purchase Agreements*

On May 7, 2020, the Company entered into a Securities Purchase Agreement with certain long standing investors (the "May 7<sup>th</sup> Investors"), pursuant to which the Company agreed to issue and sell, in a registered direct offering by the Company directly to the May 7<sup>th</sup> Investors (the "Registered Offering"), an aggregate of 8,000,000 shares Common Stock at an offering price of \$0.35 per share for gross proceeds of \$2.8 million before deducting the placement agent fees and offering expenses. The Registered Offering closed on May 8, 2020.

On May 8, 2020, the Company entered into a Securities Purchase Agreement with certain long standing investors (the "May 8<sup>th</sup> Investors"), pursuant to which the Company agreed to issue and sell, in a registered direct offering by the Company directly to the May 8<sup>th</sup> Investors (the "Registered Offering"), an aggregate of 12,000,000 shares Common Stock at an offering price of \$0.454 per share for gross proceeds of \$5.448 million before deducting the placement agent fees and offering expenses. The Registered Offering closed on May 12, 2020.

On May 18, 2020, we entered into a Securities Purchase Agreement with certain long standing investors (the "May 18<sup>th</sup> Investors"), pursuant to which we agreed to issue and sell, in a registered direct offering by the Company directly to the May 18<sup>th</sup> Investors, an aggregate of 7,500,000 shares of our Common Stock, at an offering price of \$1.20 per share for gross proceeds of approximately \$9.0 million before deducting offering expenses.

On May 28, 2020, we entered into a Securities Purchase Agreement with certain long standing investors (the "May 28<sup>th</sup> Investors"), pursuant to which we agreed to issue and sell, in a registered direct offering by the Company directly to the May 28<sup>th</sup> Investors, an aggregate of 20,000,000 shares of our Common Stock, at an offering price of \$1.50 per share for gross proceeds of approximately \$30.0 million before deducting offering expenses.

#### *Warrant Exercises*

On January 22, 2020, the Company entered into a private transaction (the "Private Transaction") pursuant to a Warrant Exercise Agreement (the "Agreement") with the holder of the Company's existing warrants (the "Original Warrants"). The Original Warrants were originally issued on October 3, 2017, to purchase an aggregate of 500,000 shares of Common Stock (as defined below) at an exercise price of \$3.90 per share and were to expire in October 2022. Pursuant to the Agreement, the holder of the Original Warrants and the Company agreed that such Original Warrant holder would exercise its Original Warrants in full and the Company would amend the Original Warrants to reduce the exercise price thereof to \$0.34 (the average closing price (as reflected on Nasdaq.com) of the Common Stock (as defined below) for the five trading days immediately preceding the signing of the Agreement) (the "Amended Exercise Price"). The Company received \$170,000 from the exercise of the Original Warrants.

On May 15, 2020 stockholders of the Company approved the reduction in warrants exercise price for the 2020 Convertible Notes holders to \$0.21.

Between May 15 and June 19, 2020, the Company received \$5,649,319, net of expenses, from the exercise of 29,000,526 warrants at \$0.21 per share. Certain other warrant holders exercised 41,508,189, warrants on a cashless basis, resulting in the issuance of 37,449,140 shares of Common Stock.

Between May 15 and June 19, 2020, the Company received \$5,649,319, net of expenses, from the exercise of 29,666,283 warrants at an exercise price of \$0.21 per share.

On July 21, 2020, the Company received \$50,011, net of expenses, from the exercise of 16,670 warrants at an exercise price of \$3.30 per share.

On December 14, 2020 a warrant holder exercised 595,238 warrants on a cashless basis, resulting in the issuance of 532,424 shares of Common Stock.

#### *October 2020 Securities Purchase Agreement*

On October 28, 2020, the Company entered into the Purchase Agreement with the Investors pursuant to which the Company agreed to issue and sell, in a registered director offering by the Company directly to the certain Investors, an aggregate of 37,400,000 shares of our Common Stock and warrants to purchase up to 37,400,000 shares of our Common Stock, at an offering price of \$1.55 per fixed combination of one share of Common Stock and a warrant to purchase one share of Common Stock for gross proceeds of approximately \$57.9 million before deducting offering expenses.

#### **Coronavirus (COVID-19)**

With respect to the ongoing and evolving coronavirus (“COVID-19”) outbreak, which was designated as a pandemic by the World Health Organization on March 11, 2020, COVID-19 has caused substantial disruption in international and U.S. economies and markets. COVID-19 has had an adverse impact on the entertainment industry and, if repercussions of COVID-19 are prolonged, could have a significant adverse impact on our business, which could be material. The majority of the Company’s employees have been working remotely from home, with only a few individuals monitoring the office as needed. We have not experienced any disruption in our supply chain, nor have we experienced any negative impact from our animation production partners. With regard to content distribution, we have observed demand increases for streaming entertainment services in 2020. In terms of our consumer products business, we are starting to see some negative impact from COVID-19 as consumer activity decelerates in the U.S. and across the world. Global supply chain issues had a negative impact on the timing of certain toy releases. If the COVID-19 outbreak is prolonged, we will see a negative impact on our revenues.

The Company’s management cannot at this point estimate the impact of COVID-19 on its business and no provision for COVID-19 is reflected in the accompanying financial statements. We will continue to actively monitor the situation and may take further actions that alter our business operations as may be required by federal, state, local or foreign authorities, or that we determine are in the best interests of our employees, customers, partners and stockholders. It is not clear what the potential effects any such alterations or modifications may have on our business, including the effects on our customers, suppliers or vendors, or on our financial results.

## Results of Operations

Years Ended December 31, 2020 and 2019

Our summary results for the years ended December 31, 2020 and 2019 are below.

### Revenues

	Years Ended		Change	% Change
	December 31, 2020	December 31, 2019		
Licensing & Royalties	\$ 761,832	\$ 864,205	\$ (102,373)	-12%
Television & Home Entertainment	1,464,635	4,817,072	(3,352,437)	-70%
Advertising Sales	253,135	223,659	29,476	13%
Product Sales	2,525	2,963	(438)	-15%
Total Revenue	<u>\$ 2,482,127</u>	<u>\$ 5,907,899</u>	<u>\$ (3,425,772)</u>	<u>-58%</u>

Licensing and royalty revenue include items for which we license the rights to our copyrights and trademarks of our brands and those of the brands for which we act as a licensing agent. During the year ended December 31, 2020 compared to December 31, 2019, this category decreased \$102,373, or 12%, primarily due to decreases revenues generated from *Rainbow Rangers* and *Llama Llama* properties in 2019.

Television & Home Entertainment revenue is generated from distribution of our properties for broadcast on television, VOD, or SVOD in domestic and international markets and the sale of DVDs for home entertainment through our partners. Fluctuations in Television & Home Entertainment revenue occur period over period based on the achievement of revenue recognition criteria such as the start of a license period and the delivery of the content to the customer. During the year ended December 31, 2020 compared to the year ended December 31, 2019, Television & Home Entertainment revenue decreased \$3,352,437 or 70%. This decrease was primarily due to the revenue generated in 2019 from the delivery of the *Llama Llama Season 2* to Netflix and *Rainbow Rangers Season 1* to Nickelodeon and Shanghai Senyu Media in China. The revenue generated in 2020 was due to the delivery of *Rainbow Rangers Season 2* to Nickelodeon.

Advertising sales are generated on the Kartoan Channel in the form of either flat rate promotions or advertising impressions served. Advertising sales increased by \$29,476, or 13%, during the year ended December 31, 2020 compared to the year ended December 31, 2019 primarily due to the addition of new distribution partners, increased advertising impressions served and additional ad campaigns in 2020. This was a result of our efforts to continue to grow this area of the business through new distribution channels and with new partners.

Product sales represent physical products in which we hold intellectual property rights such as trademarks and copyrights to the characters and which are manufactured and sold by us directly. During the year ended December 31, 2020 compared to the year ended December 31, 2019, product sales associated with Warren Buffett's Secret Millionaire Club decreased by \$438, or 15%.

### Expenses

	Years Ended		Change	% Change
	December 31, 2020	December 31, 2019		
Marketing and Sales	\$ 817,590	\$ 730,200	\$ 87,390	12%
Direct Operating Costs	2,123,958	4,568,497	(2,444,539)	-54%
General and Administrative	17,422,921	7,115,678	10,307,243	145%
Interest Expense	1,179,857	807,205	372,652	46%
	<u>\$ 21,544,326</u>	<u>\$ 13,221,580</u>	<u>\$ 8,322,746</u>	<u>63%</u>

Marketing and sales expenses increased \$87,390, or 12%, for the year ended December 31, 2020 compared to the year ended December 31, 2019, primarily due to a slight decrease in marketing and advertising expenses to promote the *Rainbow Rangers* and *Llama Llama* properties.

Direct operating costs include costs of our product sales, unamortizable post-production costs, film and television cost amortization expense, and participation expense related to agreements with various animation studios, post-production studios, writers, directors, musicians or other creative talent with which we are obligated to share net profits of the properties on which they have rendered services. Direct operating costs for the year ended December 31, 2020 decreased \$2,444,539, or 54%, compared to the year ended December 31, 2019. During the year ended December 31, 2020, we recorded film and television cost amortization expense of \$979,598 and participation expense of \$1,043,214, compared to the year ended December 31, 2019, where we recorded expenses of \$2,230,024 and \$1,690,936, respectively. The decreases in direct operating costs in the year ended December 31, 2020 compared to the prior year reflect decreases in film amortization expense, participation expense and dubbing costs related to the delivery of *Llama Llama* to Netflix and the delivery of *Rainbow Rangers* to Nickelodeon in 2019.

General and administrative expenses consist primarily of salaries, employee benefits, share-based compensation related to stock options, insurances, rent, depreciation, and amortization as well as other professional fees related to finance, accounting, legal and investor relations.

General and administrative costs for year ended December 31, 2020 increased \$10,307,243, or 145%, compared to the same period in 2019. This increase is primarily due to an increase of \$8,745,186 in stock based compensation, \$648,493 in professional fees, and \$680,779 in increased salaries and wages. Fluctuations in other general and administrative expenses comprise the balance of the variance.

Interest expense for the year ended December 31, 2020 increased \$372,652, compared to the same period in 2019. The increase in interest expense was due to the costs associated with the Senior Convertible Notes exceeding the face amount of the notes. The excess was recorded as interest expense.

## **Liquidity and Capital Resources**

### *Working Capital*

As of December 31, 2020, we had current assets of \$108,566,089, including cash and cash equivalents of \$100,456,324, and current liabilities of \$7,178,906, resulting in working capital of \$101,387,183, compared to a negative working capital of \$3,650,136 as of December 31, 2019.

Increases in working capital were primarily the result of the increase in cash of \$100,151,203 resulting from capital raises and warrant exercises and an increase in prepaid expenses of \$6,608,554 resulting from the \$500,000 cash payment, issuance of shares and warrants for prepayment of production and marketing services.

Decreases in working capital were primarily the result of the repayment of the Secured Convertible Notes in the amount of \$2,373,952, an increase in the warrant derivative liability of \$1,197,068, an increase in participations payable.

### *Comparison of Cash Flows for the Years Ended December 31, 2020 and 2019*

Our total cash and cash equivalents were \$100,456,324 and \$305,121 at December 31, 2020 and 2019, respectively.

## Comparison of Cash Flows

	Years Ended		Change	% Change
	December 31, 2020	December 31, 2019		
Cash used in operations	\$ (7,844,715)	\$ (6,251,150)	\$ (1,593,565)	25%
Cash used in investing activities	(1,403,190)	(26,976)	(1,376,214)	5102%
Cash provided by financing activities	109,399,108	3,498,221	105,900,887	3027%
Increase (decrease) in cash	<u>\$ 100,151,203</u>	<u>\$ (2,779,905)</u>	<u>\$ 102,931,108</u>	<u>-3703%</u>

During the year ended December 31, 2020, our primary sources of cash from financing activities included the \$98,583,549 in net sales of common stock, \$5,874,329 from warrant exercises, \$6,098,000 in net proceeds from Senior Secured Convertible Notes and \$3,600,000 from the collection of the investor notes. During the year ended December 31, 2019, our primary sources of cash from financing activities included the \$3,021,552 in net sales of common stock, and \$1,345,368 in proceeds from warrant exchanges.

### Operating Activities

Cash used in operating activities for the year ended December 31, 2020 was \$7,844,715 as compared to cash used in operating activities of \$6,251,150 during the prior period. The increase in cash used in operating activities is primarily due to a decrease in accounts receivable and a loss on extinguishment of debt. The decrease was partially offset by the increase in net loss for 2020 and by the impairment loss on intangible assets in 2019.

The Company incurred a loss before income taxes of \$401,669,805 for the year ended December 31, 2020 compared to a loss before income taxes of \$11,481,245 for the year ended December 31, 2019. The increase in the loss before income taxes is primarily the result of the \$10,307,243 in general and administrative expenses, the \$210,713,281 increase in the warrant revaluation expense and the \$171,835,729 in conversion option revaluation expense.

The Company plans to continue producing, distributing, and marketing animated and live action programming for children. This will require significant investments of capital. The Company is looking to acquire accretive properties and other companies that could add additional broadcast outlets or content. This too will require significant investments of capital.

### Investing Activities

Cash used in investing activities for the year ended December 31, 2020 was \$1,403,190 as compared to a use of \$26,976 for the year ended December 31, 2019. Investing activities include \$1,000,000 investment in Stan Lee Universe LLC, \$300,798 investment in Chizcomm and \$102,392 for the development of certain intangible assets and the purchase of furniture and equipment. Investing activities in 2019 include the development of certain intangible assets and the purchase of furniture and equipment.

### Financing Activities

Cash generated from financing activities for the year ended December 31, 2020 was \$109,399,108 as compared to \$3,498,221 generated in the comparable period in 2019.

During the year ended December 31, 2020, the sources of cash generated from financing activities were \$98,583,549 in net sales of common stock, \$1,345,368 from warrant exercises and \$913,541 of borrowings on the production loan, offset by repayments of \$1,992,026 on the production loan.

During the year ended December 31, 2019, the sources of cash generated from financing activities were \$3,021,552 in net sales of common stock, \$5,874,329 from warrant exercises, \$6,098,000 in proceeds from Senior Secured Convertible Notes, and \$3,600,000 from the collection of the investor notes, offset by \$2,866,664 in repayment of the Senior Secured Notes and repayments of \$1,992,020 on the production loan.

## Capital Expenditures

As of December 31, 2020, we do not have any material commitments for capital expenditures.

## Critical Accounting Policies and Estimates

Our accounting policies are described in the notes to the consolidated financial statements. Below is a summary of the critical accounting policies, among others, that management believes involve significant judgments and estimates used in the preparation of its consolidated financial statements.

### *Goodwill and Intangible Assets*

Goodwill represents the excess of purchase price over the estimated fair value of net assets acquired in business combinations accounted for by the purchase method. In accordance with FASB ASC 350 Intangibles Goodwill and Other, goodwill and certain intangible assets are presumed to have indefinite useful lives and are thus not amortized, but subject to an impairment test annually or more frequently if indicators of impairment arise. We complete the annual goodwill and indefinite-lived intangible asset impairment tests at the end of each fiscal year. In testing goodwill, we initially use a qualitative approach and analyze relevant factors to determine if events and circumstances have affected the value of the goodwill. If the result of this qualitative analysis indicates that the value has been impaired, we then apply a quantitative approach to calculate the difference between the goodwill's recorded value and its fair value. An impairment loss is recognized to the extent that the recorded value exceeds its fair value. Goodwill, in addition to being tested for impairment annually, is tested for impairment at interim periods if an event occurs or circumstances change such that it is more likely than not that the carrying amount of goodwill may be impaired. For the year ended December 31, 2020, the Company performed a qualitative analysis of the carrying value of goodwill. Based on the results of our analysis, we concluded that there is no impairment to the goodwill balance and no adjustment is necessary at this time.

Other intangible assets have been acquired, either individually or with a group of other assets, and were initially recognized and measured based on fair value. In accordance with FASB ASC 350 Intangible Assets, the costs of new product development and significant improvement to existing products are capitalized while routine and periodic alterations to existing products are expensed as incurred. Annual amortization of these intangible assets is computed based on the straight-line method over the remaining economic life of the asset.

### *Film and Television Costs*

We capitalize production costs for episodic series produced in accordance with FASB ASC 926-20 Entertainment-Films – Other Assets – Film Costs. Accordingly, production costs are capitalized at actual cost and then charged against revenue based on the initial market revenue evidenced by a firm commitment over the period of commitment. We expense all capitalized costs that exceed the initial market firm commitment revenue in the period of delivery of the episodes.

We capitalize production costs for films produced in accordance with FASB ASC 926-20 Entertainment-Films – Other Assets – Film Costs. Accordingly, production costs are capitalized at actual cost and then charged against revenue quarterly as a cost of production based on the relative fair value of the film(s) delivered and recognized as revenue. We evaluate our capitalized production costs annually and limit recorded amounts by our ability to recover such costs through expected future sales.

Additionally, for both episodic series and films, from time to time, we develop additional content, improved animation and bonus songs/features for our existing content. After the initial release of the film or episodic series, the costs of significant improvement to existing products are capitalized while routine and periodic alterations to existing products are expensed as incurred.

### *Debt and Attached Equity Linked Instruments*

The Company measures issued debt on an amortized cost basis, net of debt premium/discount and debt issuance costs amortized using the effective interest rate method or the straight-line method when the latter does not lead to materially different results.

The Company accounts for the proceeds from the issuance of convertible notes payable in accordance with FASB ASC 470-20 Debt with Conversion and Other Options. Pursuant to FASB ASC 470-20, the intrinsic value of the embedded conversion feature (beneficial conversion interest), which is in the money on the commitment date is included in the discount to debt and amortized to interest expense over the term of the note agreement. When the conversion option is not separated, the Company accounts for the entire convertible instrument including debt and the conversion feature as a liability.

The Company analyzes freestanding equity-linked instruments including warrants attached to debt to conclude whether the instrument meets the definition of the derivative and whether it is considered indexed to the Company's own stock. If the instrument is not considered indexed to Company's stock, it is classified as an asset or liability recorded at fair value. If the instrument is considered indexed to Company's stock, the Company analyzes additional equity classification requirements per ASC 815-40 Contract's in Entity's Own Equity. When the requirements are met the instrument is recorded as part of Company's equity, initially measured based on its relative fair value with no subsequent re-measurement. When the equity classification requirements are not met, the instrument is recorded as an asset or liability, measured at fair value with subsequent changes in fair value recorded in earnings.

When required, the Company also considers the bifurcation guidance for embedded derivatives per FASB ASC 815-15 Embedded Derivatives.

### *Revenue Recognition*

On January 1, 2018, the Company adopted the new accounting standard ASC 606 ("Topic 606"), Revenue from Contracts with Customers and all the related amendments ("new revenue standard") using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under ASC 605 ("Topic 605").

As a result of the change, beginning January 1, 2018, the Company began recognizing revenue related to licensed rights to exploit functional IP in two ways. For minimum guarantees, the Company recognizes fixed revenue upon delivery of content and the start of the license period. For functional IP contracts with a variable component, the Company estimates revenue such that it is probable there will not be a material reversal of revenue in future periods. Revenue under these types of contracts was previously recognized when royalty statements were received. The Company began recognizing revenue related to licensed rights to exploit symbolic IP substantially similarly to functional IP. Although it has a different recognition pattern from functional IP, the valuation method is substantially the same, depending on the nature of the license.

The Company sells advertising on its App and OTT based "Kartoon Channel! in the form of either flat rate promotions or impressions served. For flat rate promotions with a fixed term, the Company recognizes revenue when all five revenue recognition criteria under FASB ASC 606 are met. For impressions served, the Company delivers a certain minimum number of impressions on the channel to the advertiser for which the advertiser pays a contractual CPM per impression. Impressions served are reported to the Company on a monthly basis, and revenue is reported in the month the impressions are served.

The Company recognizes revenue related to product sales when we complete our performance obligation, which is when the goods are transferred to the buyer.

### *Direct Operating Costs*

Direct operating costs include costs of our product sales, non-capitalizable film costs, film and television cost amortization expense, and participation expense related to agreements with various animation studios, post-production studios, writers, directors, musicians or other creative talent with which we are obligated to share net profits of the properties on which they have rendered services.

### *Share-Based Compensation*

As required by FASB ASC 718 - Stock Compensation, the Company recognizes an expense related to the fair value of our share-based compensation awards, including stock options, using the Black-Scholes calculation as of the date of grant. The Company has elected to use the graded attribution method for awards which are in-substance, multiple awards based on the vesting schedule.

### *Earnings Per Share*

Basic earnings (loss) per common share ("EPS") is calculated by dividing net income (loss) applicable to common shareholders by the weighted average number of shares of common stock outstanding for the period. Diluted EPS is calculated by dividing net income (loss) applicable to common shareholders by the weighted average number of shares of common stock outstanding, plus the assumed exercise of all dilutive securities using the treasury stock or "as converted" method, as appropriate. During periods of net loss, all common stock equivalents are excluded from the diluted EPS calculation because they are antidilutive.

### *Income Taxes*

Deferred income tax assets and liabilities are recognized based on differences between the financial statement and tax basis of assets and liabilities using presently enacted tax rates. At each balance sheet date, the Company evaluates the available evidence about future taxable income and other possible sources of realization of deferred tax assets and records a valuation allowance that reduces the deferred tax assets to an amount that represents management's best estimate of the amount of such deferred tax assets that more likely than not will be realized.

### *Concentration of Risk.*

The Company's cash is maintained at three financial institutions and from time to time the balances for this account exceed the Federal Deposit Insurance Corporation's ("FDIC") insured amount. Balances on interest bearing deposits at banks in the United States are insured by the FDIC up to \$250,000 per account. As of December 30, 2020, the Company had four accounts with an uninsured balance of \$99,260,006.

For the year ended December 30, 2020, the Company had two customers whose total revenue exceeded 10% of the total consolidated revenue. Those customers accounted for 44% of the total revenue and 22% of accounts receivable. For the year ended December 30, 2019, the Company had two customers whose total revenue each exceeded 10% of the total consolidated revenue. Those customers accounted for 65% and 57% of the total revenue and accounts receivable respectively for the year ended December 31, 2019 respectively.

The major customers for the year ended December 31, 2020 are the same as the major customers at December 31, 2019. There is significant financial risk associated with a dependence upon a small number of customers. The Company periodically assesses the financial strength of these customers and establishes allowances for any anticipated bad debt. At December 31, 2020, the Company recorded an allowance for doubtful accounts in the amount of \$43,676. In 2019, no allowance for bad debt had been established for the major customers as these amounts were expected to be fully collectible.

### *Fair value of financial instruments*

The carrying amounts of cash, receivables, accounts payable, and accrued liabilities approximate fair value due to the short-term maturity of the instruments. The carrying amount of the Facility (as defined below) approximates fair value since the debt carries a variable interest rate that is tied to either the current Prime or LIBOR rates plus an applicable spread.

The Company adopted FASB ASC 820 as of January 1, 2008, for financial instruments measured at fair value on a recurring basis. FASB ASC 820 defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP and expands disclosures about fair value measurements.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

### **Recent Accounting Pronouncements**

In March 2019, the FASB issued ASU No. 2019-02, Subtopic 926-20 and Subtopic 920-350. The update aligns the accounting for production costs of an episodic television series with the accounting for production costs of films by removing the content distinction for capitalization. The amendments also require that an entity reassess estimates of the use of a film in a film group and account for any changes prospectively. The amendments in this update require that an entity test a film or license agreement for program material within the scope of Subtopic 920-350 for impairment at a film group level when the film or license agreement is predominantly monetized with other films and/or license agreements. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. We have prospectively adopted ASU 2016-18. The impact to our consolidated financial position, results of operations and cash flows were not material.

In August 2020, the FASB issued ASU No. 2020-06, Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. The update simplifies the accounting for convertible instruments by removing certain separation models in Subtopic 470-20, Debt—Debt with Conversion and Other Options, for convertible instruments. As part of the amendment, the embedded conversion features are no longer separated from the host contract for convertible instruments with conversion features that are not required to be accounted for as derivatives under Topic 815, Derivatives and Hedging, or that do not result in substantial premiums accounted for as paid-in capital. The FASB has eliminated the cash conversion and beneficial conversion feature models. The FASB has also modified accounting rules relating to application of the scope exception from derivative accounting. The amendments revise the guidance in ASC 815-40-25-10, to remove three out of seven conditions from the settlement guidance, referred to as additional equity classification requirements. Following the above amendments, more convertible debt instruments will be accounted for as a single liability measured at its amortized cost and more convertible preferred stock will be accounted for as a single equity instrument measured at its historical cost, as long as no features require bifurcation and recognition as derivatives. The amendments are effective for public business entities, excluding smaller reporting companies, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. For all other entities, including smaller reporting companies the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. We have prospectively adopted ASU No. 2020-06. The impact to our consolidated financial position, results of operations and cash flows were not material.

Various other accounting pronouncements have been recently issued, most of which represented technical corrections to the accounting literature or were applicable to specific industries and are not expected to have a material effect on our financial position, results of operations, or cash flows.

**Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

As a “smaller reporting company,” as defined by Item 10 of Regulation S-K, we are not required to provide information required by this Item.

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

The financial statements are included herein commencing on page F-1.

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

None.

**Item 9A. Controls and Procedures**

**Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, our principal executive officer and principal financial officer and effected by our board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of our inherent limitations, our internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework (2013 Framework)*.

Based on this assessment, our management, with the participation of our Chief Executive Officer (principal executive officer) and our Chief Financial Officer (principal financial and accounting officer), has concluded that, as of December 31, 2020, our internal control over financial reporting were effective based on those criteria.

### **Evaluation of Disclosure Controls and Procedures**

We carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Disclosure controls and procedures include, without limitation, controls and procedures that are designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based upon our evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective for the year ended December 31, 2020 in ensuring that information that we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms.

### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during the fourth quarter of our last fiscal year that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Item 9B. Other Information**

None.

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance

#### Board of Directors, Executive Officers, Promoters and Control Persons

The following table sets forth information about our directors and executive officers as of March 30, 2021:

Name	Age	Position
Andy Heyward	72	Chief Executive Officer and Chairman of the Board of Directors
Robert L. Denton	61	Chief Financial Officer
Michael A. Jaffa	55	Chief Operating Officer and Corporate Secretary
Joseph “Gray” Davis *	78	Director
P. Clark Hallren *	59	Director
Michael Klein *	73	Director
Margaret Loesch	74	Director
Lynne Segall*	68	Director
Anthony Thomopoulos *	83	Director
Karen McTier *	61	Director

\* Denotes directors who are “independent” under applicable SEC and Nasdaq rules.

Our directors hold office until the earlier of their death, resignation or removal or until their successors have been elected and qualified.

Our Board of Directors has reviewed the materiality of any relationship that each of our directors has with the Company, either directly or indirectly. Based upon this review, our Board of Directors has determined that the following members of the Board of Directors are “independent directors” as defined by the Nasdaq Marketplace Rules: Joseph “Gray” Davis, P. Clark Hallren, Michael Klein, Lynne Segall, and Karen McTier and Anthony Thomopoulos.

*Andy Heyward*, 72, has been the Company’s Chief Executive Officer since November 2013 and the Company’s Chairman of the Board since December 2013. Mr. Heyward co-founded DIC Animation City in 1983 and served as its Chief Executive Officer until its sale in 1993 to Capital Cities/ ABC, Inc. which was eventually bought by The Walt Disney Company in 1995. Mr. Heyward ran the company while it was owned by The Walt Disney Company until 2000 when Mr. Heyward purchased DIC Entertainment L.P. and DIC Productions L.P, corporate successors to the DIC Animation City business, with the assistance of Bain Capital and served as the Chairman and Chief Executive Officer of their acquiring company DIC Entertainment Corporation, until he took the company public on the AIM. He sold the company in 2008. Mr. Heyward co-founded A Squared Entertainment LLC in 2009 and has served as its Co-President since inception. Mr. Heyward earned a Bachelor of Arts degree in Philosophy from UCLA and is a member of the Producers Guild of America, the National Academy of Television Arts and the Paley Center (formerly the Museum of Television and Radio). Mr. Heyward gave the Commencement address in 2011 for the UCLA College of Humanities and was awarded the 2002 UCLA Alumni Association’s Professional Achievement Award. He has received multiple Emmys and other awards for Children’s Entertainment. He serves on the Board of Directors of the Cedars Sinai Medical Center. Mr. Heyward has produced over 5,000 half hour episodes of award winning entertainment, among them *Inspector Gadget*; *The Real Ghostbusters*; *Strawberry Shortcake*; *Care Bears*; *Alvin and the Chipmunks*; *Hello Kitty’s Furry Tale Theater*; *The Super Mario Brothers Super Show*; *The Adventures of Sonic the Hedgehog*; *Sabrina The Animated Series*; *Captain Planet and the Planeteers*; *Liberty’s Kids*, and many others. Mr. Heyward was chosen as a director because of his extensive experience in children’s entertainment and as co-founder of A Squared Entertainment.

*Robert Denton, 61*, has been our Chief Financial Officer since April 18, 2018. He served as the Chief Financial Officer of Alys, Inc. a next-gen media technology company from 2011 to 2018. He has over 30 years of experience as a financial executive, specifically in the entertainment industry. He began his career in 1982 with Ernst & Young handling filings with the Securities and Exchange Commission, including initial public offerings. He left Ernst & Young in 1990 to work as Vice President and Chief Accounting Officer for LIVE Entertainment, Inc. In 1996, LIVE was acquired by Artisan Entertainment, Inc., and, in December 2000, Mr. Denton was promoted to Executive Vice President of Finance and CAO. Mr. Denton also served as the COO of Artisan Home Entertainment, where he directed all financial reporting, budgeting and forecasting, manufacturing and distribution of the Home Entertainment Division. Mr. Denton left Artisan at the end of 2003 and joined DIC Entertainment Corporation to serve as their Chief Financial Officer. At DIC, he directed the three-year financial audit, due diligence and preparation of the company's Admission Documents, and he was responsible for all monthly financial reporting to the Board of Directors as well as the semi-annual reporting to the AIM Exchange of the London Stock Exchange. Mr. Denton left DIC in February 2009 after completing the acquisition and transition of DIC to the Cookie Jar Company. Mr. Denton served as the Chief Financial Officer of Gold Circle Films from 2009 to 2011. From 2009 to 2014, Mr. Denton also owned and operated three Assisted Living Facilities for the Elderly, to help better care for his mother. Mr. Denton is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

*Michael Jaffa, 55*, has been the General Counsel and Corporate Secretary of the Company since April 2018. From January 2017 through April 2018, Mike served as Thoughtful Media Group's (TMG) General Counsel and Global Head of Business Affairs. TMG is a multichannel network focused on Asian markets. At TMG, Mr. Jaffa oversaw all of TMG's legal matters, established the framework for TMG's continued growth in international markets, including a franchise plan, the formation of a regional headquarters in South East Asia and assisted with M&A transactions. From September 2013 through December 2016, Mr. Jaffa worked as the Head of Business Affairs for DreamWorks Animation Television, and before that served in a similar role at Hasbro Studios from December 2009 through September 2013. Mr. Jaffa has over 20 years of experience handling licensing, production, merchandising, complex international transactions and employment issues for large and small entertainment companies and technology startups.

*Joseph "Gray" Davis, 77*, has been a Director of the Company since December 2013. Mr. Davis served as the 37<sup>th</sup> governor of California from 1998 until 2003. Mr. Davis currently serves as "Of Counsel" in the Los Angeles, California office of Loeb & Loeb LLP. Mr. Davis has served on the Board of Directors of DIC Entertainment and is a member of the bi-partisan Think Long Committee, a Senior Fellow at the UCLA School of Public Affairs and Co-Chair of the Southern California Leadership Council. Mr. Davis received his undergraduate degree from Stanford University and received his Juris Doctorate from Columbia Law School. Mr. Davis served as lieutenant governor of California from 1995-1998, California State Controller from 1987-1995 and California State Assemblyman from 1982-1986. Mr. Davis was chosen as a director of the Company based on his knowledge of corporate governance.

*P. Clark Hallren, 58*, has been a Director of the Company since May 2014. Since August 2013, Mr. Hallren has been a realtor with HK Lane/Christie's International Real Estate and since August 2012, Mr. Hallren has served as an outside consultant to individuals and entities investing or operating in the entertainment industry. From August 2012 to August 2014, Mr. Hallren was a realtor with Keller Williams Realty and from August 2009 to August 2012, Mr. Hallren founded and served as managing partner of Clear Scope Partners, an entertainment advisory company. From 1986 to August 2009, Mr. Hallren was employed by JP Morgan Securities Inc. in various capacities, including as Managing Director of the Entertainment Industries Group. In his roles with JP Morgan Securities, Mr. Hallren was responsible for marketing certain products to his clients, including but not limited to, syndicated senior debt, public and private subordinated debt, public and private equity, securitized and credit enhanced debt, interest rate derivatives, foreign currency and treasury products. Mr. Hallren holds Finance, Accounting and Economics degrees from Oklahoma State University. He also currently holds Series 7, 24 and 63 securities licenses. Mr. Hallren was chosen as a director of the Company based on his knowledge and experience in the entertainment industry as well as in banking and finance.

*Michael Klein, 72*, was appointed as a Director of the Company since March 7, 2019. Mr. Klein is an accomplished executive, entrepreneur, and financier with substantial experience in media and entertainment, investment banking, professional sports, venture capital funding, and real estate. Prior to starting Camden Capital Management, LLC (CCM), Mr. Klein, since 1996, has led Klein Investment Group after assuming 100% ownership of (and renaming) Iacocca Capital Partners, L.P., where he was Managing Partner from 1994 to 1996. From 1984 to 1993, Mr. Klein was a managing director at Bear Stearns & Company, where he founded and co-directed the Media-Entertainment Group, and Gruntal & Company, where he was Senior Managing Director and a member of the Executive Committee. From 1974 to 1982, Mr. Klein supplied prime time and mini-series content to the major television networks through his company, Michael Klein Productions. Also, during that time, he was an owner and a senior executive officer of the San Diego Chargers, an NFL Football franchise. Mr. Klein has significant experience in the area of corporate financings. He has executed and participated in financing deals, both public and private, ranging from \$5 million to over \$2 billion. His real estate ventures in Southern California include a 600-acre development in North San Diego, which he sold in various stages. He also has led several real estate ventures in Southern California including the Water Gardens phase two in Santa Monica. Mr. Klein was chosen as a director of the Company based on his knowledge and experience in the entertainment industry as well as in banking and finance.

*Margaret Loesch, 74*, has been a Director of the Company since March 2015 and the Executive Chairman of the Genius Brands Network since December 2016. Beginning in 2009 through 2014, Ms. Loesch, served as Chief Executive Officer and President of The Hub Network, a cable channel for children and families, including animated features. The Company has, in the past, provided The Hub Network with certain children's programming. From 2003 through 2009 Ms. Loesch served as Co-Chief Executive Officer of The Hatchery, a family entertainment and consumer product company. From 1998 through 2001 Ms. Loesch served as Chief Executive Officer of the Hallmark Channel, a family related cable channel. From 1990 through 1997 Ms. Loesch served as the Chief Executive Officer of Fox Kids Network, a children's programming block and from 1984 through 1990 served as the Chief Executive Officer of Marvel Productions, a television and film studio subsidiary of Marvel Entertainment Group. Ms. Loesch obtained her Bachelor of Science from the University of Southern Mississippi. Ms. Loesch was chosen to be a director based on her 40 years of experience at the helm of major children and family programming and consumer product channels.

*Lynne Segall, 67*, has been a Director of the Company since December 2013. Ms. Segall has served as the Senior Vice President and Publisher of The Hollywood Reporter since June 2011. From 2010 to 2011, Ms. Segall was the Senior Vice President of Deadline Hollywood. From June 2006 to May 2010, Ms. Segall served as the Vice President of Entertainment, Fashion & Luxury advertising at the Los Angeles Times. In 2005, Ms. Segall received the Women of Achievement Award from The Hollywood Chamber of Commerce and the Women in Excellence Award from the Century City Chamber of Commerce. In 2006, Ms. Segall was recognized by the National Association of Women with its Excellence in Media Award. Ms. Segall was chosen to be a director based on her expertise in the entertainment industry.

*Anthony Thomopoulos, 82*, has been a Director of the Company since February 2014. Mr. Thomopoulos served as the Chairman of United Artist Pictures from 1986 to 1989 and formed Thomopoulos Pictures, an independent production company of both motion pictures and television programs in 1989 and has served as its Chief Executive Officer since 1989. From 1991 to 1995, Mr. Thomopoulos was the President of Amblin Television, a division of Amblin Entertainment. Mr. Thomopoulos served as the President of International Family Entertainment, Inc. from 1995 to 1997. From June 2001 to January 2004, Mr. Thomopoulos served as the Chairman and Chief Executive Officer of Media Arts Group, a NYSE listed company. Mr. Thomopoulos served as a state commissioner of the California Service Corps. under Governor Schwarzenegger from 2005 to 2008. Mr. Thomopoulos is also a founding partner of Morning Light Productions. Since he founded it in 2008, Mr. Thomopoulos has operated Thomopoulos Productions and has served as a consultant to BKSems, USA, a digital signage company. Mr. Thomopoulos is an advisor and a member of the National Hellenic Society and holds a degree in Foreign Service from Georgetown University and sat on its Board of Directors from 1978 to 1988. Mr. Thomopoulos was chosen as a director of the Company based on his entertainment industry experience.

*Karen McTier, 61*, has been a director of the Company since September 7, 2020. Ms. McTier served as Executive VP, World-Wide Consumer Products for Warner Bros. Pictures. Her career at Warner Bros spanned over two decades from 1988-2016. Ms. McTier managed a vast portfolio of brands including Batman, Superman, Wonder Woman, Wizard of Oz, Friends, Looney Tunes, Scooby Doo, and Harry Potter, to name a few. In this role, Ms. McTier managed over 300 employees (including offices in 13 countries) and had oversight of the global licensing business including sales, promotions and partnerships, marketing, retail, creative, product development, e-commerce, themed entertainment and live events. Ms. McTier worked closely with Warner Bros. Animation, WBTV, DC Comics and Cartoon Network on new content development relevant to merchandising, including numerous animated and live action television series. Ms. McTier has an in-depth of knowledge of all product categories, and broad experience working with major retailers and licensees around the globe. Ms. McTier was also instrumental in the negotiation, execution and launch of Universal's Wizarding World of Harry Potter in Orlando, Hollywood and Osaka, Japan. In addition to Universal, McTier played a key role in managing other theme park projects including the development of Warner Bros. World Abu Dhabi, Movie World Australia and Six Flags Theme Parks. Ms. McTier has an expertise in working with producers, directors and authors to bring their vision to life—reaching fans of all ages with targeted merchandise and experiential projects. In 2018, Ms. McTier set up a consulting practice, handling business development for a themed entertainment client, IdeaRworks, and since 2019, McTier's company serves as the licensing agency of record for Lionsgate Films. Ms McTier was chosen as a director based on her licensing and consumer products experience.

#### **Family Relationships**

There are no family relationships between any of our directors and our executive officers.

## General

We believe that good corporate governance is important to ensure that the Company is managed for the long-term benefit of our stockholders. This section describes key corporate governance practices that we have adopted.

### Board Leadership Structure and Role in Risk Oversight

The Board of Directors has responsibility for establishing broad corporate policies and reviewing our overall performance rather than day-to-day operations. The primary responsibility of our Board of Directors is to oversee the management of our company and, in doing so, serve the best interests of the company and our stockholders. The Board of Directors selects, evaluates and provides for the succession of executive officers and, subject to stockholder election, directors. It reviews and approves corporate objectives and strategies and evaluates significant policies and proposed major commitments of corporate resources. Our Board of Directors also participates in decisions that have a potential major economic impact on our company. Management keeps the directors informed of company activity through regular communication, including written reports and presentations at Board of Directors and committee meetings.

Although we have not adopted a formal policy on whether the Chairman and Chief Executive Officer positions should be separate or combined, we have traditionally determined that it is in the best interest of the Company and its shareholders to partially combine these roles. Due to the small size of the Company, we believe it is currently most effective to have the Chairman and Chief Executive Officers positions combined.

The Company currently has seven directors, including Mr. Heyward, its Chairman, who also serves as the Company's Chief Executive Officer. The Chairman and the Board are actively involved in the oversight of the Company's day to day activities.

### 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our officers, directors and any persons who own more than 10% of common stock, to file reports of ownership of, and transactions in, our common stock with the SEV and furnish copies of such reports to us. Based solely on our reviews of the copies of such forms and amendments thereto furnished to us and on written representations from officers, directors, and any other person whom we understand owns more than 10% of our common stock, we found that during 2020, all Section 16(a) filings were made with the SEC on a timely basis.

### Code of Conduct and Ethics

We have adopted a Corporate Code of Conduct and Ethics and Whistleblower Policy that applies to all of our officers, directors and employees. A copy of the Code of Conduct and Ethics and Whistleblower Policy can be obtained, free of charge by submitting a written request to the Company or on our website at [www.gnusbrands.com](http://www.gnusbrands.com). Disclosure regarding any amendments to, or waivers from, provisions of the code of conduct and ethics that apply to our directors, principal executive and financial officers will be posted on the "Investor Relations-Corporate Governance" section of our website at [www.gnusbrands.com](http://www.gnusbrands.com) or included in a Current Report on Form 8-K within four business days following the date of the amendment or waiver.

## Board Committees

During 2020, our Board of Directors held 8 meetings.

The following table sets forth the three standing committees of our Board and the members of each committee and the number of meetings held by our Board of Directors and the committees during 2020:

<b>Director</b>	<b>Board</b>	<b>Audit Committee</b>	<b>Compensation Committee</b>	<b>Nominating Committee</b>
Andy Heyward	Chair			
Joseph “Gray” Davis (1)	X			X
P. Clark Hallren	X	Chair	X	
Margaret Loesch	X			
Lynne Segall	X			Chair
Anthony Thomopoulos	X	X	Chair	
Michael Klein (2)	X	X		X
Karen McTier	X			
Meetings in 2020:	8	4	1	1

- (1) Effective as of March 19, 2020, Mr. Davis joined as a member of our nominating committee (the “Nominating Committee”)
- (2) Effective as March 19, 2020, Mr. Klein replaced Mr. Cahill as a member of our audit committee (the “Audit Committee”), and also joined as a member of the Nominating Committee.
- (3) Effective September 7, 2020, Ms. McTier was elected as a member of our Board of Directors.

The Board of Directors has adopted a policy under which each member of the Board of Directors makes every effort, but is not required, to attend each annual meeting of our stockholders.

To assist it in carrying out its duties, the Board of Directors has delegated certain authority to an Audit Committee, a compensation committee (the “Compensation Committee”) and a Nominating Committee as the functions of each are described below.

## **Audit Committee**

Messrs. Hallren, Klein, and Thomopoulos serve on our Audit Committee. Our Audit Committee's main function is to oversee our accounting and financial reporting processes, internal systems of control, independent auditor relationships and the audits of our financial statements. The Audit Committee's responsibilities include:

- selecting, hiring, and compensating our independent auditors;
- evaluating the qualifications, independence and performance of our independent auditors;
- overseeing and monitoring the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to financial statements or accounting matters;
- approving the audit and non-audit services to be performed by our independent auditor;
- reviewing with the independent auditor the design, implementation, adequacy and effectiveness of our internal controls and our critical accounting policies; and
- preparing the report that the SEC requires in our annual proxy statement.

The Board of Directors has adopted an Audit Committee Charter and the Audit Committee reviews and reassesses the adequacy of the Charter on an annual basis. The Audit Committee members meet Nasdaq's financial literacy requirements and are independent under applicable SEC and Nasdaq rules, and the board has further determined that Mr. Hallren (i) is an "audit committee financial expert" as such term is defined in Item 407(d) of Regulation S-K promulgated by the SEC and (ii) also meets Nasdaq's financial sophistication requirements.

A copy of the Audit Committee's written charter is publicly available on our website at [www.gnusbrands.com](http://www.gnusbrands.com).

## **Compensation Committee**

Messrs. Thomopoulos and Hallren serve on the Compensation Committee and are independent under the applicable SEC and Nasdaq rules. Our Compensation Committee's main functions are assisting our Board of Directors in discharging its responsibilities relating to the compensation of outside directors, the Chief Executive Officer and other executive officers, as well as administering any stock incentive plans, we may adopt. The Compensation Committee's responsibilities include the following:

- reviewing and recommending to our board of directors the compensation of our Chief Executive Officer and other executive officers, and the outside directors;
- conducting a performance review of our Chief Executive Officer;
- reviewing our compensation policies; and
- if required, preparing the report of the Compensation Committee for inclusion in our annual proxy statement.

The Board of Directors has adopted a Compensation Committee Charter and the Compensation Committee reviews and reassesses the adequacy of the Charter on an annual basis.

The Compensation Committee's policy is to offer our executive officers competitive compensation packages that will permit us to attract and retain highly qualified individuals and to motivate and reward these individuals in an appropriate fashion aligned with the long-term interests of our Company and our stockholders.

### ***Compensation Committee Risk Assessment***

We have assessed our compensation programs and concluded that our compensation practices do not create risks that are reasonably likely to have a material adverse effect on us.

A copy of the Compensation Committee's written charter is publicly available on our website at [www.gnusbrands.com](http://www.gnusbrands.com).

## **Nominating Committee**

Ms. Segall and Messrs. Davis and Klein serve on our Nominating Committee. The Nominating Committee's responsibilities include:

- identifying qualified individuals to serve as members of our Board of Directors;
- review the qualifications and performance of incumbent directors;
- review and consider candidates who may be suggested by any director or executive officer or by an stockholder of the Company; and
- review considerations relating to board composition, including size of the board, term and age limits, and the criteria for membership of the board.

The Board of Directors has adopted a nominating committee charter and the Nominating Committee reviews and reassesses the adequacy of the Charter on an annual basis. For all potential candidates, the Nominating Committee may consider all factors it deems relevant, such as a candidate's personal integrity and sound judgment, business and professional skills and experience, independence, knowledge of the industry in which we operate, possible conflicts of interest, diversity, the extent to which the candidate would fill a present need on the Board of Directors, and concern for the long-term interests of our stockholders.

The Nominating Committee considers issues of diversity among its members in identifying and considering nominees for director, and strives, where appropriate, to achieve a diverse balance of backgrounds, perspectives and experience on the board and its committees.

A copy of the Nominating Committee's written charter is publicly available on our website at [www.gnusbrands.com](http://www.gnusbrands.com).

## **Stockholder Communications to the Board**

Generally, stockholders who have questions or concerns should contact our Investor Relations department at 212-564-4700. However, any stockholders who wish to address questions regarding our business directly with the Board of Directors, or any individual director, should direct his or her questions in writing to Genius Brands International, Inc., at 190 N. Canon Drive, 4th Floor, Beverly Hills, California 90210, Attn: Corporate Secretary or by using the "Contact" page of our website [www.gnusbrands.com/contact-us](http://www.gnusbrands.com/contact-us). Communications will be distributed to the Board, or to any individual director or directors as appropriate, depending on the facts and circumstances outlined in the communications. Items that are unrelated to the duties and responsibilities of the Board may be excluded, such as:

- junk mail and mass mailings
- resumes and other forms of job inquiries
- surveys
- solicitations or advertisements.

In addition, any material that is unduly hostile, threatening, or illegal in nature may be excluded, provided that any communication that is filtered out will be made available to any outside director upon request.

**ITEM 11. EXECUTIVE OFFICER AND DIRECTOR COMPENSATION**

This section describes the material elements of compensation awarded to, earned by or paid to each of our named executive officers. Our compensation committee will review and approve the compensation of our executive officers and oversee our executive compensation programs and initiatives.

**Summary Compensation Table**

The following table provides information regarding the total compensation for services rendered in all capacities that was earned during the fiscal year indicated by our named officers for fiscal year 2020 and 2019.

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Bonus (\$)</b>	<b>Stock Awards (\$ (1))</b>	<b>Option Awards (\$ (1))</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Andy Heyward (2) Chief Executive Officer	2020	311,717	73,528	10,425,000	5,750,000	880,959	17,441,204
	2019	287,500	–	–	–	124,000	411,500
Robert L. Denton (3) Chief Financial Officer	2020	261,158	150,000	660,250	1,092,500	–	2,163,908
	2019	215,625	25,000	–	21,814	–	262,439
Michael A. Jaffa (4) Chief Operating Officer and General Counsel and Corporate Secretary	2020	261,880	150,000	695,000–	1,150,000	–	2,256,880
	2019	215,625	25,000	–	21,814	–	262,439

- (1) The aggregate fair value of the stock awards and stock option awards on the date of grant was computed in accordance with FASB ASC Topic 718.
- (2) In association with the Merger, Mr. Heyward was appointed Chief Executive Officer of the Company on November 15, 2013. Per his employment agreement, Mr. Heyward is entitled to an annual salary of \$200,000. Mr. Heyward entered into a new five-year employment agreement on November 16, 2018. Under his new employment agreement, Mr. Heyward is entitled to an annual salary of \$300,000. Mr. Heyward entered into a new five-year employment agreement on December 7, 2020. Under his new employment agreement, Mr. Heyward is entitled to an annual salary of \$430,000.

During 2020, Mr. Heyward was paid \$161,200 in producers fees for the production of Rainbow Rangers Season 1 and \$322,400 in producers fees for the production of Rainbow Rangers season 2. During 2020, Mr. Heyward was also paid \$11,370 in interest on the Senior Convertible Notes and \$3,000 in board fees for his attendance at the unscheduled board meetings and the Company paid \$380,989 in security costs at his residence.

- (3) Effective April 18, 2018, the Company entered into an employment agreement with Mr. Denton, whereby Mr. Denton agreed to serve as the Company's Chief Financial Officer ("CFO") for a period of two years, with a mutual option for an additional one-year period, in consideration for an annual salary of \$225,000. Mr. Denton received \$5,550 for consulting services prior to becoming the CFO. Mr. Denton also received \$49,962 in relocation expenses for his relocation from Salt Lake City, Utah to Los Angeles, California. On December 7, 2020, Mr. Denton entered into a new one-year employment agreement, with a mutual option for two additional one-year periods. Under his new employment agreement, Mr. Denton is entitled to an annual salary of \$300,000 the first year, \$325,000 the second year and \$350,000 the third year and an annual signing bonus of \$50,000 each year.

On September 26, 2018, Mr. Denton received 85,088 options with a strike price of \$2.09.

On March 7, 2019, the Company granted 15,000 stock options to Mr. Denton with a strike price of \$1.99 and a term of five years. The options vested on December 31, 2019.

On December 7, 2020, the Company granted 950,000 stock options to Mr. Denton with a strike price of \$1.39 and a term of 10 years. 380,000 of the options vested on the grant date with the remaining options vesting 190,000 each of the next three years. On December 7, 2020, the Company also granted 475,000 RSUs to Mr. Denton. The RSUs vest 155,000 on the first anniversary, 158,000 on the second anniversary and 162,000 on the third anniversary.

- (4) Effective April 16, 2018, the Company entered into an employment agreement with Mr. Jaffa, whereby Mr. Jaffa agreed to serve as the Company's General Counsel and Senior Vice President of Business Affairs for a period of year in consideration for an annual salary of \$225,000. On June 7, 2018, Mr. Jaffa was elected as the Company's Corporate Secretary. Mr. Jaffa entered into a new three-year employment agreement on December 7, 2020. Under his new employment agreement, Mr. Jaffa is entitled to an annual salary of \$325,000 the first year, \$350,000 the second year and \$375,000 the third year and an annual signing bonus of \$50,000 each year.

On September 26, 2018, Mr. Jaffa received 85,088 options with a strike price of \$2.09.

On March 7, 2019, the Company granted 15,000 stock options to Mr. Jaffa with a strike price of \$1.99 and a term of five years. The options vested on December 31, 2019.

On December 7, 2020, the Company granted 1,000,000 stock options to Mr. Jaffa with a strike price of \$1.39 and a term of 10 years. 400,000 of the options vested on the grant date with the remaining options vesting 200,000 each of the next three years. On December 7, 2020, the Company also granted 500,000 RSUs to Mr. Jaffa. The RSUs vest 166,666 on the first anniversary, 166,666 on the second anniversary and 166,668 on the third anniversary.

#### **Narrative Disclosure to Summary Compensation**

*Base Salary.* In 2020, the Company paid \$311,717 to Andy Heyward, \$261,158 to Robert L. Denton and \$261,880 to Michael A. Jaffa. In 2019, the Company paid \$212,500 to Mr. Heyward, \$156,871 to Mr. Denton and \$159,375 to Mr. Jaffa. Base salaries are used to recognize experience, skills, knowledge and responsibilities required of all of our employees, including our executive officers.

*All Other Compensation.* On August 31, 2018, Llama Productions LLC entered into an animation production services agreement with Mr. Heyward for services as a producer for which he received \$124,000 through the course of production of the Company's animated series *Llama Llama Season 2*.

Pursuant to his employment agreement dated November 16, 2018, Mr. Heyward is entitled to an Executive Producer fee of \$12,400 per half hour episode for each episode for which he provides services as an executive producer. The first identified series under this employment agreement is *Rainbow Rangers*. As of March 31, 2019, twenty-six half hours had been delivered and, accordingly, Mr. Heyward was owed \$322,400. The second series identified was *Rainbow Rangers Season 2*. Thirteen half hours of *Rainbow Rangers Season 2* were delivered in the fourth quarter of 2019 and, accordingly, Mr. Heyward was owed \$161,200. Mr. Heyward was paid the total amount due to him of \$483,600 for his producer services on March 17, 2020.

*Bonus Compensation.* Our named executive officers are expected to be eligible to receive an annual bonus award in accordance with their employment agreements and/or management incentive program then in effect with respect to such executive officer and based on an annualized target of base salary, as specified in their respective employment agreements, if applicable. In fiscal 2019, Mr. Denton and Mr. Jaffa were each paid a \$25,000 bonus in fiscal 2020 Mr. Heyward was paid a bonus of \$73,528 and Mr. Denton and Mr. Jaffa were each paid two bonuses totaling \$150,000.

*Equity Based Incentive Awards.* We believe that equity grants provide our executives with a strong link to our long-term performance, create an ownership culture and help to align the interests of our executives and our stockholders. In addition, we believe that equity grants with a time-based vesting feature promote executive retention because this feature incentivizes our named executive officers to remain in our employment during the vesting period. Accordingly, our compensation committee and Board periodically review the equity incentive compensation of our named executive officers and from time to time may grant additional equity incentive awards to them in the form of stock options or other awards. As of December 31, 2019, no options granted to our named executive officers have been modified or repriced.

On December 7, 2020, Mr. Heyward received 5,000,000 options with a value of \$5,750,000 and 7,500,000 RSUs with a value of \$10,425,000. Mr. Heyward also received 7,500,000 performance based RSUs with a value of \$10,425,000.

On September 26, 2018, Mr. Denton received 85,088 options with a value of \$155,517. On March 7, 2019, Mr. Denton received 15,000 options with a value of \$21,814. On December 7, 2020, Mr. Denton received 950,000 options with a value of \$1,092,500 and 475,000 RSUs with a value of \$660,250.

On September 26, 2018, Mr. Jaffa received 85,088 options with a value of \$155,517. On March 7, 2019, Mr. Jaffa received 15,000 options with a value of \$21,814. On December 7, 2020, Mr. Jaffa received 1,000,000 options with a value of \$1,150,000 and 500,000 RSUs with a value of \$695,000.

### **Employment Agreements**

On November 16, 2020, the Company entered into an amended and restated employment agreement with Andy Heyward (the “Andy Heyward Employment Agreement”), whereby Mr. Heyward agreed to serve as the Company’s Chief Executive Officer for a period of five years, subject to renewal, in consideration for an annual salary of \$440,000, and an award of 5,000,000 stock options and 15,000,000 RSUs. Mr. Heyward is also eligible to be paid a producing fee equal to \$12,500 per half hour episode for each series produced, controlled and distributed by the Company, and for which he provides material production services provided as the executive producer. Additionally, under the terms of the Andy Heyward Employment Agreement, Mr. Heyward shall be eligible for a quarterly discretionary bonus of \$55,000 per fiscal quarter, if the Company meets certain criteria, as established by the Board of Directors. Mr. Heyward shall be entitled to reimbursement of reasonable expenses incurred in connection with his employment and the Company may take out and maintain during the term of his tenure a life insurance policy in the amount of \$1,000,000. During the term of his employment and under the terms of the Andy Heyward Employment Agreement, Mr. Heyward shall be entitled to be designated as composer on all music contained in the programming produced by the Company and to receive composer’s royalties from applicable performing rights societies. The Options granted to Mr. Heyward were fully vested on the date of grant. One-half of the RSUs granted to Mr. Heyward vest over time subject to Mr. Heyward’s continued employment, and one-half vest in equal installments on the first, second, third and fourth anniversaries of the date of grant, subject to the achievement of certain performance criteria, to be determined by the Compensation Committee, and subject to Mr. Heyward’s continued employment. In the event of Mr. Heyward’s death or resignation, all compensation then currently due would be payable to his estate.

The CEO Employment Agreement extends and modifies Mr. Heyward’s current employment agreement such that Mr. Heyward is eligible to receive, during the five-year term of the CEO Employment Agreement (i) an annualized base salary of \$440,000, (ii) quarterly performance bonuses of up to \$55,000, and (iii) producer fees of up to \$12,500 per one-half hour episode produced by the Company for up to 52 one-half hour episodes.

The CEO Employment Agreement also entitles Mr. Heyward to separation payments in certain circumstances. In the event Mr. Heyward’s employment terminates due to his death or retirement, in addition to accrued amounts, he is entitled to receive (i) any unpaid quarterly bonus for the fiscal quarter preceding the fiscal quarter in which such termination occurs and (ii) if earned, a pro-rated quarterly bonus for the fiscal quarter in which such termination occurs. In the event Mr. Heyward’s employment terminates due to his permanent disability, in addition to accrued amounts, he is entitled to receive (i) any unpaid quarterly bonus for the fiscal quarter preceding the fiscal quarter in which such termination occurs, (ii) if earned, a pro-rated quarterly bonus for the fiscal quarter in which such termination occurs and (iii) six monthly payments equal to the amount, if any, of his monthly base salary in excess of any disability benefits being received by Mr. Heyward.

On December 7, 2020, the Company entered into an amended and restated agreement, (The COO and General Counsel Employment Agreement) with Michael A. Jaffa in which Mr. Jaffa would assume the role of Chief Operating Officer and General Counsel commencing on December 7, 2020. Mr. Jaffa will be entitled to be paid a salary at the annual rate of \$325,000 per year. The term of the agreement is three years. In addition, Mr. Jaffa will be entitled to an annual discretionary bonus based on his performance. In the event of Mr. Jaffa’s death or resignation, all compensation then currently due would be payable to his estate.

The COO and General Counsel Employment Agreement provides Mr. Jaffa with, during the three year term of the General Counsel Employment Agreement (i) an annualized base salary of \$325,000 for the first year of the term, \$350,000 for the second year of the term and \$375,000 for the third year of the term, (ii) discretionary annual bonuses determined in the sole discretion of the Compensation Committee of the Board of Directors of the Company (the "Compensation Committee"), and (iii) eligibility to receive renewal bonuses of \$50,000 beginning within 60 days following the effective date of the General Counsel Employment Agreement and each anniversary thereafter during the term, subject to Mr. Jaffa's continued employment. The agreement granted Mr. Jaffa 1,000,000 stock option and 500,00 RSUs. The Options granted to Mr. Jaffa were partially vested on the date of grant, and vest with respect to the unvested amounts in substantially equal installments on the first three anniversaries of the grant date, subject to continued employment. The RSUs granted to Mr. Jaffa vest in three equal installments on the first three anniversaries of the date of grant, subject to continued employment. Any unvested Options or RSUs held by Mr. Jaffa will vest upon his termination of employment without Cause or resignation for Good Reason, each as defined in the Option Grant and RSU Grant agreement.

The COO and General Counsel Employment Agreement also entitles Mr. Jaffa to separation payments in certain circumstances. In the event Mr. Jaffa's employment terminates due to his death or retirement, in addition to accrued amounts, he is entitled to receive any unpaid annual bonus for the fiscal year preceding the fiscal year in which such termination occurs. In the event Mr. Jaffa's employment terminates due to his permanent disability, in addition to accrued amounts, he is entitled to receive (i) any unpaid annual bonus for the fiscal year preceding the fiscal year in which such termination occurs, and (iii) two monthly payments equal to the amount, if any, of his monthly base salary in excess of any disability benefits being received by Mr. Jaffa.

Additionally, the COO and General Counsel Employment Agreement contains certain restrictive covenants regarding confidential information, intellectual property, non-competition and non-solicitation. This summary of the COO and General Counsel Employment Agreement is qualified in its entirety by reference to the full text of the General Counsel Employment Agreement, which is attached hereto as Exhibit 10.2 and incorporated herein by reference.

On December 7, 2020, the Company entered into an Employment Agreement with Robert L. Denton (the "CFO Employment Agreement"), whereby Mr. Denton agreed to serve as the Company's Chief Financial Officer, effective as of December 7, 2020 for a period of one year with a mutual option for two additional one-year periods, in consideration for an annual salary of \$300,000. Under the terms of the Robert Denton Employment Agreement, Mr. Denton shall be entitled to an annual discretionary bonus based on his performance. The Robert Denton Employment Agreement may be terminated either (i) upon the end of the term, (ii) at any time by the Company for "Cause" (as defined in the Robert Denton Employment Agreement) or (iii) upon an event of retirement, death or disability. Upon the termination or expiration of Mr. Denton's employment with the Company and for a period of three years thereafter, certain amounts paid to Mr. Denton, including any discretionary bonus and stock based compensation, but excluding his base salary and reimbursement of certain expenses, will be subject to the Company's clawback right upon the occurrence of certain events which are adverse to the Company, including a restatement of financial statements. In the event of Mr. Denton's death or resignation, all compensation then currently due would be payable to his estate.

The CFO Employment Agreement provides Mr. Denton with, during the one year term of the CFO Employment Agreement (i) an annualized base salary of \$300,000, (ii) discretionary annual bonuses determined in the sole discretion of the Compensation Committee, and (iii) eligibility to receive renewal bonuses of \$50,000 beginning within 60 days following the effective date of the CFO Employment Agreement and continuing on each anniversary thereafter during the term, subject to Mr. Denton's continued employment. The agreement granted Mr. Denton 975,000 stock options and 475,000 RSUs. The Options granted to Mr. Denton were partially vested on the date of grant, and vest with respect to the unvested amounts in substantially equal installments on the first three anniversaries of the grant date, subject to continued employment. The RSUs granted to Mr. Denton vest in three equal installments on the first three anniversaries of the date of grant, subject to continued employment. Only unvested Options or RSUs that would have otherwise vested during the then current term of the CFO Employment Agreement will vest upon Mr. Denton's termination of employment without Cause or resignation for Good Reason, each as defined in the Form Option Grant and Form RSU Grant.

The CFO Employment Agreement also entitles Mr. Denton to separation payments in certain circumstances. In the event Mr. Denton's employment terminates due to his death or retirement, in addition to accrued amounts, he is entitled to receive any unpaid annual bonus for the fiscal year preceding the fiscal year in which such termination occurs. In the event Mr. Denton's employment terminates due to his permanent disability, in addition to accrued amounts, he is entitled to receive (i) any unpaid annual bonus for the fiscal year preceding the fiscal year in which such termination occurs, and (ii) two monthly payments equal to the amount, if any, of his monthly base salary in excess of any disability benefits being received by Mr. Denton.

#### Retirement Benefits

As of December 31, 2020, the Company did not provide any retirement plans to its executive officers or employees.

#### Potential Payments upon Termination or Change-in-Control

As of December 31, 2020, the Company did not provide for any potential payments upon termination or change of control.

#### Outstanding Equity Awards at Fiscal Year

The following table sets forth outstanding stock option awards as of December 31, 2020 to each of the named executive officers. As of December 31, 2020, the Company has not granted any stock awards to its executive officers other than to Mr. Heyward, Mr. Denton and Mr. Jaffa as noted below.

Name	Option Awards				Stock Units Awards	
	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Option exercise price (\$)	Option expiration date	Equity incentive plan awards: Number of securities underlying unearned Restricted Stock Units (#)	Market Value of Shares
Andy Heyward	5,000,000 (5)	–	1.39	12/07/30	7,500,000 (6)	\$ 10,350,000
Robert L. Denton	56,725 (1)	28,363	2.09	09/25/23		
	15,000 (2)	–	1.99	03/07/24		
	380,000 (3)	570,000	1.39	12/07/30	475,000 (7)	\$ 655,500
Michael A. Jaffa	56,725 (1)	28,363	2.09	09/25/23		
	15,000 (2)	–	1.99	03/07/24		
	400,000 (4)	600,000	1.39	12/07/30	500,000 (8)	\$ 690,000

(1) Mr. Denton's and Mr. Jaffa's options vest one third per year for three years.

(2) Mr. Denton's and Mr. Jaffa's options vested as of December 31, 2020.

(3) Mr. Denton's options vest 380,000 upon grant and 190,000 options vest annually for the next three years on the anniversary dates.

(4) Mr. Jaffa's options vest 400,000 upon grant and 200,000 options vest annually for the next three years on the anniversary dates.

(5) Mr. Heyward's options vest upon the grant date.

(6) Mr. Heyward was granted 7,500,000 RSUs, with 1,875,000 vesting on each of the next four anniversary dates. Mr. Heyward was also granted 7,500,000 performance based RSUs that, if awarded, vest 1,875,000 on each of the next four anniversary dates.

(7) Mr. Denton's RSUs vest 155,000 on the first anniversary date, 158,000 on the second anniversary date and 162,000 on the third anniversary date.

(8) Mr. Jaffa's RSUs vest 166,666 on the first anniversary date, 166,666 on the second anniversary date and 166,668 on the third anniversary date.

## Director Compensation

The following table sets forth with respect to the named directors, compensation information inclusive of equity awards and payments made for the year ended December 31, 2020 in the director's capacity as director.

<b>Name</b>	<b>Year</b>	<b>Fees Earned (\$ (1))</b>	<b>Stock Awards (\$)</b>	<b>Option Awards (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Andy Heyward	2020	–	–	–	–	–
Bernard Cahill (2)	2020	7,500	–	–	–	7,500
Joseph “Gray” Davis	2020	23,500	–	–	–	20,000
P. Clark Hallren	2020	24,500	–	–	–	20,000
Karen McTier (3)	2020	5,000	–	–	–	2,500
Margaret Loesch (4)	2020	79,500	–	–	–	17,500
Lynne Segall	2020	27,000	–	–	–	17,500
Anthony Thomopoulos	2020	17,500	–	–	–	17,500
Michael Klein (5)	2020	23,500	–	–	–	12,500

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- (1) Directors, other than Mr. Heyward, earn \$5,000 for each meeting attended physically, \$2,500 per meeting for each meeting attended telephonically, and nothing for non-attendance and \$1,000 for unscheduled meetings. These cash payments are paid to the Board member at the subsequent board meeting.
  - (2) Mr. Cahill resigned from the Board effective March 19, 2020.
  - (3) Mrs. McTier was appointed to the Board effective September 7, 2020.
  - (4) Ms. Loesch was paid \$27,000 for her services on the Board and \$52,500 for her services as Executive Chairperson of the Kartoon Channel!
  - (5) Mr. Klein was appointed to our Board effective March 7, 2019.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table shows the beneficial ownership of shares of our \$0.001 par value common stock as of March 29, 2020, known by us through transfer agent and other records held by: (i) each person who beneficially owns 5% or more of the shares of common stock then outstanding; (ii) each of our directors; (iii) each of our named executive officers; and (iv) all of our current directors and executive officers as a group.

The information in this table reflects “beneficial ownership” as defined in Rule 13d-3 of the Exchange Act. To our knowledge and unless otherwise indicated, each stockholder has sole voting power and investment power over the shares listed as beneficially owned by such stockholder, subject to community property laws where applicable. Percentage ownership is based on 300,273,163 shares of common stock outstanding as of March 29, 2020. Unless otherwise indicated in the footnotes to the following table, each person named in the table has sole voting and investment power and that person’s address is c/o 190 N. Canon Drive, Floor 4, Beverly Hills, CA 90210.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)		Percent of Class (1)
<b>Directors and Named Executive Officers</b>			
Andy Heyward	19,456,244	(2)	6.37%
Robert L. Denton	480,088	(3)	*
Michael Klein	220,000	(4)	*
Michael Jaffa	500,088	(5)	*
Anthony Thomopoulos	115	(6)	*
Joseph (Gray) Davis			
P. Clark Hallren			
Margaret Loesch			
Lynne Segall			
Karen McTier			
All current executive officers and directors as a group (consisting of 10 persons)	20,656,535		6.74%

**5% Stockholders**

\* Indicates ownership less than 1%

- (1) Applicable percentage ownership is based on 300,273,163 shares of common stock outstanding as of March 29, 2020, together with securities exercisable or convertible into shares of common stock within 60 days of March 29, 2020. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock that a person has the right to acquire beneficial ownership of upon the exercise or conversion of options, convertible stock, warrants or other securities that are currently exercisable or convertible or that will become exercisable or convertible within 60 days of March 29, 2020 are deemed to be beneficially owned by the person holding such securities for the purpose of computing the number of shares beneficially owned and percentage of ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.
- (2) Consists of (i) 990,728 shares of common stock held by A Squared Holdings LLC over which Andy Heyward holds sole voting and dispositive power; (ii) 13,464,282 shares of common stock held by Andy Heyward; (iii) 1,234 shares held by Heyward Living Trust; (iv) 5,000,000 options to acquire shares of common stock issuable now or within 60 days of March 29, 2020 upon the exercise of stock options.
- (3) Consists of 480,088 shares of common stock issuable now or within 60 days of March 29, 2020 upon the exercise of stock options granted to Mr. Denton.
- (4) Consists of 100,000 shares of common stock and 120,000 shares of common stock issuable upon exercise of certain warrants.
- (5) Consists of 500,088 shares of common stock issuable upon exercise of stock options granted to Mr. Jaffa.
- (6) Consists of 115 shares of common stock owned by Mr. Thomopoulos.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

### Certain Relationships and Related Party Transactions

Commission regulations define the related person transactions that require disclosure to include any transaction, arrangement or relationship in which the amount involved exceeds the lesser of \$120,000 or 1% of the average of our total assets at year-end for the last two completed fiscal years in which we were or are to be a participant and in which a related person had or will have a direct or indirect material interest. A related person is: (i) an executive officer, director or director nominee of the Company, (ii) a beneficial owner of more than 5% of our common stock, (iii) an immediate family member of an executive officer, director or director nominee or beneficial owner of more than 5% of our common stock, or (iv) any entity that is owned or controlled by any of the foregoing persons or in which any of the foregoing persons has a substantial ownership interest or control. Described below are certain transactions or relationships between us and certain related persons.

On August 31, 2018, Llama entered into an animation production services agreement with Mr. Heyward for services as a producer for which he is to receive \$124,000 through the course of production of the Company's animated series *Llama Llama Season 2*. As of December 31, 2019, Mr. Heyward was paid \$124,000. No further amounts are due.

Pursuant to his employment agreements dated November 16, 2018 and November 16, 2020, Mr. Heyward is entitled to an Executive Producer fee of \$12,400 per half hour episode for each episode he provides services as an executive producer. The first identified series under this employment agreement is *Rainbow Rangers*. During the year ended December 31, 2020, 13 half hours had been delivered and accordingly Mr. Heyward was paid \$161,200. The second identified series under this employment agreement is *Rainbow Rangers Season 2*. During the year ended December 31, 2020, 26 half hours had been delivered and accordingly Mr. Heyward is owed \$322,400.

On July 21, 2020, the Company entered into a merchandising and licensing agreement with Andy Heyward Animation Art ("AHAA"), whose principal is Andy Heyward, the Company's Chief Executive Officer. The Company entered into a customary merchandise license agreement with AHAA for the use of characters and logos related to Warren Buffett's *Secret Millionaires Club* and *Stan Lee's Mighty 7* in connection with certain products to be sold by AHAA. The terms and conditions of such license are customary within the industry, and the Company earns an arm-length industry standard royalty on all sales made by AHAA utilizing the licensed content. During the year ended December 31, 2020, the Company earned \$0 in royalties from this agreement.

On September 17, 2019, Mr. Heyward purchased \$500,000 of the Secured Convertible Notes from another holder. The Company did not receive any proceeds from this transaction.

On October 2, 2019, Mr. Heyward purchased 1,000,000 shares of the Company's common stock for an aggregate purchase price of \$760,000, or \$0.76 per share.

On March 11, 2020, Mr. Heyward purchased \$1,000,000 of the 2020 Convertible Notes with an original discount of \$250,000.

On June 19, 2020, Mr. Heyward received 5,658,474 shares of Common Stock upon the cashless exercise of 6,119,048 warrants.

On June 23, 2020, Mr. Heyward received 5,952,381 shares of Common Stock upon conversion of \$1,250,000 of 2020 Convertible Notes.

On December 7, 2020, Mr. Heyward was granted 7,500,000 RSUs, which vest 1,875,000 on each of the next four anniversary dates. Mr. Heyward was also granted 7,500,000 performance based RSUs that, if awarded, vest 1,875,000 on each of the next four anniversary dates.

On December 7, 2020, Mr. Heyward's was granted 5,000,000 options to purchase shares of the Company's Common Stock at \$1.39 per share. The options vest on the grant date.

During the year ended December 31, 2020, Mr. Heyward was paid a bonus of \$73,528, \$11,370 in interest on the Senior Convertible Notes, and \$3,000 in board fees for his attendance at the unscheduled board meetings.

During the year ended December 31, 2020, the Company paid \$380,989 for security at Mr. Heyward's residence.

#### Review, Approval or Ratification of Transactions with Related Persons

Pursuant to the written charter of our Audit Committee, the Audit Committee is responsible for reviewing and approving all transactions both in which (i) we are a participant and (ii) any parties related to us, including our executive officers, our directors, beneficial owners of more than 5% of our securities, immediate family members of the foregoing persons and any other persons whom our Board of Directors determines may be considered related parties under Item 404 of Regulation S-K, has or will have a direct or indirect material interest. All the transactions described in this section occurred prior to the adoption of the Audit Committee's charter.

#### Corporate Governance

##### General

We believe that good corporate governance is important to ensure that the Company is managed for the long-term benefit of our stockholders. This section describes key corporate governance practices that we have adopted.

##### Independence of the Board of Directors

Our determination of the independence of our directors is made using the definition of "independent" contained in the listing standards of the Nasdaq Capital Market. On the basis of information solicited from each director, the board has determined that each of each of Messrs. Davis, Hallren, Klein, Thomopoulos and McTier as well as Ms. Segall are independent directors within the meaning of such rules.

#### Item 14. Principal Accounting Fees and Services

##### Principal Accountant Fees and Services

The following table sets forth fees billed to us by our independent registered public accounting firm for the years ended December 31, 2020 and 2019 for (i) services rendered for the audit of our annual financial statements and the review of our quarterly financial statements, (ii) services rendered that are reasonably related to the performance of the audit or review of our financial statements that are not reported as Audit Fees, and (iii) services rendered in connection with tax preparation, compliance, advice and assistance.

	2020	2019
Audit Fees	\$ 123,000	\$ 107,500
Audit-Related Fees	38,000	-
Tax Fees	8,490	13,501
Other Fees	-	-
<b>Total Fees</b>	<b>\$ 169,490</b>	<b>\$ 121,001</b>

Our policy is to pre-approve all audit and permissible non-audit services performed by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services, as follows:

- **Audit** services include audit work performed in the preparation of financial statements, as well as work that generally only the independent auditor can reasonably be expected to provide, including comfort letters, statutory audits, and attest services and consultation regarding financial accounting and/or reporting standards.
- **Audit-Related** services are for assurance and related services that are traditionally performed by the independent auditor, including due diligence related to mergers and acquisitions, employee benefit plan audits, and special procedures required to meet certain regulatory requirements.
- **Tax** services include all services performed by the independent auditor's tax personnel except those services specifically related to the audit of the financial statements, and includes fees in the areas of tax compliance, tax planning, and tax advice.
- **Other Fees** are those associated with services not captured in the other categories. The Company generally does not request such services from the independent auditor.

Under our policy, pre-approval is generally provided for particular services or categories of services, including planned services, project-based services and routine consultations. In addition, the Board of Directors may also pre-approve particular services on a case-by-case basis. Our Board of Directors approved all services that our independent registered public accounting firm provided to us in the past two fiscal years.

## PART IV

### Item 15. Exhibits, Financial Statement Schedules

#### Financial Statements

See Index to Consolidated Financial Statements at Item 8 herein.

Financial Statement Schedules have been omitted as they are either not required, not applicable, or the information is otherwise included.

#### EXHIBIT INDEX

- 2.1 [Agreement and Plan of Reorganization between Genius Brands International, Inc., A Squared Entertainment LLC, A Squared Holdings LLC and A2E Acquisition LLC dated November 15, 2013](#) (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on November 20, 2013)
- 3.1\* [Articles of Incorporation of Genius Brands International Inc., as amended](#)
- 3.2 [Bylaws of Genius Brands International, Inc., as amended](#) (Incorporated by reference to the Company's Quarterly Report on Form 10-Q, filed with the SEC on August 19, 2019)
- 3.3 [Amended and Restated Certificate of Designations, Preferences and Rights of the 0% Series A Convertible Preferred Stock, filed with the Secretary of State of Nevada on November 21, 2019](#) (Incorporated by reference to the Company's Current Report on Form 8-K, filed with the SEC on November 21, 2019)
- 4.1 [Form of Placement Agent Warrant](#) (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on May 19, 2014)
- 4.2 [Form of Warrant](#) (November 2015) (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on November 4, 2015)
- 4.3 [Form of Subordinated Indenture](#) (Incorporated by reference from Registration Statement on Form S-3 filed with the SEC on November 25, 2016)
- 4.4 [Form of Reload Warrant](#) (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on February 13, 2017)
- 4.5 [Form of Market Price Warrant](#) (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on February 13, 2017)
- 4.6 [Form of Investor Warrant](#) (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on October 3, 2017)
- 4.7 [Form of Investor Warrant](#) (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on January 8, 2018)
- 4.8 [Agreement and Plan of Reorganization between Genius Brands International, Inc., A Squared Entertainment LLC, A Squared Holdings LLC and A2E Acquisition LLC dated November 15, 2013](#) (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on November 20, 2013)
- 4.9 [Form of Common Stock Purchase Warrant](#) (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on August 17, 2018)
- 4.10 [Form of Registered Warrant](#) (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on February 15, 2019)
- 4.11 [Form of Private Warrant](#) (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on February 15, 2019)
- 4.12 [Form of Waiver Warrant](#) (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on February 15, 2019)
- 4.13 [Description of Capital Stock](#) (Incorporated by reference to the Company's Annual Report on Form 10-K, filed with the SEC on March 30, 2020)
- 4.14 [Form of Amendment to Secured Convertible Note](#) (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on July 22, 2019)
- 4.15 [Form of Waiver Warrant](#) (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on July 22, 2019)
- 4.16 [Form of Investor Warrant](#) (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on October 28, 2019)
- 4.17 [Form of Reload Warrant](#) (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on December 16, 2019)

- 10.1† [2008 Stock Option Plan](#) (Incorporated by reference from Registration Statement on Form 10 filed with the SEC on May 4, 2011)
- 10.2† [First Amendment to 2008 Stock Option Plan](#) (Incorporated by reference from Registration Statement on Form 10 filed with the SEC on May 4, 2011)
- 10.3† [Second Amendment to 2008 Stock Option Plan](#) (Incorporated by reference from Registration Statement on Form 10 filed with the SEC on May 4, 2011)
- 10.4† [Form of Stock Option Grant Notice](#) (Incorporated by reference from Registration Statement on Form 10 filed with the SEC on May 4, 2011)
- 10.6† [Employment Agreement dated November 15, 2013 between Genius Brands International, Inc. and Andrew Heyward](#) (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on November 20, 2013)
- 10.7 [Engagement Letter dated November 15, 2013 between Genius Brands International, Inc. and ROAR LLC](#) (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on November 20, 2013)
- 10.10† [Genius Brands International, Inc. 2015 Incentive Plan, as amended](#) (Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on November 14, 2017)
- 10.13 [Loan and Security Agreement dated August 5, 2016 between Genius Brands International, Inc. and Llama Productions LLC](#) (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on August 12, 2016)
- 10.14 [Subscription Agreement dated January 17, 2017 between Genius Brands International, Inc. and Sony DADC USA, Inc.](#) (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on January 17, 2017)
- 10.17 [Securities Purchase Agreement dated January 8, 2018](#) (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on January 8, 2018)
- 10.18† [Employment Agreement dated April 18, 2018 between Genius Brands International, Inc. and Robert Denton](#) (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on April 5, 2018)
- 10.19 [Securities Purchase Agreement dated August 17, 2018](#) (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on August 17, 2018)
- 10.20 [Registration Rights Agreement dated August 17, 2018](#) (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on August 17, 2018)
- 10.21 [Loan and Security Agreement dated September 28, 2018, by and between Llama Productions LLC and Bank Leumi USA](#) (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on October 4, 2018)
- 10.22 [Amendment No. 2 to Loan and Security Agreement, effective as of August 27, 2018, by and between Llama Productions LLC and Bank Leumi USA](#) (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on October 4, 2018)
- 10.23 [Amended and Restated Employment Agreement dated November 16, 2018 between Genius Brands International, Inc. and Andrew Heyward](#) (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on November 19, 2018)

10.24†	<a href="#">Employment Agreement dated April 16, 2018 between Genius Brands International, Inc. and Michael Jaffa</a> (incorporated by reference to the Company's Annual Report on Form 10-K filed with the SEC on April 1, 2019)
10.25	<a href="#">Amendment, Waiver and Consent Agreement, dated as of July 22, 2019, by and among the Company and the signatories identified therein</a> (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on July 22, 2019)
10.26	<a href="#">Form of Warrant Exercise Agreement</a> (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on September 18, 2019)
10.27	<a href="#">Stock Purchase Agreement, dated as of October 2, 2019, by and among the Company and Andy Heyward</a> (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on October 3, 2019)
10.28	<a href="#">Stock Purchase Agreement, dated as of October 28, 2019, by and among the Company and the Investor as therein defined</a> (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on October 28, 2019)
10.29	<a href="#">Settlement Agreement, dated as of November 20, 2019, by and among the Company and the Preferred Holders signatory thereto</a> (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on November 21, 2019)
10.30	<a href="#">Form of Warrant Exercise Agreement, dated December 16, 2019, between the Company and each of the November 2015 Warrant Holders signatories identified therein</a> (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on December 16, 2019)
10.31	<a href="#">Form of Warrant Exercise Agreement, dated December 16, 2019, between the Company and each of the October 2017 Warrant Holders signatories identified therein</a> (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on December 16, 2019)
10.32	<a href="#">Form of Warrant Exercise Agreement, dated December 16, 2019, between the Company and each of the August 2018 Warrant Holders signatories identified therein</a> (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on December 16, 2019)
10.33	<a href="#">Form of Warrant Exercise Agreement, dated December 16, 2019, between the Company and each of the February 2019 Warrant Holders signatories identified therein</a> (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on December 16, 2019)
21.1*	<a href="#">List of Subsidiaries</a>
23.1*	<a href="#">Consent of Baker Tilly US LLP</a>
31.1*	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002</a>
31.2*	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002</a>
32.1*	<a href="#">Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2*	<a href="#">Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS*	XBRL Instance Document
101.SCH*	XBRL Schema Document
101.CAL*	XBRL Calculation Linkbase Document
101.DEF*	XBRL Definition Linkbase Document
101.LAB*	XBRL Label Linkbase Document
101.PRE*	XBRL Presentation Linkbase Document

\* Filed herewith.

† Management contract or compensatory plan or arrangement.

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

None.

## SIGNATURES

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

Genius Brands International, Inc.

March 31, 2021

By: /s/ Andy Heyward  
Andy Heyward  
Chief Executive Officer (Principal Executive Officer)

March 31, 2021

/s/ Robert L. Denton  
Robert L. Denton  
Chief Financial Officer (Principal Financial and Accounting Officer)

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Andy Heyward and Robert L. Denton, jointly and severally, attorney-in-fact, with the power of substitution in any and all capacities, to sign any amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorney-in-fact, or substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Andy Heyward March 31, 2020  
Andy Heyward  
Chief Executive Officer (Principal Executive Officer)

/s/ Robert L. Denton March 31, 2020  
Robert L. Denton  
Chief Financial Officer (Principal Financial and Accounting Officer)

/s/ Michael Klein March 31, 2020  
Michael Klein  
Director

/s/ Joseph "Gray" Davis March 31, 2020  
Joseph "Gray" Davis  
Director

/s/ P. Clark Hallren March 31, 2020  
P. Clark Hallren  
Director

/s/ Lynne Segall March 31, 2020  
Lynne Segall  
Director

/s/ Anthony Thomopoulos March 31, 2020  
Anthony Thomopoulos  
Director

/s/ Margaret Loesch March 31, 2020  
Margaret Loesch  
Director

/s/ Karen McTier Karen McTier March 31, 2020  
Director

GENIUS BRANDS INTERNATIONAL, INC.

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Genius Brands International, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Genius Brands International, Inc. and its subsidiaries (the “Company”) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income and comprehensive loss, stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

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

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

### Critical Audit Matters

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

### Film and Television Costs, net

#### *Critical Audit Matter Description*

As disclosed in Note 2 to the consolidated financial statements, The Company capitalizes production costs for episodic series produced in accordance with Financial Accounting Standards Board Accounting Standards Codification 926-20, Entertainment-Films-Other Assets-Film Costs. Accordingly, production costs are capitalized and amortized based on the attributable revenue for each contract to the estimated total remaining attributable revenue for each contract. The Company expenses the capitalized costs that exceed the estimated attributable revenue in the period of delivery of the episodes. The Company evaluates its capitalized production costs annually.

Auditing the amortization of the Company's film production costs is complex and subjective due to the judgmental nature of amortization, including estimates of future attributable revenues based on historical experience and signed commitments. If actual revenue differs from these estimates, the pattern and/or period of amortization would be changed and could materially affect the timing and the amount of production costs amortization recognized.

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

The primary procedures we performed to address this critical audit matter included:

- Testing a selection of film and television costs to ensure appropriate capitalization.
- Evaluating the significant assumptions used by the Company to develop the estimated attributable revenues for each contract including management's forecasts of estimated future revenues and future commitments.
- Performing a look-back analysis of management's historical estimates compared to actual results.
- Testing the completeness and accuracy of the underlying data used in the analysis.
- Performing a sensitivity analysis of the estimate future revenues to evaluate the change in amortization of the Company's costs related from changes in the assumption.
- Recalculating the amortization expense and performed analytical procedures.

### Convertible Debt Financing

#### *Critical Audit Matter Description*

As described in Note 9 to the consolidated financial statements, the Company issued a convertible note to investors in the aggregate principal amount of \$13,500,000 along with a warrant to purchase 65,476,190 shares, subject to adjustments of exercise price. The Company accounted for the note as a liability and the conversion option and warrants as freestanding instruments.

We identified the convertible debt financing as a critical audit matter. Accounting for the issuance of convertible note was complex due to the use of complex valuation models to estimate the value of the note, embedded conversion feature, and warrants. The inherent estimation uncertainty was primarily attributed to assumptions used in the valuation models which involved a high degree of subjectivity.

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

The primary procedures we performed to address this critical audit matter included:

- Obtaining an understanding of the Company's process to account for the issuance of convertible note and warrants.
- Reviewing the convertible note and warrant agreements.
- Evaluating management's memorandum for accounting treatment and management specialist's valuation on the conversion option.
- Testing the completeness and accuracy of the underlying data used in the valuation models by tracing to terms contained in the note and warrant agreement.
- With the assistance of auditor's valuation specialist, evaluating the valuation methodology used by the Company and significant assumptions used in the valuation model by evaluating individual assumptions used by management.

/s/ Baker Tilly US, LLP

We have served as the Company's auditor since 2016.

Los Angeles, California

March 31, 2021

**Genius Brands International, Inc.**  
**Consolidated Balance Sheets**  
**As of December 31, 2020, and December 31, 2019**

<b>ASSETS</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 100,456,324	\$ 305,121
Accounts Receivable, net	1,731,373	4,101,679
Inventory, net	–	9,277
Prepaid Expenses	6,378,392	230,172
<b>Total Current Assets</b>	<b>108,566,089</b>	<b>4,646,249</b>
Property and Equipment, net	95,828	64,876
Right Of Use Assets, net	1,972,364	4,009,837
Film and Television Costs, net	11,828,494	9,906,885
Lease Deposits	43,001	368,001
Investment in Chizcomm Entities	300,798	–
Investment in Stan Lee Universe, LLC	1,000,000	–
Intangible Assets, net	28,694	51,583
Goodwill	10,365,806	10,365,806
<b>Total Assets</b>	<b>\$ 134,201,074</b>	<b>\$ 29,413,237</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 785,526	\$ 946,450
Accrued Expenses	408,459	124,940
Participations Payable	3,160,016	2,271,613
Deferred Revenue	684,129	664,887
Secured Convertible Notes, net	–	2,373,952
Payroll Protection Program	366,267	–
Warrant Derivative Liability	1,197,068	–
Lease Liability	146,099	598,747
Due To Related Party	2,420	1,084,315
Accrued Salaries and Wages	428,922	231,481
<b>Total Current Liabilities</b>	<b>7,178,906</b>	<b>8,296,385</b>
<b>Long Term Liabilities:</b>		
Deferred Revenue	3,748,248	4,444,066
Lease Liability	2,052,530	3,569,345
Production Facility, net	1,099,713	3,091,739
Disputed Trade Payable	925,000	925,000
<b>Total Liabilities</b>	<b>15,004,397</b>	<b>20,326,535</b>
<b>Stockholders' Equity</b>		
Preferred Stock, \$0.001 par value, 10,000,000 shares authorized, 0 and 1,097 shares issued and outstanding as of December 30, 2020 and December 31, 2019, respectively	–	1
Common Stock, \$0.001 par value, 400,000,000 shares authorized 258,438,514 and 21,877,724 shares issued and outstanding as of December 31, 2020 and December 31, 2019, respectively	258,439	21,878
Additional Paid in Capital	588,500,680	75,117,076
Accumulated Deficit	(469,557,324)	(66,047,135)
Accumulated Other Comprehensive Loss	(5,118)	(5,118)
<b>Total Stockholders' Equity</b>	<b>119,196,677</b>	<b>9,086,702</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 134,201,074</b>	<b>\$ 29,413,237</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Genius Brands International, Inc.**  
**Consolidated Statements of Operations**  
**Years Ended December 31, 2020 and December 31, 2019**

	<b>Twelve Months Ended</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Revenues:</b>		
Licensing & Royalties	\$ 761,832	\$ 864,205
Television & Home Entertainment	1,464,635	4,817,072
Advertising Sales	253,135	223,659
Product Sales	2,525	2,963
<b>Total Revenues</b>	<b>2,482,127</b>	<b>5,907,899</b>
<b>Operating Expenses:</b>		
Marketing and Sales	817,590	730,200
Direct Operating Costs	2,123,958	4,568,497
General and Administrative	17,422,921	7,115,678
<b>Total Operating Expenses</b>	<b>20,364,469</b>	<b>12,414,375</b>
<b>Loss from Operations</b>	<b>(17,882,342)</b>	<b>(6,506,476)</b>
<b>Other Income (Expense):</b>		
Interest Income	144,898	15,045
Loss on Extinguished Debt	-	(4,432,819)
Loss on Foreign Exchange	405	-
Loss on Lease Termination	(338,586)	-
Warrant Revaluation Expense	(210,895,356)	(182,075)
Conversion Option Revaluation Expense	(171,835,729)	-
Sub-Lease Income	316,762	432,285
Interest Expense	(1,179,857)	(807,205)
<b>Net Other Income (Expense)</b>	<b>(383,787,463)</b>	<b>(4,974,769)</b>
<b>Loss Before Income Tax Expense</b>	<b>(401,669,805)</b>	<b>(11,481,245)</b>
Income Tax Expense	-	-
<b>Net Loss</b>	<b>(401,669,805)</b>	<b>(11,481,245)</b>
Beneficial Conversion Feature on Preferred Stock	-	(3,380,289)
<b>Net Loss Applicable to Common Shareholders</b>	<b>\$ (401,669,805)</b>	<b>\$ (14,861,534)</b>
<b>Net Loss per Common Share (Basic And Diluted)</b>	<b>\$ (2.82)</b>	<b>\$ (1.25)</b>
<b>Weighted Average Shares Outstanding (Basic and Diluted)</b>	<b>142,452,393</b>	<b>11,906,578</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Genius Brands International, Inc.**  
**Consolidated Statements of Comprehensive Loss**  
**Years Ended December 31, 2020 and December 31, 2019**

	<b>Twelve Months Ended</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Net Loss	\$ (401,669,805)	\$ (11,481,245)
Beneficial Conversion Feature on Preferred Stock	-	(3,380,289)
Comprehensive Net Loss to Common Shareholders	<u>\$ (401,669,805)</u>	<u>\$ (14,861,534)</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Genius Brands International, Inc.**  
**Consolidated Statements of Stockholders' Equity**  
**Years Ended December 31, 2020 and December 31, 2019**

	Common Stock		Preferred Stock		Additional Paid-In Capital	Accumulated Deficit	Other Comprehensive Loss	Total
	Shares	Amount	Shares	Amount				
<b>Balance, December 31, 2018</b>	<b>9,457,859</b>	<b>\$ 9,458</b>	<b>2,120</b>	<b>\$ 2</b>	<b>\$ 63,537,915</b>	<b>\$ (50,702,486)</b>	<b>\$ (5,118)</b>	<b>\$ 12,839,771</b>
Cumulative effect of adoption ASC 842	-	-	-	-	-	(4,306)	-	(4,306)
Issuance of Common Stock for Services	1,117,965	1,118	-	-	965,981	-	-	967,099
Proceeds from Securities Purchase	-	-	-	-	-	-	-	-
Agreement, Net	2,609,052	2,609	-	-	3,018,943	-	-	3,021,552
Proceeds From Warrant Exchange, net	4,592,029	4,592	-	-	1,340,776	-	-	1,345,368
Share Based Compensation	-	-	-	-	184,259	-	-	184,259
Value Of Beneficial Conversion Feature resulting from debt extinguishment	-	-	-	-	(213,700)	-	-	(213,700)
Value of Beneficial Conversion Feature	-	-	-	-	3,380,289	(3,380,289)	-	-
Value of Preferred Stock Conversion	4,100,819	4,101	(1,023)	(1)	(4,100)	-	-	-
Value of Warrant Inducement	-	-	-	-	181,884	(181,884)	-	-
Value of Warrant Modification	-	-	-	-	479,000	(296,925)	-	182,075
Warrants Issued As Part Of Debt Extinguishment	-	-	-	-	2,245,829	-	-	2,245,829
Net Loss	-	-	-	-	-	(11,481,245)	-	(11,481,245)
<b>Balance, December 31, 2019</b>	<b>21,877,724</b>	<b>21,878</b>	<b>1,097</b>	<b>1</b>	<b>75,117,076</b>	<b>(66,047,135)</b>	<b>(5,118)</b>	<b>9,086,702</b>
Issuance of Common Stock for Services	1,249,747	1,250	-	-	1,739,251	-	-	1,740,501
Value of Preferred Stock Conversion	5,219,048	5,219	(1,097)	(1)	(5,218)	-	-	-
Share Based Compensation	-	-	-	-	8,929,445	-	-	8,929,445
Proceeds from Securities Purchase	-	-	-	-	-	-	-	-
Agreement, Net	88,900,000	88,900	-	-	98,494,649	-	-	98,583,549
Warrant Exercise	75,715,805	75,716	-	-	9,032,519	(1,840,384)	-	7,267,851
Note Conversion	65,476,190	65,476	-	-	(120,663)	-	-	(55,187)
Derivative Liability Adjustment	-	-	-	-	171,835,729	-	-	171,835,729
Warrant Revaluation : Exercised	-	-	-	-	219,034,621	-	-	219,034,621
Warrants Issued	-	-	-	-	4,443,271	-	-	4,443,271
Net Loss	-	-	-	-	-	(401,669,805)	-	(401,669,805)
<b>Balance, December 31, 2020</b>	<b>258,438,514</b>	<b>\$ 258,439</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 588,500,680</b>	<b>\$ (469,557,324)</b>	<b>\$ (5,118)</b>	<b>\$ 119,196,677</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Genius Brands International, Inc.**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2020 and December 31, 2019**

	December 31, 2020	December 31, 2019
<b>Cash Flows from Operating Activities:</b>		
Net Loss	\$ (401,669,805)	\$ (11,481,245)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Amortization of Film and Television Costs	979,598	2,230,024
Depreciation and Amortization Expense	379,432	341,072
Accretion of Discount on Secured Convertible Notes	(7,288)	274,751
Bad Debt	43,676	-
Stock Issued for Services	338,501	163,799
Share Based Compensation Expense	8,929,445	184,259
Warrant Revaluation Expense	210,895,356	182,075
Loss On Lease Termination	338,586	-
Loss On Extinguishment of Debt	-	4,432,819
Conversion Option Revaluation Expense	171,835,729	-
Debt Discount in Excess of the Principal	1,031,852	-
Decrease (Increase) in Operating Assets:		
Accounts Receivable, net	2,328,760	(1,941,383)
Other Receivable	-	20,902
Inventory, net	9,277	6,539
Prepaid Expenses	(357,369)	67,370
Lease Deposits	325,000	(43,001)
Film and Television Costs, net	(2,901,207)	(2,757,077)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(388,814)	250,487
Accrued Salaries & Wages	197,441	93,656
Deferred Revenue	(676,576)	183,197
Participations Payable	888,403	1,193,056
Due To Related Party	(581,895)	237,556
Accrued Expenses	217,183	109,994
Net Cash Used in Operating Activities	<u>(7,844,715)</u>	<u>(6,251,150)</u>
<b>Cash Flows from Investing Activities:</b>		
Investment in Stan Lee Universe, LLC	(1,000,000)	-
Investment in Chizcom Entities	(300,798)	-
Investment in Intangible Assets, net	(26,499)	-
Investment in Property & Equipment	(75,893)	(26,976)
Net Cash Used in Investing Activities	<u>(1,403,190)</u>	<u>(26,976)</u>
<b>Cash Flows from Financing Activities:</b>		
Payments On Lease Liability	(209,161)	(148,904)
Proceeds from Sale of Securities Purchase Agreement, net	98,583,549	3,021,552
Proceeds From Warrant Exchange	5,874,329	1,345,368
Proceeds from Senior Secured Convertible Notes, net	6,098,000	-
Proceeds from Payroll Protection Program	366,267	-
Collection Of Investor Notes	3,600,000	-
Repayment of Secured Convertible Notes	(2,866,664)	(1,633,336)
Note Conversion Costs	(55,186)	-
Repayment of Production Facility, net	(1,992,026)	913,541
Net Cash Provided by Financing Activities	<u>109,399,108</u>	<u>3,498,221</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	100,151,203	(2,779,905)
Beginning Cash and Cash Equivalents	305,121	3,085,026
<b>Ending Cash and Cash Equivalents</b>	<b><u>\$ 100,456,324</u></b>	<b><u>\$ 305,121</u></b>
<i>Supplemental Disclosures of Cash Flow Information:</i>		
Cash Paid for Interest	\$ 470,129	\$ 516,963
<i>Schedule of Non-Cash Financing and Investing Activities</i>		
Issuance of Common Stock for production services	-	803,300
Beneficial Conversion Feature	-	2,008,907
Capitalization of Operating Lease Right of Use Asset	-	2,245,093
Senior Convertible notes were converted into 65,476,190 shares of Common Stock 58,522,601 warrants were exercised on a cashless basis resulting in the issuance of 52,551,716 shares of Common Stock	13,750,000	

The accompanying notes are an integral part of these consolidated financial statements.

**Genius Brands International, Inc. And Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2020**

**Note 1: Organization and Business**

*Organization and Nature of Business*

Genius Brands International, Inc. (“we,” “us,” “our,” or the “Company”) is a global content and brand management company that creates and licenses multimedia content. Led by experienced industry personnel, we distribute our content in all formats as well as a broad range of consumer products based on our characters. In the children's media sector, our portfolio features “content with a purpose” for toddlers to tweens, which provides enrichment as well as entertainment. New intellectual property titles include the preschool property *Rainbow Rangers*, which debuted in November 2018 on Nickelodeon and which was renewed for a second season and preschool property *Llama Llama*, which debuted on Netflix in January 2018 and was renewed by Netflix for a second season. Our library titles include the award-winning *Baby Genius*, adventure comedy Thomas Edison's Secret Lab® and Warren Buffett's *Secret Millionaires Club*, created with and starring iconic investor Warren Buffett, which is distributed across our Genius Brands Network on Comcast's Xfinity on Demand, AppleTV, Roku, Amazon Fire, YouTube, Amazon Prime, Cox, Dish, Sling and Zumo, as well as Connected TV. We are also developing an all-new animated series, *Stan Lee's Superhero Kindergarten* with Stan Lee's Pow! Entertainment, Oak Productions and Alibaba. Arnold Schwarzenegger lends his voice as the lead and is also an Executive Producer on the series. The show will be broadcast in the United States on Amazon Prime and the Company's wholly owned distribution outlet, Kartoon Channel!. In July 2020, the Company entered into a binding term sheet with POW, Inc. (“POW!”) in which we agreed to form an entity with POW! to exploit certain rights in intellectual property created by Stan Lee, as well as the name and likeness of Stan Lee. The entity is called “Stan Lee Universe, LLC”. POW! and the Company are finalizing the details of the venture. Through this agreement we are assuming the worldwide rights, in perpetuity, to the name, physical likeness, physical signature, live-action and animated motion picture, television, online, digital, publishing, comic book, merchandising and licensing rights to Stan Lee and over 100 original Stan Lee creations, from which Genius Brands plans to develop and license approximately multiple properties each year.

In addition, we act as licensing agent for Penguin Young Readers, a division of Penguin Random House LLC which owns or controls the underlying rights to *Llama Llama*, leveraging our existing licensing infrastructure to expand this brand into new product categories, new retailers, and new territories.

The Company commenced operations in January 2006, assuming all the rights and obligations of its then Chief Executive Officer, under an Asset Purchase Agreement between the Company and Genius Products, Inc., in which the Company obtained all rights, copyrights, and trademarks to the brands “Baby Genius,” “Kid Genius,” “123 Favorite Music” and “Wee Worship,” and all then existing productions under those titles. In October 2011, the Company (i) changed its domicile to Nevada from California, and (ii) changed its name to Genius Brands International, Inc. from Pacific Entertainment Corporation (the “Reincorporation”). In connection with the Reincorporation, the Company changed its trading symbol from “PENT” to “GNUS”.

*Liquidity and Going Concern*

*Recent Developments*

With respect to the ongoing and evolving coronavirus (COVID-19) outbreak, which was designated as a pandemic by the World Health Organization on March 11, 2020, the outbreak has caused substantial disruption in international and U.S. economies and markets. The outbreak has potential to have an adverse impact on the entertainment industry and, if repercussions of the outbreak are prolonged, could have a significant adverse impact on our business, which could be material. The Company's management cannot at this point estimate the impact of the outbreak on its business and no provision for this outbreak are reflected in the accompanying financial statements

Historically, the Company has incurred net losses. For the years ended December 31, 2020 and 2019, the Company reported net losses of \$401,669,805 and \$11,481,245, respectively. The Company reported net cash used in operating activities of \$7,844,715 and \$6,251,150 for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020, the Company had an accumulated deficit of \$469,557,324 and total stockholders' equity of \$119,196,677. As of December 31, 2020, the Company had cash and cash equivalents of \$100,456,324, which we believe is sufficient to fund the Company's planned operations and production through one year after the date the consolidated financial statements are issued.

During 2020, the Company completed various transactions that enhanced cash and working capital balances (See Notes 9 and 13).

## **Note 2: Summary of Significant Accounting Policies**

### *Basis of Presentation*

The accompanying 2020 and 2019 consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

### *Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of Genius Brands International, Inc., its wholly-owned subsidiaries A Squared LLC, Llama Productions LLC and Rainbow Rangers Productions LLC. All significant inter-company balances and transactions have been eliminated in consolidation.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

### *Financial Statement Reclassification*

Certain account balances from prior periods have been reclassified in these consolidated financial statements to conform to current period classifications.

### *Cash and Cash Equivalents*

The Company considers all highly liquid debt instruments with initial maturities of three months or less to be cash equivalents. The Company had no restricted cash as of December 31, 2020 and 2019.

### *Allowance for Doubtful Accounts*

Accounts receivable are presented on the balance sheets net of estimated uncollectible amounts. The Company assesses its accounts receivable balances on a quarterly basis to determine collectability and records an allowance for estimated uncollectible accounts in an amount approximating anticipated losses based on historical experience and future expectations. Individual uncollectible accounts are written off against the allowance when collection of the individual accounts appears doubtful. The Company had an allowance for doubtful accounts of \$43,676 and \$0 as of December 31, 2020 and 2019, respectively.

### *Inventory*

Inventories are stated at the lower of average cost or net realizable value and consist of finished goods such as DVDs, CDs and other products. The Company concluded that the inventory was obsolete and has written off the balance of \$9,277 as of December 31, 2020.

### *Property and Equipment*

Property and equipment are recorded at cost. Depreciation on property and equipment is computed using the straight-line method over the estimated useful lives of the assets, which range from two to seven years. Maintenance, repairs, and renewals, which neither materially add to the value of the assets nor appreciably prolong their lives, are charged to expense as incurred. Gains and losses from any dispositions of property and equipment are reflected in the statement of operations.

### *Goodwill and Intangible Assets*

Goodwill represents the excess of purchase price over the estimated fair value of net assets acquired in business combinations accounted for by the purchase method. In accordance with FASB ASC 350 Intangibles Goodwill and Other, goodwill and certain intangible assets are presumed to have indefinite useful lives and are thus not amortized, but subject to an impairment test annually or more frequently if indicators of impairment arise. We complete the annual goodwill and indefinite-lived intangible asset impairment tests at the end of each fiscal year. In testing goodwill, we initially use a qualitative approach and analyze relevant factors to determine if events and circumstances have affected the value of the goodwill. If the result of this qualitative analysis indicates that the value has been impaired, we then apply a quantitative approach to calculate the difference between the goodwill's recorded value and its fair value. An impairment loss is recognized to the extent that the recorded value exceeds its fair value. Goodwill, in addition to being tested for impairment annually, is tested for impairment at interim periods if an event occurs or circumstances change such that it is more likely than not that the carrying amount of goodwill may be impaired. For the year ended December 31, 2020, the Company performed a qualitative analysis of the carrying value of goodwill. Based on the results of our analysis, we concluded that there is no impairment to the goodwill balance and no adjustment is necessary at this time.

Other intangible assets have been acquired, either individually or with a group of other assets, and were initially recognized and measured based on fair value. Annual amortization of these intangible assets is computed based on the straight-line method over the remaining economic life of the asset.

### *Film and Television Costs*

The Company capitalizes production costs for episodic series produced in accordance with FASB ASC 926-20 Entertainment-Films - Other Assets - Film Costs. Accordingly, production costs are capitalized at actual cost and then charged against revenue based on the initial market revenue evidenced by a firm commitment over the period of commitment. The Company expenses all capitalized costs that exceed the initial market firm commitment revenue in the period of delivery of the episodes.

The Company capitalizes production costs for films produced in accordance with FASB ASC 926-20 Entertainment-Films - Other Assets - Film Costs. Accordingly, production costs are capitalized at actual cost and then charged against revenue quarterly as a cost of production based on the relative fair value of the film(s) delivered and recognized as revenue. The Company evaluates its capitalized production costs annually and limits recorded amounts by their ability to recover such costs through expected future sales.

Additionally, for both episodic series and films, from time to time, the Company develops additional content, improved animation and bonus songs/features for its existing content. After the initial release of the film or episodic series, the costs of significant improvement to existing products are capitalized while routine and periodic alterations to existing products are expensed as incurred.

### *Debt and Attached Equity-Linked Instruments*

The Company measures issued debt on an amortized cost basis, net of debt premium/discount and debt issuance costs amortized using the effective interest rate method or the straight-line method when the latter does not lead to materially different results.

The Company accounts for the proceeds from the issuance of convertible notes payable in accordance with FASB ASC 470-20 Debt with Conversion and Other Options. Pursuant to FASB ASC 470-20, the intrinsic value of the embedded conversion feature (beneficial conversion interest), which is in the money on the commitment date is included in the discount to debt and amortized to interest expense over the term of the note agreement. When the conversion option is not separated, the Company accounts for the entire convertible instrument including debt and the conversion feature as a liability.

The Company analyzes freestanding equity-linked instruments including warrants attached to debt to conclude whether the instrument meets the definition of the derivative and whether it is considered indexed to the Company's own stock. If the instrument is not considered indexed to Company's stock, it is classified as an asset or liability recorded at fair value. If the instrument considered indexed to Company's stock, the Company analyzes additional equity classification requirements per ASC 815-40 Contract's in Entity's Own Equity. When the requirements are met the instrument is recorded as part of the Company's equity, initially measured based on its relative fair value with no subsequent re-measurement. When the equity classification requirements are not met, the instrument is recorded as an asset or liability and is measured at fair value with subsequent changes in fair value recorded in earnings.

When required, the Company also considers the bifurcation guidance for embedded derivatives per FASB ASC 815-15 Embedded Derivatives.

### *Revenue Recognition*

The Company accounts for revenue according to standard ASC 606 (Topic 606). The Company has identified the following six material and distinct performance obligations:

- License rights to exploit Functional Intellectual Property (Functional Intellectual Property or "functional IP" is defined as intellectual property that has significant standalone functionality, such as the ability be played or aired. Functional intellectual property derives a substantial portion of its utility from its significant standalone functionality.)
- License rights to exploit Symbolic Intellectual Property (Symbolic Intellectual Property or "symbolic IP" is intellectual property that is not functional as it does not have significant standalone use and substantially all of the utility of symbolic IP is derived from its association with the entity's past or ongoing activities, including its ordinary business activities, such as the Company's licensing and merchandising programs associated with its animated content.)
- Options to renew or extend a contract at fixed terms. (While this performance obligation is not significant for the Company's current contracts, it could become significant in the future.)
- Options on future seasons of content at fixed terms. (While this performance obligation is not significant for the Company's current contracts, it could become significant in the future.)
- Fixed fee advertising revenue generated from the Genius Brands Network
- Variable fee advertising revenue generated from the Genius Brands Network

As a result of the change, beginning January 1, 2018, the Company began recognizing revenue related to licensed rights to exploit functional IP in two ways. For minimum guarantees, the Company recognizes fixed revenue upon delivery of content and the start of the license period. For functional IP contracts with a variable component, the Company estimates revenue such that it is probable there will not be a material reversal of revenue in future periods. Revenue under these types of contracts was previously recognized when royalty statements were received. The Company began recognizing revenue related to licensed rights to exploit symbolic IP substantially similarly to functional IP. Although it has a different recognition pattern from functional IP, the valuation method is substantially the same, depending on the nature of the license.

The Company sells advertising on its Kid Genius channel in the form of either flat rate promotions or impressions served. For flat rate promotions with a fixed term, the Company recognizes revenue when all five revenue recognition criteria under FASB ASC 606 are met. For impressions served, the Company delivers a certain minimum number of impressions on the channel to the advertiser for which the advertiser pays a contractual costs per thousand (CPM) per impression. Impressions served are reported to the Company on a monthly basis, and revenue is reported in the month the impressions are served.

The Company recognizes revenue related to product sales when we complete our performance obligation, which is when the goods are transferred to the buyer.

#### *Direct Operating Costs*

Direct operating costs include costs of our product sales, non-capitalizable film costs, film and television cost amortization expense, and participation expense related to agreements with various animation studios, post-production studios, writers, directors, musicians or other creative talent with which we are obligated to share net profits of the properties on which they have rendered services.

#### *Share-Based Compensation*

As required by FASB ASC 718 - Stock Compensation, the Company recognizes an expense related to the fair value of our share-based compensation awards, including stock options, using the Black-Scholes calculation as of the date of grant. The Company has elected to use the graded attribution method for awards which are in-substance, multiple awards based on the vesting schedule. The Company's accounting policy elected for forfeitures is not to estimate the number of awards that are expected to vest. Instead, the Company accounts for forfeitures when they occur. The Company issues authorized shares available for the issuance under 2015 Plan upon employees' exercise of their stock options.

#### *Earnings Per Share*

Basic earnings (loss) per common share ("EPS") is calculated by dividing net income (loss) applicable to common shareholders by the weighted average number of shares of common stock outstanding for the period. Diluted EPS is calculated by dividing net income (loss) applicable to common shareholders by the weighted average number of shares of common stock outstanding, plus the assumed exercise of all dilutive securities using the treasury stock or "as converted" method, as appropriate. During periods of net loss, all common stock equivalents are excluded from the diluted EPS calculation because they are antidilutive.

#### *Income Taxes*

Deferred income tax assets and liabilities are recognized based on differences between the financial statement and tax basis of assets and liabilities using presently enacted tax rates. At each balance sheet date, the Company evaluates the available evidence about future taxable income and other possible sources of realization of deferred tax assets and records a valuation allowance that reduces the deferred tax assets to an amount that represents management's best estimate of the amount of such deferred tax assets that more likely than not will be realized.

### *Concentration of Risk*

The Company's cash is maintained at two financial institutions and from time to time the balances for this account exceed the Federal Deposit Insurance Corporation's ("FDIC") insured amount. Balances on interest bearing deposits at banks in the United States are insured by the FDIC up to \$250,000 per account. As of December 31, 2020, the Company had four accounts with a combined uninsured balance of \$99,260,006. As of December 31, 2019, the Company had no accounts with a combined uninsured balance.

For fiscal year 2020, the Company had two customers whose total revenue exceeded 10% of the total consolidated revenue. These customers accounted for 44% of total revenue and represented 22% of accounts receivable. For fiscal year 2019, the Company had two customers whose total revenue exceeded 10% of the total consolidated revenue. These customers accounted for 65% of total revenue and represented 95% of accounts receivable.

The major customers for the year ended December 31, 2020 are the same as the major customers at December 31, 2019. There is significant financial risk associated with a dependence upon a small number of customers. The Company periodically assesses the financial strength of these customers and establishes allowances for any anticipated bad debt. At December 31, 2020 and 2019, the Company recorded an allowance for bad debt of \$43,676 and \$0, respectively.

### *Fair value of financial instruments*

The carrying amounts of cash, receivables, accounts payable, and accrued liabilities approximate fair value due to the short-term maturity of the instruments. The carrying amount of long-term receivables approximate fair value due to the contractual nature of the obligation, payment schedule, and the current interest and inflation rate environments. The carrying amount of the Production Loan Facility approximates fair value since the debt carries a variable interest rate that is tied to either the current Prime or LIBOR rates plus an applicable spread.

We previously adopted FASB ASC 820 for financial instruments measured at fair value on a recurring basis. FASB ASC 820 defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP and expands disclosures about fair value measurements.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

### *Recent Accounting Pronouncements*

In March 2019, the FASB issued ASU No. 2019-02, Entertainment-Films-Other Assets-Film Costs (Subtopic 926-20) and Entertainment-Broadcasters Intangibles-Goodwill and Other (Subtopic 920-350). The update aligns the accounting for production costs of an episodic television series with the accounting for production costs of films by removing the content distinction for capitalization. The amendments also require that an entity reassess estimates of the use of a film in a film group and account for any changes prospectively. The amendments in this update require that an entity test a film or license agreement for program material within the scope of Subtopic 920-350 for impairment at a film group level when the film or license agreement is predominantly monetized with other films and/or license agreements. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Company has prospectively adopted ASU 2016-18. The impact to our consolidated financial position, results of operations and cash flows was not material.

In August 2020, the FASB issued ASU No. 2020-06, Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. The update simplifies the accounting for convertible instruments by removing certain separation models in Subtopic 470-20, Debt—Debt with Conversion and Other Options, for convertible instruments. As part of the amendment, the embedded conversion features are no longer separated from the host contract for convertible instruments with conversion features that are not required to be accounted for as derivatives under Topic 815, Derivatives and Hedging, or that do not result in substantial premiums accounted for as paid-in capital. The FASB has eliminated the cash conversion and beneficial conversion feature models. The FASB has also modified accounting rules relating to application of the scope exception from derivative accounting. The amendments revise the guidance in ASC 815-40-25-10, to remove three out of seven conditions from the settlement guidance, referred to as additional equity classification requirements. Following the above amendments, more convertible debt instruments will be accounted for as a single liability measured at its amortized cost and more convertible preferred stock will be accounted for as a single equity instrument measured at its historical cost, as long as no features require bifurcation and recognition as derivatives. The amendments are effective for public business entities, excluding smaller reporting companies, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. For all other entities, including smaller reporting companies the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company is in the process of assessing the impact of the amendments to Company's consolidated financial statements.

Various other accounting pronouncements have been recently issued, most of which represented technical corrections to the accounting literature or were applicable to specific industries/transactions or special circumstances and are not expected to have a material effect on our financial position, results of operations, or cash flows.

### Note 3: Property and Equipment, Net

The Company has property and equipment as follows as of December 31, 2020 and 2019:

#### Property and Equipment, Net

	December 31, 2020	December 31, 2019
Furniture and Equipment	\$ 19,419	\$ 19,419
Computer Equipment	168,122	144,643
Leasehold Improvements	14,182	14,182
Software	68,152	15,737
Property and Equipment, Gross	269,875	193,981
Less Accumulated Depreciation	(174,047)	(129,105)
<b>Property and Equipment, Net</b>	<b>\$ 95,828</b>	<b>\$ 64,876</b>

During the years ended December 31, 2020 and December 31, 2019, the Company recorded depreciation expense of \$44,942 and \$37,734.

### Note 4: Right Of Use Leased Asset

In July 2018, the FASB issued ASU 2018-11, Leases (Topic 842), Targeted Improvements, which allows for an additional optional transition method where comparative periods presented in the financial statements in the period of adoption will not be restated and instead those periods will be presented under existing guidance in accordance with ASC 840, Leases. Management used this optional transition method. As of January 1, 2019, the Company adopted ASU 2018-11.

**Right Of Use Leased Asset**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Office Lease Asset	\$ 2,245,093	\$ 4,387,956
Printer Lease Asset	12,374	12,374
Right Of Use Asset, Gross	<u>2,257,467</u>	<u>4,400,330</u>
Office Lease Accumulated Amortization	(274,980)	(383,118)
Printer Lease Accumulated Amortization	(10,123)	(7,375)
<b>Right Of Use Asset, Net</b>	<b><u>\$ 1,972,364</u></b>	<b><u>\$ 4,009,837</u></b>

During the year ended December 31, 2020 and 2019, the Company recorded amortization expense of \$285,103 and 390,493.

**Note 5: Film and Television Costs, Net**

As of December 31, 2020, the Company had net Film and Television Costs of \$11,828,494 compared to \$9,906,885 at December 31, 2019. The increase relates primarily to the production and development of *Rainbow Rangers Season 2* and *Stan Lee's Superhero Kindergarten Season 1* offset by the amortization of film costs associated with the revenue recognized *Rainbow Rangers Season 1 and Season 2*.

During the years ended December 31, 2020 and December 31, 2019, the Company recorded Film and Television Cost amortization expense of \$979,598 and \$2,230,024, respectively.

The following table highlights the activity in Film and Television Costs as of December 31, 2020 and 2019:

**Film and Television Costs, Net**

	<b>Total</b>
Film and Television Costs, Net as of December 31, 2018	\$ 8,166,131
Additions to Film and Television Costs	3,920,013
Capitalized Interest	50,765
Film Amortization Expense	<u>(2,230,024)</u>
Film and Television Costs, Net as of December 31, 2019	<b>9,906,885</b>
Additions to Film and Television Costs	2,901,207
Capitalized Interest	-
Film Amortization Expense	(979,598)
Film and Television Costs, Net as of September 30, 2020	<b><u>\$ 11,828,494</u></b>

## Note 6: Goodwill and Intangible Assets, Net

### Goodwill

In 2013, the Company recognized \$10,365,805 in Goodwill, representing the excess of the fair value of the consideration over net identifiable assets acquired. Pursuant to FASB ASC 350-20, Goodwill is not subject to amortization but is subject to annual review to determine if certain events warrant impairment to the Goodwill asset. Through December 31, 2019, the Company has not recognized any impairment to Goodwill.

### Intangible Assets, Net

The Company had the following intangible assets as of December 31, 2020 and 2019:

#### Intangible Assets, Net

	December 31, 2020	December 31, 2019
Trademarks (a)	\$ 129,831	\$ 129,831
Other Intangible Assets (a)	299,028	272,528
Intangible Assets, Gross	428,859	402,359
Less Accumulated Amortization (b)	(400,165)	(350,776)
Intangible Assets, Net	<u>\$ 28,694</u>	<u>\$ 51,583</u>

- (a) Pursuant to FASB ASC 350-30-35, the Company reviews these intangible assets periodically to determine if the value should be retired or impaired due to recent events. At December 31, 2019, the Company determined that the Product Masters inventory had no further useful life and the asset value and accumulated amortization were written off.
- (b) During the years ended December 31, 2020 and December 31, 2019, the Company recognized, \$49,388 and \$38,405, respectively, in amortization expense related to the Trademarks, Product Masters, and Other Intangible Assets.

Expected future intangible asset amortization as of December 31, 2020 is as follows:

Fiscal Year:	
2021	11,246
2022	10,528
2023	6,187
2024	733
Total	<u>\$ 28,694</u>

## Note 7: Deferred Revenue

As of December 31, 2020, and 2019, the Company had total short term and long term deferred revenue of \$4,432,377 and \$5,108,953, respectively. Deferred revenue includes both (i) variable fee contracts with licensees and customers in which the Company had collected advances and minimum guarantees against future royalties and (ii) fixed fee contracts. The Company recognizes revenue related to these contracts when all revenue recognition criteria have been met. Included in the deferred revenue balance as of December 31, 2020 is \$3,367,086 which is the remaining balance from the total \$3,489,583 advance against future royalty that Sony paid to the Company for both the foreign and domestic distribution rights.

**Note 8: Accrued Liabilities – Current**

As of December 31, 2020, and 2019, the Company had the following current accrued liabilities:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other Accrued Expenses (a)	\$ 408,459	\$ 124,940
Accrued Salaries and Wages (b)	428,922	231,481
Total Accrued Liabilities – Current	<u>\$ 837,381</u>	<u>\$ 356,421</u>

(a) Other Accrued Expenses include the sub lease security deposit liability on the Rodeo Drive location as well as estimates of expenses incurred but not yet recorded.

(b) Accrued Salaries and Wages include accrued Salaries and vacation payable to employees

**Note 9: Secured Convertible Notes**

On August 17, 2018, the Company entered into a Securities Purchase Agreement (the “Purchase Agreement”) with certain investors (the “Investors”), pursuant to which the Company agreed to sell (i) an aggregate principal amount of \$4.50 million in secured convertible notes, convertible into shares of our common stock, at a conversion price of \$2.50 per share (the “Secured Convertible Notes”) and (ii) warrants to purchase 1,800,000 shares of our common stock at an exercise price of \$3.00 per share (the “Warrants,” and, together with the Secured Convertible Notes, the “Securities”). We received approximately \$4,500,000 in gross proceeds from the Offering.

The Secured Convertible Notes were our senior secured obligations and are secured by certain tangible and intangible property of the Company as described in the Purchase Agreement. Unless earlier converted or redeemed, the Secured Convertible Notes will mature on August 20, 2019. The Secured Convertible Notes bear interest at a rate of 10% per annum and are convertible at any time until a Secured Convertible Note is no longer outstanding, in whole or in part, at the option of the holders into shares of common stock at a conversion price of \$2.50 per share. The Secured Convertible Notes have a beneficial ownership limitation such that none of the Investors have the right to convert any portion of their Secured Convertible Notes if the Investor (together with its affiliates or any other persons acting together as a group with the Investor) would beneficially own in excess of 9.99% of the number of shares of our common stock outstanding immediately after giving effect to the issuance of our common stock issuable upon conversion of such Secured Convertible Notes. In addition, the Secured Convertible Notes provide for a conversion cap such that we may not issue any shares of our common stock upon conversion of Secured Convertible Notes which would exceed the aggregate number of shares of our common stock we could issue upon conversion of the Secured Convertible Notes without breaching our obligations, if any, under Nasdaq Stock Market LLC rules and regulations.

Interest under the Secured Convertible Notes were payable in arrears beginning on September 1, 2018 and thereafter on each of December 1, 2018, March 1, 2019, June 1, 2019 and at maturity when all amounts outstanding under the Secured Convertible Notes become due and payable. Subject to certain equity conditions, we may force a conversion of the debt into equity. We may redeem the Secured Convertible Notes at any time prior to maturity. If we do not meet such equity conditions at maturity, we are obligated to repay in cash one-sixth of the then outstanding principal amount of the Secured Convertible Notes each month for the six months following the date of maturity, with the first such payment due on the date of maturity, followed by payments each month thereafter.

The Secured Convertible Notes contained certain negative covenants, including prohibitions on the incurrence of indebtedness or liens. The Secured Convertible Notes also contain standard and customary events of default including, but not limited to, failure to make payments when due, failure to observe or perform covenants or agreements contained in the Secured Convertible Notes or the bankruptcy or insolvency of the Company or any of our subsidiaries. The Company was in compliance with these covenants as of December 31, 2019.

On the date of issuance, the Secured Convertible Notes were convertible into common stock at \$2.50 per share, or at a conversion price below the closing market price of \$2.55. This “discount” is considered a beneficial conversion feature for accounting purposes. The allocation of carrying basis between the Warrants issued and the Secured Convertible Notes was determined based on relative fair value. The discount of the initial conversion price from market related to the beneficial conversion feature of the debt was \$1,561,111, and such amount was recorded as a reduction of debt and increase in additional paid-in capital. The discount will be amortized as additional interest over the term of the loan.

The Warrants entitle the holders to purchase 1,800,000 shares of common stock. The Warrants were not exercisable until after six months from the date of issuance and expire five and half years from the date of issuance. The Warrants have an exercise price of \$3.00 per share. In the event of a “Fundamental Transaction” (as defined in the Warrants), the Investors have the right to receive the value of the Warrants as determined in accordance with the Black Scholes option pricing model. The Warrants are considered indexes to the Company’s own stock pursuant to ASC 815-40. The Warrants also met the additional equity classification requirements and accordingly are accounted for as part of the Company’s equity.

In conjunction with the February 2019 Offering and concurrent private placement, the Company entered into an amendment, waiver and consent agreement, or the “Amendment, Waiver and Consent Agreement,” with certain holders of its 10% Secured Convertible Notes due August 20, 2019, which were issued pursuant to a securities purchase agreement, dated August 17, 2018, by and among the Company and the purchasers identified on the signature pages thereto, or the notes purchase agreement. Pursuant to the Amendment, Waiver and Consent Agreement, such holders agreed to amend the notes purchase agreement, waive any applicable rights and remedies under the notes purchase agreement, and consent to the February 2019 Offering and concurrent private placement. In consideration for such Amendment, Waiver and Consent Agreement, the Company agreed to issue such holders warrants to purchase up to an aggregate amount of 1,800,000 shares of Common Stock. Such warrants have an exercise price of \$2.55 per share, will become exercisable commencing six months and one day from the date of issuance and will expire five (5) years from the date of issuance. The issuance of the warrants resulted in a modification of debt in accordance with ASC 470 and is characterized as an extinguishment of debt in accordance with ASC-470-50-40. In accordance with ASC-470-50-40-2 the Company derecognized the existing debt as if it was extinguished and recorded the new debt, with the difference between the reacquisition price of the new debt and the net carrying amount of the extinguished debt, \$2,109,818 being recorded as a loss on the extinguishment of debt.

In addition, the warrants were accounted for as equity instruments in accordance with ASC 815-40 and valued using the Black Scholes option pricing model. The fair value of \$1,287,962 was recorded as part of the loss on extinguishment of debt.

On July 22, 2019, in connection with a proposed public offering of shares of Common Stock (the “August 2019 Offering”), the Company entered into an amendment, waiver and consent agreement (the “July Amendment, Waiver and Consent”) with certain holders constituting (i) a majority-in-interest of the holders of its Secured Convertible Notes and (ii) 51% in interest of the shares of Common Stock issued pursuant to a securities purchase agreement, dated as of January 8, 2018, by and among the Company and the purchasers identified on the signature pages thereto (the “January 2018 Purchase Agreement”). Pursuant to the July Amendment, Waiver and Consent, such holders agreed to amend the August 2018 Purchase Agreement, the January 2018 Purchase Agreement and the Secured Convertible Notes, waive any applicable rights and remedies under each of the August 2018 Purchase Agreement and the January 2018 Purchase Agreement, and consent to the August 2019 Offering in consideration for (i) a reduction in the conversion price of the Secured Convertible Notes from \$2.50 per share to an amount equal to \$1.515 and (ii) the issuance to the August 2018 Purchasers of new warrants to purchase the same number of shares of Common Stock that were issued to each August 2018 Purchaser pursuant to the August 2018 Purchase Agreement (for an aggregate of 1,800,000 shares of Common Stock to all August 2018 Purchasers) at an exercise price per share equal to \$1.14 and will become exercisable commencing six (6) months and one day from the date of issuance and will expire five (5) years from the date of issuance.

The issuance of the new warrants resulted in a modification of debt in accordance with ASC 470 and is characterized as an extinguishment of debt in accordance with ASC-470-50-40. In accordance with ASC-470-50-40-2, the Company derecognized the existing debt as if it was extinguished and recorded the new debt. The difference between the reacquisition price of the debt including the fair value of the warrants issued and the net carrying amount of the extinguished debt amounted to \$957,867. This amount was recorded as a loss on debt extinguishment.

In addition, the conversion option was accounted for as part of the debt's carrying value in accordance with the bifurcation guidance per ASC 815 as it applies to the debt's conversion feature. The conversion option was valued using the Black Scholes option pricing model. The fair value of \$77,172 was recorded as part of the loss on extinguishment of debt. The conversion option will be amortized using the straight-line method over the remaining terms.

On August 20, 2019, pursuant to the Secured Convertible Notes, the Company elected to make six equal monthly principal payments of \$750,000. The first payment with interest was paid on August 23, 2019.

On September 17, 2019, the Company's CEO, Andy Heyward, purchased \$500,000 of the Secured Convertible Notes from another holder. The Company did not receive any proceeds from this transaction.

On September 20, 2019, the Company and the holders of \$1,958,334 of the Secured Convertible Notes, extended the maturity date of those Secured Convertible Notes until January 31, 2020. The Company also agreed to pay the 10% interest to the holders monthly instead of quarterly.

On September 20, 2019, the Company and the holders of \$687,500 of the Secured Convertible Notes, extended the maturity date of those Secured Convertible Notes until August 20, 2021. The Company also agreed to pay the 10% interest to the holders monthly instead of quarterly.

The remaining balance of \$883,332 under the Secured Convertible Notes that were not extended were to be paid in four monthly installments of \$220,883. The September through December payments, including interest, have been paid.

On March 17, 2020, the Secured Convertible Notes were paid in full including interest.

#### *March 2020 Secured Convertible Note and Warrant Private Placement*

On March 11, 2020, we entered into a Securities Purchase Agreement (the "SPA") with certain accredited investors (each an "Investor" and collectively, the "Investors") pursuant to which we agreed to sell and issue (1) Senior Secured Convertible Notes to the Investors in the aggregate principal amount of \$13,750,000 (each, a "Note" and collectively, the "2020 Convertible Notes") and \$11,000,000 funding amount (reflecting an original issue discount of \$2,750,000) and (2) warrants to purchase 65,476,190 shares of the Company's common stock, par value \$0.001 per share (the "Common Stock"), exercisable for a period of five years at an initial exercise price of \$0.26 per share (each a "Warrant" and collectively, the "Warrants"), for consideration consisting of (i) a cash payment of \$7,000,000, and (ii) full recourse cash secured promissory notes payable by the Investors to the Company (each, an "Investor Note" and collectively, the "Investor Notes") in the principal amount of \$4,000,000 (the "Investor Notes Principal") (collectively, the "Financing"). Andy Heyward, our Chairman and Chief Executive Officer, participated as an Investor and invested \$1,000,000 in connection with the Financing, all of which was paid at the closing and not pursuant to an Investor Note. The Special Equities Group, LLC, a division of Bradley Woods & Co. LTD, acted as placement agent and received warrants to purchase 6,547,619 shares at an exercise price of \$0.26 per share (the "Placement Agent Warrants").

The closing of the sale and issuance of the 2020 Convertible Notes, the Warrants and the Placement Agent Warrants occurred on March 17, 2020 (the "Closing Date"). The maturity date of the 2020 Convertible Notes was September 30, 2021 and the maturity date of the Investor Notes was March 11, 2060.

The Company held a stockholder meeting (the "Stockholder Meeting") to approve the issuance of shares of Common Stock issuable under the 2020 Convertible Notes and pursuant to the terms of the SPA for the purposes of compliance with the stockholder approval rules of The Nasdaq Stock Market ("Stockholder Approval").

In addition, pursuant to the terms of the SPA, the 2020 Convertible Notes and the Warrants, the Company agreed that the following will apply or become effective only following Stockholder Approval: (1) the conversion price of the 2020 Convertible Notes shall be reduced to \$0.21 per share and may be further reduced to any amount and for any period of time deemed appropriate by the board of directors of the Company (the "Board of Directors"), (2) the exercise price of the Warrants shall be immediately reduced to \$0.21 per share and may be further reduced to any amount and for any period of time deemed appropriate by the Board of Directors, (3) the 2020 Convertible Notes and Warrants shall each have full ratchet anti-dilution protection for subsequent financings (subject to certain exceptions), (4) existing warrant holders that are participating in the Financing (representing warrants to purchase an aggregate of 8,715,229 shares of Company Common Stock) will have their existing warrants' exercise prices reduced to \$0.21 and (5) the investors shall have a most favored nations right which provides that if the Company enters into a subsequent financing, then the Investors (together with their affiliates) at their sole discretion shall have the ability to exchange their 2020 Convertible Notes on a \$1 for \$1 basis into securities issued in the new transaction. Additionally, in the event that any warrants or options (or any similar security or right) issued in a subsequent financing include any terms more favorable to the holders thereof (less favorable to the Company) than the terms of the Warrants, the Warrants shall be automatically amended to include such more favorable terms. On March 16, 2020, the holders of the August 2018 Secured Convertible Notes were repaid in full including any outstanding interest.

On May 15, 2020, the Company received the necessary Stockholder Approval in connection with the Nasdaq proposals described above. As a result, the Conversion Price of the 2020 Convertible Notes and the exercise price of the Warrants were each reduced to \$0.21. In addition, existing warrant holders that participated in the Financing (representing warrants to purchase an aggregate of 9,172,463 shares of Common Stock) also had their existing warrants' exercise prices reduced to \$0.21.

As a result of the reduction in the Conversion Price of the 2020 Convertible Notes to \$0.21, the conversion feature was revalued. This revaluation resulted in a conversion option revaluation expense of \$171,835,729.

#### **Note 10: Production Loan Facility**

On August 8, 2016, Llama Productions, LLC closed a \$5,275,000 multiple draw-down, secured, non-recourse, non-revolving credit facility (the "Facility") with Bank Leumi USA to produce its animated series *Llama Llama*, (the "Series") which is configured as fifteen half-hour episodes comprised of thirty 11-minute programs that were delivered to Netflix in fall 2017. The Facility is secured by the license fees the Company will receive from Netflix for the delivery of the Series as well as the Company's copyright in the Series. The Facility has a term of 40 months and has an interest rate of either Prime plus 1% or one, three, or six-month LIBOR plus 3.25%. As a condition of the loan agreement with Bank Leumi, the Company deposited \$1,000,000 into a cash account to be used solely to produce the Series. Additionally, the Facility contains certain standard affirmative and negative non-financial covenants such as maintaining certain levels of production insurance and providing standard financial reports. As of December 31, 2019, the Company was in compliance with these covenants.

On September 28, 2018, Llama Productions LLC entered into a Loan and Security Agreement (the "Loan and Security Agreement") with Bank Leumi USA (the "Lender"), pursuant to which the Lender agreed to make a secured loan in an aggregate amount not to exceed \$4,231,989 to Llama (the "Loan"). The proceeds of the Loan will be used to pay the majority of the expenses of producing, completing and delivering two 22-minute episodes and sixteen 11-minute episodes of the second season of the animated series *Llama Llama* to be initially exhibited on Netflix.

To secure payment of the Loan, Llama has granted to the Lender a continuing security interest in and against, generally, all of its tangible and intangible assets, which includes all seasons of the *Llama Llama* animated series.

Under the Loan and Security Agreement, Llama can request revolving loan advances under (a) the Prime Rate Loan facility and (b) the LIBOR Loan facility, each as further described in the Loan and Security Agreement attached as an exhibit hereto. Prime Rate Loan advances shall bear interest, on the outstanding balance thereof, at a fluctuating per annum rate equal to 1.0% plus the Prime Rate (as such term is defined in the Loan and Security Agreement), provided that in no event shall the interest rate applicable to Prime Rate Loans be less than 4.0% per annum. LIBOR Loan advances shall bear interest, on the outstanding balance thereof, for the period commencing on the funding date and ending on the date which is one (1), three (3) or six (6) months thereafter, at a per annum rate equal to 3.25% plus the LIBOR determined for the applicable Interest Period (as such terms are defined in the Loan and Security Agreement), provided that in no event shall the interest rate applicable to LIBOR Loans be less than 3.25% per annum. The Maturity Date of the Prime Rate Loan facility and LIBOR Loan facility is March 31, 2021. Interest rates on advances under the Loan and Security Agreement were between 5.53% and 6.14% as of December 31, 2019.

In addition, on September 28, 2018, Llama and Lender entered into Amendment No. 2 to Loan and Security Agreement, effective as of August 27, 2018, by and between Llama and the Lender (the "Amendment"). Pursuant to the Amendment, the original Loan and Security Agreement, dated as of August 8, 2016 and amended as of November 7, 2017 (the "Original Loan and Security Agreement"), was amended to (i) reduce the loan commitment thereunder to \$1,768,010, and (ii) include the Llama Llama season two obligations under the Loan and Security Agreement as obligations under the Original Loan and Security Agreement.

As of December 31, 2020, the Company had outstanding borrowing under the facility of \$1,099,713. As of December 31, 2019, the Company had outstanding borrowings under the facility of \$3,091,739.

#### **Note 11: Disputed Trade Payable**

As part of the merger in 2013, the Company assumed certain liabilities from a previous member of A Squared which has claimed certain liabilities totaling \$925,000. The Company disputes the basis for this liability. As of December 31, 2020, the Company believes that the statute of limitations applicable to the assertion of any legal claim relating to the collection of these liabilities has expired and therefore believes this liability is not owed.

#### **Note 12: Payroll Protection Program Loan**

On April 30, 2020, the Company received loan proceeds in the amount of \$366,267 under the Paycheck Protection Program ("PPP") which was established as part of the Coronavirus Aid, Relief and Economic Security ("CARES") Act and is administered through the Small Business Administration ("SBA"). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. Any unforgiven portion is payable over 2 years if issued before, or 5 years if issued after, June 5, 2020 at an interest rate of 1% with payments deferred until the SBA remits the borrower's loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties. The Company is in the process of repaying the loan.

#### **Note 13: Stockholders' Equity**

##### *Common Stock*

As of December 31, 2020, the total number of authorized shares of common stock was 400,000,000.

As of December 31, 2020, and 2019, there were 258,438,514 and 21,877,724 shares of common stock outstanding, respectively. Below are the changes to the Company's common stock during the year ended December 31, 2020:

##### Year Ended December 31, 2020

- On January 8, 2020, the Company issued 43,077 shares of Common Stock valued at \$0.65 per share to a provider for investor relations services.
- On January 15, 2020, the Company issued 3,171,428 shares of Common Stock in exchange for 667 shares of Preferred Stock at a conversion price of \$0.21 per share.

- On January 22, 2020, the Company entered into a private transaction (the “Private Transaction”) pursuant to a Warrant Exercise Agreement (the “Agreement”) with the holder of the Company’s existing warrants (the “Original Warrants”). The Original Warrants were originally issued on October 3, 2017, to purchase an aggregate of 500,000 shares of Common Stock (as defined below) at an exercise price of \$3.90 per share and were to expire in October 2022. Pursuant to the Agreement, the holder of the Original Warrants and the Company agreed that such Original Warrant holder would exercise its Original Warrants in full and the Company would amend the Original Warrants to reduce the exercise price thereof to \$0.34 (the average closing price (as reflected on Nasdaq.com) of the Common Stock (as defined below) for the five trading days immediately preceding the signing of the Agreement) (the “Amended Exercise Price”). The Company received \$170,000 from the exercise of the Original Warrants.
- On March 22, 2020, the Company entered into the Purchase Agreement with the Investors, pursuant to which the Company agreed to issue and sell, in the Registered Offering, an aggregate of 4,000,000 shares Common Stock at an offering price of \$0.2568 per share for gross proceeds of approximately \$1.0 million before deducting offering expenses. The Registered Offering closed on March 25, 2020.
- On May 7, 2020, we entered into a Securities Purchase Agreement with the May 7<sup>th</sup> Investors, pursuant to which we agreed to issue and sell, in a registered direct offering by the Company directly to the May 7<sup>th</sup> Investors, an aggregate of 8,000,000 shares of our Common Stock, at an offering price of \$0.35 per share for gross proceeds of approximately \$2.8 million before deducting offering expenses.
- On May 8, 2020, we entered into a Securities Purchase Agreement with the May 8<sup>th</sup> Investors, pursuant to which we agreed to issue and sell, in a registered direct offering by the Company directly to the May 8<sup>th</sup> Investors, an aggregate of 12,000,000 shares of our Common Stock, at an offering price of \$0.454 per share for gross proceeds of approximately \$5.448 million before deducting offering expenses.
- On May 18, 2020, we entered into a Securities Purchase Agreement with the May 18<sup>th</sup> Investors, pursuant to which we agreed to issue and sell, in a registered direct offering by the Company directly to the May 18<sup>th</sup> Investors, an aggregate of 7,500,000 shares of our Common Stock, at an offering price of \$1.20 per share for gross proceeds of approximately \$9.0 million before deducting offering expenses.
- On May 28, 2020, we entered into a Securities Purchase Agreement with the May 28<sup>th</sup> Investors, pursuant to which we agreed to issue and sell, in a registered direct offering by the Company directly to the May 28<sup>th</sup> Investors, an aggregate of 20,000,000 shares of our Common Stock, at an offering price of \$1.50 per share for gross proceeds of approximately \$30.0 million before deducting offering expenses.
- Between May 15 and June 19, 2020 certain warrant holders exercised 50,014,895 warrants in cashless transactions resulting in the issuance of 45,000,428 shares of Common Stock.
- Between May 15 and June 19, 2020, the Company received \$5,649,319, net of expenses, from the exercise of 29,666,283 warrants at an exercise price of \$0.21 per share
- Between May 18 and June 24, 2020, the Company issued 1,571,430 shares of Common Stock in exchange for 330 shares of Preferred Stock at a conversion price of \$0.21 per share.
- On June 22, 2020, the Company issued 49,610 shares of Common Stock valued at \$3.85 per share to a provider for investor relations services.
- Between June 10 and June 23, 2020, the 2020 Convertible Notes were converted and repaid through the issuance of 65,476,190 shares of Common Stock.
- On July 15, 2020, the Company issued 32,609 shares of Common Stock valued at \$2.30 per share to a provider for marketing services.
- On July 21, 2020, the Company received \$55,011, net of expenses, from the exercise of 16,670 warrants at an exercise price of \$0.454 per share.
- On July 22, 2020, the Company issued 124,451 shares of Common Stock valued at \$2.30 per share to a provider for marketing services.
- On October 25, 2020, the Company entered into an Agreement that granted 1,000,000 shares of our Common Stock at an offering price of \$1.39 per share in exchange for production service. On October 28, 2020, the Company entered into the Purchase Agreement with the Investors pursuant to which the Company agreed to issue and sell, in a registered director offering by the Company directly to the Investors, an aggregate of 37,400,000 shares of our Common Stock and warrants to purchase up to 37,400,000 shares of our Common Stock, at an offering price of \$1.55 per fixed combination of one share of Common Stock and a warrant to purchase one share of Common Stock for gross proceeds of approximately \$57.9 million before deducting offering expenses.
- On November 17, 2020, the Company issued 476,190 shares of Common Stock in exchange for 100 shares of Series A Convertible Preferred Stock at a conversion price of \$0.21 per share.
- On December 14, 2020 a warrant holder exercised 595,238 warrants on a cashless basis, resulting in the issuance of 532,424 shares of Common Stock.

Year Ended December 31, 2019

- On January 10, 2019, the Company issued 17,200 shares of the Company's common stock valued at \$2.44 per share for investor relations services.
- On January 17, 2019, the Company issued 11,765 shares of the Company's common stock valued at \$2.55 per share for investor relations services.
- On February 14, 2019, the Company sold, to a certain investor, pursuant to a Securities Purchase Agreement 945,894 shares of Common Stock at a purchase price of \$2.12 per share.
- On April 11, 2019, the Company issued 6,012 shares of common stock valued at \$1.92 per share to a vendor for consulting services rendered.
- On May 2, 2019, the Company issued 10,923 shares of common stock valued at \$1.95 per share to a vendor for production services rendered.
- On May 27, 2019, the Company issued 1,087 shares of common stock valued at \$1.84 per share to a vendor for production services rendered.
- On May 28, 2019, the Company issued 25,000 shares of common stock valued at \$1.84 per share to a vendor for consulting services rendered.
- On July 14, 2019, the Company issued 5,250 shares of Common Stock valued at \$1.14 per share to a vendor for consulting services rendered.
- On July 16, 2019, the Company issued 25,000 shares of Common Stock valued at \$1.13 per share to a vendor for consulting services rendered.
- On August 2, 2019, the Company issued 481,481 shares of Common Stock valued at \$0.81 per share to a vendor for production services rendered.
- On September 18, 2019, the Company issued 945,894 shares of Common Stock pursuant to a Warrant Exercise Agreement at \$0.76 per share.
- On October 2, 2019, Mr. Heyward purchased 1,000,000 shares of the Company's common stock for an aggregate purchase price of \$760,000, or \$0.76 per share.
- Between October 4<sup>th</sup> and 22<sup>nd</sup>, 2020, the Company issued 296,053 shares of Common Stock in exchange for 225 shares of Preferred Stock at a conversion price of \$0.76 per share
- On October 18, 2019, the Company issued 534,247 shares of Common Stock valued at \$0.73 per share to a vendor for production services rendered.
- On October 28, 2019, the Company entered into a Securities Purchase Agreement with a certain investor pursuant to which the Company agreed to issue and sell, 663,158 shares of Common Stock, at an offering price of \$0.76 per share.
- Between November 21<sup>st</sup> and December 10<sup>th</sup>, 2019, the Company issued 3,804,766 shares of the Common Stock in exchange for 798 shares of preferred Stock at a conversion price of \$0.21 per share.
- On December 17, 2019, the Company issued 3,646,135 shares of Common Stock pursuant to a Warrant Exercise Agreement at \$0.21 per share.

#### *Preferred Stock*

The Company has 10,000,000 shares of preferred stock authorized with a par value of \$0.001 per share. The Board of Directors is authorized, subject to any limitations prescribed by law, without further vote or action by our stockholders, to issue from time to time shares of preferred stock in one or more series. Each series of preferred stock will have such number of shares, designations, preferences, voting powers, qualifications and special or relative rights or privileges as shall be determined by our Board of Directors, which may include, among others, dividend rights, voting rights, liquidation preferences, conversion rights and preemptive rights.

As of December 31, 2020, and 2019, there were 0 and 1,097 shares of Series A Convertible Preferred Stock outstanding, respectively.

On May 12, 2014, the Board of Directors authorized the designation of a class of preferred stock as "Series A Convertible Preferred Stock". On May 14, 2014, the Company filed the Certificate of Designation, Preferences and Rights of the 0% Series A Convertible Preferred Stock with the Secretary of State of the State of Nevada.

Each share of the Series A Convertible Preferred Stock is convertible into shares of the Company's common stock, par value \$0.001 per share, based on a conversion calculation equal to the Base Amount divided by the conversion price. The Base Amount is defined as the sum of (i) the aggregate stated value of the Series A Convertible Preferred Stock to be converted and (ii) all unpaid dividends thereon. The stated value of each share of the Series A Convertible Preferred Stock is \$1,000 and the initial conversion price is \$6.00 per share, subject to adjustment in the event of stock splits, dividends and recapitalizations. Additionally, in the event the Company issues shares of its common stock or common stock equivalents at a per share price that is lower than the conversion price then in effect, the conversion price shall be adjusted to such lower price, subject to certain exceptions. The Company is prohibited from effecting a conversion of the Series A Convertible Preferred Stock to the extent that as a result of such conversion, the investor would beneficially own more than 9.99% in the aggregate of the issued and outstanding shares of the Company's common stock, calculated immediately after giving effect to the issuance of shares of common stock upon conversion of the Series A Convertible Preferred Stock. The shares of Series A Convertible Preferred Stock possess no voting rights.

Between October 4, 2019 and October 22, 2019, the Company issued 296,053 shares of Common Stock in exchange for 225 shares of Preferred Stock at a conversion price of \$0.76 per share.

Between November 21, 2019 and December 10, 2019, the Company issued 3,804,766 shares of the Common Stock in exchange for 798 shares of preferred Stock at a conversion price of \$0.21 per share.

On January 9, 2020, the Company issued 3,171,428 shares of the Common stock in exchange for 667 shares of Series A Convertible Preferred Stock at a conversion price of \$0.21 per share.

Between May 18 and June 24, 2020, the Company issued 1,571,428 shares of Common Stock in exchange for 330 shares of Series A Convertible Preferred Stock at a conversion price of \$0.21 per share.

On November 17, 2020, the Company issued 476,190 shares of Common Stock in exchange for 100 shares of Series A Convertible Preferred Stock at a conversion price of \$0.21 per share.

#### **Note 14: Stock Options**

On September 18, 2015, the Company adopted the Genius Brands International, Inc. 2015 Incentive Plan (the "2015 Plan"). The total number of shares that can be issued under the 2015 Plan is 2,167,667 shares.

On September 1, 2020, the Company adopted the Genius Brands International, Inc. 2020 Incentive Plan (the "2020 Plan"). On August 4, 2020, the Board of Directors voted to adopt the 2020 Plan. The shares available for issuance under the 2020 Plan was approved by stockholders on August 27, 2020. The 2020 Plan as approved by the stockholders increased the maximum number of shares available for issuance up to an aggregate of 32,167,667 shares of Common Stock.

During the year ended December 31, 2019, the Company granted options to purchase 81,000 shares of common stock to officers. These stock options generally vest between one and three years. The fair value of these options was determined to be \$117,797 using the Black-Scholes option pricing model based on the following assumptions:

Exercise Price	\$1.99
Dividend Yield	0%
Volatility	125%
Risk-free interest rate	2.44%
Expected life of options	3.0 years

During the year ended December 31, 2020, the Company granted options to purchase 8,880,000 shares of common stock to officers. These stock options generally vest between one and three years. The fair value of these options was determined to be \$12,231,185 using the Black-Scholes option pricing model based on the following assumptions:

Exercise Price	\$1.39 - \$10.00
Dividend Yield	0%
Volatility	121% - 122%
Risk-free interest rate	0.31% - 0.39%
Expected life of options	5.0 years

The following table summarizes the changes in the Company's stock option plan during the year ended December 31, 2019 and December 31, 2020:

	Options Outstanding Number Of Shares	Exercise Prices Per Share	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price Per Share
Balance at December 31, 2018	1,259,415	\$ 2.09 - 12.00	2.50 years	\$ 7.39
Options Granted	81,000	\$ 1.99	3 years	\$ 1.99
Options Exercised	—	\$ —	—	\$ —
Options Cancelled	50,549	\$ 1.99 - 2.70	4.51 years	\$ 6.34
Options Expired	—	\$ —	—	\$ —
Balance at December 31, 2019	1,289,866	\$ 1.99 - 12.00	6.49 years	\$ 7.18
Options Granted	8,880,000	\$ 1.39 - 10.00	4.91 years	\$ 1.66
Options Exercised	—	\$ —	—	\$ —
Options Cancelled	2,000	\$ 1.99	3.18 years	\$ 1.99
Options Expired	1,051,690	\$ 2.70 - 2.82	—	\$ 2.71
Balance at December 31, 2020	9,116,176	\$ 1.39 - 10.00	4.84 years	\$ 1.69
Exercisable December 31, 2019	1,176,416	\$ 1.99 - 9.00	6.25 years	\$ 7.67
Exercisable December 31, 2020	6,449,452	\$ 1.39 - 3.17	4.87 years	\$ 1.44

During the years ended December 31, 2020 and 2019, the Company recognized \$8,365,745 and \$184,259 in share-based compensation expense, respectively. The unvested share-based compensation as of December 31, 2020 is \$4,008,320 which will be recognized through the fourth quarter of 2023 assuming the underlying grants are not cancelled or forfeited.

#### Note 15: Restricted Stock Units

On December 7, 2020, the Company granted 9,075,000 shares of Restricted Stock Units (RSU's) with a fair market value of \$12,614,250 to certain employees and officers.

The following table summarizes the Company's restricted stock issuance during the year ended December 31, 2020:

	RSUs Outstanding Number Of Shares	Exercise Prices Per Share	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
Balance at December 31, 2019	–	\$ –	–	\$ –	–
RSUs Granted	9,075,000	\$ 1.39	4.94 years	\$ 1.39	–
RSUs Exercised	–	\$ –	–	\$ –	–
RSUs Cancelled	–	\$ –	–	\$ –	–
RSUs Expired	–	\$ –	–	\$ –	–
Balance at December 31, 2020	<u>9,075,000</u>	\$ 1.39	4.94 years	\$ 1.39	–
Exercisable December 31, 2019	–	\$ –	–	\$ –	–
Exercisable December 31, 2020	–	\$ –	–	\$ –	–

During the year ended December 31, 2020, the Company recognized \$563,700 in share-based compensation expense. The unvested share-based compensation as of December 31, 2020 is \$12,050,550 which will be recognized through the fourth quarter of 2024 assuming the underlying grants are not cancelled or forfeited.

**Note 16: Warrants**

The Company has warrants outstanding to purchase up to 45,511,965 shares and 11,124,405 shares at December 31, 2020 and 2019, respectively.

On February 19, 2019, the Company entered into a securities purchase agreement with a certain accredited investor pursuant to which we sold 945,894 shares of Common Stock and warrants to purchase up to 945,894 shares of our Common Stock, or the registered warrants, to such investor (the “February 2019 Offering”). The Company received \$1,757,552 in net proceeds from this offering. Each share of Common Stock was accompanied by a registered warrant to purchase one share of Common Stock at an exercise price of \$2.12. Each share of Common Stock and accompanying registered warrant were sold at a combined purchase price of \$2.12. The shares of Common Stock and registered warrants were purchased together and were issued separately and were immediately separable upon issuance. In a concurrent private placement, the Company also sold to the purchaser in the February 2019 Offering, warrants to purchase up to 945,894 shares of our Common Stock, or the private warrants.

In connection with the February 2019 Offering and concurrent private placement, we entered into an amendment, waiver and consent agreement, or the “Amendment, Waiver and Consent Agreement,” with certain holders of our 10% Secured Convertible Notes, which were issued pursuant to a securities purchase agreement, dated August 17, 2018, by and among the Company and the purchasers identified on the signature pages thereto, or the notes purchase agreement. Pursuant to the Amendment, Waiver and Consent Agreement, such holders agreed to amend the notes purchase agreement, waive any applicable rights and remedies under the notes purchase agreement, and consent to the February 2019 Offering and concurrent private placement. In consideration for such Amendment, Waiver and Consent Agreement, we agreed to issue such holders warrants to purchase up to an aggregate amount of 1,800,000 shares of our Common Stock. Such warrants have an exercise price of \$2.55 per share, will become exercisable commencing six months and one day from the date of issuance and will expire five (5) years from the date of issuance.

The allocation of carrying basis between the Warrants issued and the Secured Convertible Notes was determined based on relative valuation. The carrying basis attributable to the Warrants to acquire Common Stock was \$1,287,962 and was calculated using the Black-Scholes option pricing model.

On July 22, 2019, the Company entered into an amendment, waiver and consent agreement (the “Amendment, Waiver and Consent”) with certain holders constituting (i) a majority-in-interest of the holders of our 10% Secured Convertible Notes due August 20, 2019 (the “Notes”), which were issued pursuant to a securities purchase agreement, dated as of August 17, 2018 and as amended on February 14, 2019, by and among the Company and the purchasers identified on the signature pages thereto (the “August 2018 Purchase Agreement”) and (ii) 51% in interest of the shares of Common Stock issued pursuant to a securities purchase agreement, dated as of January 8, 2018, by and among the Company and the purchasers identified on the signature pages thereto (the “January 2018 Purchase Agreement”). Pursuant to the Amendment, Waiver and Consent, such holders have agreed to (i) amend the definition of “Exempt Issuance” in each of the August 2018 Purchase Agreement and January 2018 Purchase Agreement to include an agreement to issue or announce the issuance or proposed issuance of Common Stock or Common Stock Equivalents (as that term is defined in each of the August 2018 Purchase Agreement and January 2018 Purchase Agreement) in a public offering for an effective per share purchase price of Common Stock of less than \$2.50 (the “Offering”), (ii) waive any applicable rights and remedies under the August 2018 Purchase Agreement and January 2018 Purchase Agreement, and (iii) consent to the Offering. In consideration for the Amendment, Waiver and Consent, the Company agreed to reduce the conversion price of the Notes from \$2.50 per share of Common Stock to \$1.515 (the “Note Amendment”) and issue all of the purchasers under the August 2018 Purchase Agreement warrants to purchase up to an aggregate of 1,800,000 shares of our Common Stock (the “Waiver Warrants”). The Waiver Warrants will have an exercise price of \$1.14 per share, will become exercisable commencing six months and one day from the date of issuance and will expire five (5) years from the date of issuance.

On September 18, 2019, the Company entered into a private transaction (the “Private Transaction”) pursuant to a Warrant Exercise Agreement (the “Agreement”) with the holder of the Company’s existing warrants (the “Original Warrants”). The Original Warrants were originally issued on February 19, 2019, to purchase an aggregate of 945,894 shares of Common Stock at an exercise price of \$2.12 per share and were to expire on February 19, 2020.

Pursuant to the Agreement, the holder of the Original Warrants and the Company agreed that such Original Warrant holder would exercise its Original Warrants in full and the Company would amend the Original Warrants to reduce the exercise price thereof to \$0.76. The Company received \$718,879 from the exercise of the Original Warrants before paying the placement agent fee of \$50,321. The induced exercise resulted in the Company recognizing and recording an “imputed dividend” of \$181,884.

On October 29, 2019, in a connection with a Private Placement, the Company issued to the Investor warrants exercisable for one share of Common Stock for an aggregate of 477,474 shares of Common Stock at an exercise price of \$0.76 per share. Each Warrant became immediately exercisable on the date of its issuance and will expire five years from the date it becomes exercisable. Subject to limited exceptions, a holder of a Warrant will not have the right to exercise any portion of its warrants if the holder, together with its affiliates, would beneficially own in excess of 4.99% of the number of shares of Common Stock outstanding immediately after giving effect to such exercise. The Special Equities Group, LLC, a division of Bradley Woods & Co. LTD, acted as placement agent and will receive a cash fee of \$35,280 and warrants to purchase 46,421 shares at an exercise price of \$0.836 per share.

On December 16, 2019, the Company entered into Warrant Exercise Agreements (the “Exercise Agreements”) with certain of the holders of the Existing Warrants to purchase an aggregate of 3,646,135 shares of Common Stock (the “Exercising Holders”). Pursuant to the Exercise Agreements, the Exercising Holders and the Company agreed that, subject to any applicable beneficial ownership limitations, the Exercising Holders exercised their Existing Warrants (the “Investor Warrants”) for shares of Common Stock underlying such Existing Warrants (the “Exercised Shares”) at a reduced exercise price of \$0.21 per share of Common Stock. In order to induce the Exercising Holders to cash exercise the Investor Warrants, the Exercise Agreements provide for the issuance of new warrants to purchase up to an aggregate of approximately 3,646,135 shares of Common Stock (the “New Warrants”), with such New Warrants to be issued in an amount equal to the number of the Exercised Shares underlying any Investor Warrants. The New Warrants are exercisable six months and one day after issuance and terminate on the date that is five years following the initial exercise date. The New Warrants have an exercise price per share of \$0.3004, which was the Nasdaq Official Closing Price on December 13, 2019.

On January 22, 2020, the Company entered into the Private Transaction pursuant to the Agreement with the holder of the Company’s Original Warrants. The Original Warrants were originally issued on October 3, 2017, to purchase an aggregate of 500,000 shares of Common Stock, at an exercise price of \$3.90 per share and were to expire in October 2022. Pursuant to the Agreement, the holder of the Original Warrants and the Company agreed that such Original Warrant holder would exercise its Original Warrants in full and the Company would amend the Original Warrants to reduce the exercise price thereof to \$0.34 (the average closing price of the Common Stock (as reflected on Nasdaq.com) for the five trading days immediately preceding the signing of the Agreement). The Company received approximately \$170,000 from the exercise of the Original Warrants.

The placement agent received warrants to purchase 50,000 shares at an exercise price of \$0.34 per share.

Pursuant to the SPA described in Note 9, the Company issued to the note holders warrants to purchase 65,476,191 shares of Common Stock, exercisable for a period of five years at an initial exercise price of \$0.26 per share.

The placement agent received warrants to purchase 6,547,619 shares at an exercise price of \$0.26 per share.

The warrants were accounted for as a derivative liability upon issuance. The warrants were revalued as of March 31, 2020, which resulted in a warrant revaluation expense in the amount of \$3,467,961.

On May 15, 2020 stockholders of the Company approved the reduction in warrants exercise price for the 2020 Convertible Notes holders to \$0.21. As a result of the exercise price reduction, certain warrant holders exercised warrants for 29,000,526 shares of Common Stock at \$0.21 per share in cash. Certain other warrant holders exercised 41,508,189, warrants on a cashless basis, resulting in the issuance of 37,449,140 shares of Common Stock.

The warrants were revalued prior to their exercise. The estimated fair value of the exercised warrants immediately before the exercise was \$219,034,621, This revaluation resulted in a warrant revaluation expense of \$205,130,151 which was recorded prior to the warrant exercise. Upon exercise the \$219,034,621 was reclassified from the warrant derivative liability to additional paid in capital.

Certain other warrant holders did not exercise their warrants. Accordingly, these warrants were revalued quarterly throughout the year, resulting in an additional warrant revaluation expense of \$1,552,923.

The fair values of derivative warrants attached to the 2020 Convertible Notes were determined based on Level 3 inputs, using the Black-Scholes-Merton model with standard valuation inputs. The valuation inputs used to value the warrants at March 31, 2020 included expected volatility of 89.91%, and annual interest rate of 0.37%. The valuation inputs for the warrants outstanding at December 31, 2020 included expected volatility of 169.99%, and annual risk-free interest rate of .33%.

On May 15, 2020 stockholders of the Company approved the reduction of all previously issued warrants held by the 2020 Convertible Notes holders exercise price to \$0.21. The repricing of the warrants resulted in a deemed dividend of \$1,840,384, which was charged to additional paid in capital for warrants issued in connection with prior equity instruments and a warrant repricing loss of \$744,321 recorded in Company's consolidated statements of operations, if the warrants were issued in connection with prior debt transaction. All warrants were repriced using standard Black-Scholes-Merton valuation model. The valuation inputs for warrant repricing exercise included expected volatility varying between 98.56% and 203.81% and annual risk-free interest rate of approximately 0.2%.

During the three months ended September 30, 2020, certain warrant holders exercised 16,670 warrants for shares of Common Stock at \$3.30 per share in cash.

On May 25, 2020, the Company issued to an individual and his management company 2,284,172 warrants to purchase shares of Common Stock at \$1.39 per share for his involvement with the production and distribution of a television series being developed by the Company. The warrants have a 10-year term and are fully vested upon issuance. The warrants become immediately exercisable in whole upon the earlier of May 21, 2021 or the first date the series is exhibited on television or is otherwise available for viewing through a streaming service or otherwise on the internet. The Company anticipates the warrants will become exercisable by April 23, 2021. The warrants were valued at \$3,174,806 using the Black-Scholes option pricing model. The warrants were issued as an advance payment against participation amounts that will become due to the individual upon the performance of the series. The warrants are being accounted as non-employee compensation expense which has been recorded as prepaid participation expense over the expected exercise period. During the year ended December 31, 2020, the Company recorded \$1,327,646 and \$1,847,160 as prepaid participation expense. The valuation inputs for the warrants included expected volatility of 253.01%, and annual risk-free interest rate of 0.7%.

On October 15, 2020, the Company issued to an individual and his management company 1,000,000 warrants to purchase shares of Common Stock at \$1.39 per share for his involvement with the production and distribution of a television series being developed by the Company. The shares become freely tradable, 50% upon the six-month anniversary of issuance and 50% upon one year of issuance.

On October 28, 2020, the “Company, entered into a Securities Purchase Agreement (the “Purchase Agreement”) with certain investors (the “Investors”), pursuant to which the Company agreed to issue and sell, in a registered direct offering by the Company directly to the Investors (the “Offering”), an aggregate of 37,400,000 shares (the “Shares”) of our Common Stock and warrants (“Investor Warrants”) to purchase up to 37,400,000 shares of our Common Stock (“Investor Warrant Shares”), available to the Company through an increase in authorized shares, as approved by the shareholders on August 27, 2020. The purchase price was \$1.55 per fixed combination of one share of common stock and a warrant to purchase one share of common stock, for gross proceeds of approximately \$57.9 million before deducting the placement agent fees and offering expenses.

The Investor Warrants have an exercise price of \$1.55 per share and are exercisable immediately on the date of issuance, and at any time thereafter up to five years from the initial issuance date. A holder will not have the right to exercise any portion of the Investor Warrant if the holder would beneficially own in excess of 4.99% (or, at the election of the holder, 9.99%) of the outstanding Common Stock immediately after exercise, except that upon notice from the holder to the Company, the holder may increase or decrease the beneficial ownership limitation up to 9.99% of the number of shares of Common Stock outstanding immediately after giving effect to the exercise, as such percentage ownership is determined in accordance with the terms of the Investor Warrants, provided that any increase in such beneficial ownership limitation shall not be effective until 61 days following notice from the holder to the Company.

The Offering closed on October 30, 2020. The Special Equities Group, a division of Bradley Woods & Co. Ltd., acted as placement agent and received (i) a cash fee of approximately \$4.1 million and (ii) warrants (“Placement Agent Warrants” and together with Investor Warrants, the “Warrants”) to purchase 2,618,000 shares of Common Stock (“Placement Agent Warrant Shares” and together with Investor Warrant Shares, the “Warrant Shares”). The Placement Agent Warrants have the same form and terms as the Investor Warrants. In addition, the Company will pay the placement agent a cash fee equal to 7% of the aggregate gross proceeds from the exercise of any Warrants. The Partnership has also agreed to reimburse the lead Investor for \$25,000 of its legal fees and expenses incurred in connection with the Offering.

The following table summarizes the changes in the Company’s outstanding warrants during the year ended December 31, 2019 and December 31, 2020:

	Warrants Outstanding Number Of Shares	Exercise Prices Per Share	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price Per Share
Balance at December 31, 2018	5,899,389	\$ 3.30 - 6.00	3.74 years	\$ 3.53
Warrants Granted	9,917,047	\$ 2.55 - 2.12	5.39 years	\$ 0.35
Warrants Exercised	4,592,029	\$ 2.12 - 3.90	2.77 years	\$ 2.77
Warrants Expired	100,002	\$ 6.00	–	\$ 6.00
Balance at December 31, 2019	11,124,405	\$ 0.21 - 5.30	4.37 years	\$ 0.84
Warrants Granted	115,375,982	\$ 0.21 - 1.55	4.61 years	\$ 0.71
Warrants Exercised	80,820,087	\$ 0.21 - 5.30	4.62 years	\$ 0.25
Warrants Expired	168,335	\$ 3.30 - 3.60	–	\$ 3.50
Balance at June 30, 2020	45,511,965	\$ 0.21 - 5.30	5.19 years	\$ 1.55
Exercisable December 31, 2019	7,176,620	\$ 0.76 - 6.00	3.77 years	\$ 2.52
Exercisable December 31, 2020	42,227,793	\$ 0.21 - 5.30	4.75 years	\$ 1.56

**Note 17: Income Taxes**

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Net deferred tax liabilities consist of the following components as of December 31, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Deferred tax assets:		
NOL Carryover	\$ 11,945,900	\$ 10,068,800
Lease Liability	615,300	1,166,400
Stock Compensation	722,200	-
Warrants	335,000	-
Deferred Revenue	456,900	-
Other	81,300	36,700
Subtotal	14,156,600	11,271,900
Valuation Allowance	(13,603,100)	(10,068,700)
Deferred tax liabilities:		
Right of Use Assets	(551,900)	(1,122,100)
Other	(1,600)	(81,100)
Net Deferred Tax Asset	\$ -	\$ -

The income tax provision differs from the amount of income tax determined by applying the U.S. federal tax rate to pretax income from continuing operations for the years ended December 31, 2020 and 2019 due to the following:

	<b>2020</b>	<b>2019</b>
Income Tax Expense Computed at the Statutory Federal Rate	\$ (84,350,700)	\$ (2,411,100)
State Income Taxes, Net of Federal Tax Effect	(871,900)	(613,300)
Stock Compensation	1,333,300	38,700
Conversion Option Revaluation	36,085,500	-
Secured Convertible Notes	216,700	483,100
Warrants	44,036,600	38,200
Other	16,200	15,000
Valuation Allowance	3,534,300	2,449,400
	\$ -	\$ -

At December 31, 2020, the Company had Federal net operating loss carry forwards of approximately \$43,112,000 and state net operating loss carry forwards of approximately \$41,416,000 that may be offset against future taxable income will begin to expire in 2028, if not utilized. No tax benefit has been reported in the December 31, 2020 financial statements since the potential tax benefit is offset by a valuation allowance of the same amount.

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carry forwards for Federal income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, net operating loss carry forwards may be limited as to use in future years.

The Company accounts for income taxes in accordance with Accounting Standards Codification Topic 740, Income Taxes (“Topic 740”), which requires the recognition of deferred tax liabilities and assets at currently enacted tax rates for the expected future tax consequences of events that have been included in the financial statements or tax returns. A valuation allowance is recognized to reduce the net deferred tax asset to an amount that is more likely than not to be realized.

Topic 740 provides guidance on the accounting for uncertainty in income taxes recognized in a company’s financial statements. Topic 740 requires a company to determine whether it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. If the more-likely-than-not threshold is met, a company must measure the tax position to determine the amount to recognize in the financial statements.

The Company includes interest and penalties arising from the underpayment of income taxes in the statements of operation in the provision for income taxes. As of December 31, 2020, the Company had no accrued interest or penalties related to uncertain tax positions.

The Company files income tax returns in the U.S. federal jurisdiction and in the State of California. The Company is currently subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities since inception of the Company.

#### **Note 18: Commitments and Contingencies**

The Company has various contractual obligations, which are recorded as liabilities in our consolidated financial statements. Other items, such as certain purchase commitments and other executory contracts are not recognized as liabilities in our consolidated financial statements but are required to be disclosed in the footnotes to the financial statements. For example, the Company enters into various agreements associated with its individual properties. Some of these agreements call for the potential future payment of royalties or “profit” participations. In addition, the Company has contractual commitments for employment agreements of certain employees.

Effective February 6, 2018, the Company entered into an operating lease for 6,969 square feet of general office space at 131 South Rodeo Drive, Suite 250, Beverly Hills, CA 90212 pursuant to a 91-month lease that commenced on May 25, 2018. We pay rent of \$364,130 annually, subject to annual escalations of 3.5%.

Effective December 28, 2018, the Company entered into a lease for 5,765 square feet of general office space at 8383 Wilshire Blvd., Suite 412, Beverly Hills, CA 90211 pursuant to a 6-month lease that commenced January 28, 2019. We paid rent of \$24,501 monthly through August 31, 2019.

Effective January 21, 2019, the Company entered into a sublease for the 6,969 square feet of general office space located at 131 South Rodeo Drive, Suite 250, Beverly Hills, CA 90212 pursuant to an 83-month sublease that commenced on February 4, 2019. The subtenant paid us rent of \$422,321 annually, subject to annual escalations of 3.5%.

On September 11, 2020, the Company entered into a Surrender Agreement with the landlord which terminated the 131 South Rodeo Dr lease agreement. As a result, the Company recorded decreases in the Right Of Use asset, accumulated amortization, and the lease liability of \$2,142,863, \$465,124 and \$1,760,302 respectively. The termination of the lease resulted in a loss of \$338,586. Simultaneously, as part of the Surrender Agreement the Sublease was terminated.

Effective January 30, 2019, the Company entered into an operating lease for 5,838 square feet of general office space at 190 N. Canon Drive, 4th FL, Beverly Hills, CA 90210 pursuant to a 96-month lease that commenced on September 1, 2019. We pay rent of \$392,316 annually, subject to annual escalations of 3.5%.

In addition, the Company has contractual commitments for employment agreements of certain employees.

Rental expenses incurred for operating leases during the twelve months ended December 31, 2020 and December 31, 2019 were \$665,188 and \$740,135, respectively. During the twelve months ended December 31, 2020 and December 31, 2019, the Company received sub-lease income of \$316,762 and \$432,285, respectively.

The following is a schedule of future minimum contractual obligations as of December 31, 2020, under the Company's operative leases and employment agreements:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Thereafter</u>	<u>Total</u>
Operating Leases	\$ 347,785	\$ 429,984	\$ 447,183	\$ 465,071	\$ 483,674	\$ 847,192	\$ 3,020,889
Employment Contracts	1,175,628	906,503	843,707	473,660	453,924	–	3,853,422
Consulting Contracts	300,000	187,500	–	–	–	–	487,500
	<u>\$ 1,823,413</u>	<u>\$ 1,523,987</u>	<u>\$ 1,290,890</u>	<u>\$ 938,731</u>	<u>\$ 937,598</u>	<u>\$ 847,192</u>	<u>\$ 7,361,811</u>

In addition to employment agreements and operating leases, in the normal course of its business, the Company enters into various agreements associated with its individual properties. Some of these agreements call for the potential future payment of royalties or "profit" participations for either (i) the use of third party intellectual property, such as the case with *Stan Lee and the Mighty 7*, *Llama Llama* and *Rainbow Rangers* among others, in which the Company is obligated to share net profits with the underlying rights holders on a certain basis as defined in the respective agreements or (ii) services rendered by animation studios, post-production studios, writers, directors, musicians or other creative talent for which the Company is obligated to share with these service providers a portion of the net profits of the properties on which they have rendered services, as defined in each respective agreement.

Additionally, other agreements contain options to acquire rights to intellectual property and would require payment to the rights holders contingent upon the Company securing minimum production, broadcast, or other financing commitments from third parties.

Lastly, for its Cartoon Channel!, the Company licenses content for exhibition for which the Company is obligated to pay between 35% and 100% of revenues from the channel allocated to the aforementioned content after the deduction of certain direct operating expenses.

#### **Note 19: Related Party Transactions**

On August 31, 2018, Llama entered into an animation production services agreement with Mr. Heyward for services as a producer for which he is to receive \$124,000 through the course of production of the Company's animated series *Llama Llama Season 2*. During the year ended December 31, 2019, Mr. Heyward was paid \$124,000. No further amounts are due.

Pursuant to his employment agreements dated November 16, 2018 and November 16, 2020, Mr. Heyward is entitled to an Executive Producer fee of \$12,400 per half hour episode for each episode he provides services as an executive producer. The first identified series under this employment agreement is *Rainbow Rangers*. During the year ended December 31, 2020, 13 half hours had been delivered and accordingly Mr. Heyward was paid \$161,200. The second identified series under this employment agreement is *Rainbow Rangers Season 2*. During the year ended December 31, 2020, 26 half hours had been delivered and accordingly Mr. Heyward was paid \$322,400.

On July 21, 2020, the Company entered into a merchandising and licensing agreement with Andy Heyward Animation Art ("AHAA"), whose principal is Andy Heyward, the Company's Chief Executive Officer. The Company entered into a customary merchandise license agreement with AHAA for the use of characters and logos related to Warren Buffett's *Secret Millionaires Club* and *Stan Lee's Mighty 7* in connection with certain products to be sold by AHAA. The terms and conditions of such license are customary within the industry, and the Company earns an arm-length industry standard royalty on all sales made by AHAA utilizing the licensed content. During the year ended December 31, 2020, the Company earned \$0 in royalties from this agreement.

On September 17, 2019, Mr. Heyward purchased \$500,000 of the Secured Convertible Notes from another holder. The Company did not receive any proceeds from this transaction.

On October 2, 2019, Mr. Heyward purchased 1,000,000 shares of the Company's common stock for an aggregate purchase price of \$760,000, or \$0.76 per share.

On March 11, 2020, Mr. Heyward purchased \$1,000,000 of the 2020 Convertible Notes with an original discount of \$250,000.

On June 19, 2020, Mr. Heyward received 5,658,474 shares of Common Stock upon the cashless exercise of 6,119,048 warrants.

On June 23, 2020, Mr. Heyward received 5,952,381 shares of Common Stock upon conversion of \$1,250,000 of 2020 Convertible Notes.

On December 7, 2020, Mr. Heyward's was granted 7,500,000 Restricted Stock Units vest 1,875,000 on each of the next four anniversary dates. Mr. Heyward was also granted 7,500,000 Performance Based Restricted Stock Units that, if awarded, vest 1,875,000 on each of the next four anniversary dates.

On December 7, 2020, Mr. Heyward's was granted 5,000,000 options to purchase shares of the Company's Common Stock at \$1.39 per share. The options vest on the grant date.

During the year ended December 31, 2020, Mr. Heyward was paid a bonus of \$73,528, \$11,370 in interest on the Senior Convertible Notes and \$3,000 in board fees for his attendance at the unscheduled board meetings.

During the year ended December 31, 2020, the Company paid \$380,989 for security at Mr. Heyward's residence.

As of December 31, 2020, Andy Heyward is owed \$2,420 for reimbursable expenses which are included in the "Due To Related Parties" line item on our condensed consolidated balance sheet

#### **Note 20: Subsequent Events**

On January 6, 2021, the Company issued 25,000 shares of the Company's Common Stock for consulting services at \$1.40 per share. The total amount of \$35,000 was included in accrued expenses as of December 31, 2020.

On January 25, 2021, the Company issued 136,986 shares of the Company's Common Stock for marketing services at \$1.46 per share.

On January 27, 2021, the Company issued to certain employees 520,000 options to purchase shares of the Company's Common Stock with an option price of \$3.06 per share. The options vest on January 27, 2022 and have a five year term.

On January 27, 2021, the Company issued to each of the members of the Board of Directors 20,000 options to purchase shares of the Company's Common Stock with an option price of \$3.06 per share. The options vest on December 31, 2022 and have a five year term.

On January 28, 2021, the Company entered into letter agreements (the "Letter Agreements") with certain existing institutional and accredited investors to exercise certain outstanding warrants (the "Existing Warrants") to purchase up to an aggregate of 39,740,500 shares of the Company's common stock at their original exercise price of \$1.55 per share (the "Exercise"). The Company received approximately \$61.6 million in gross proceeds. The Special Equities Group, a division of Bradley Woods & Co. Ltd., acted as warrant solicitation agent and received a cash fee of approximately \$4.3 million. In consideration for the exercise of the Existing Warrants for cash, the exercising holders will receive new unregistered warrants to purchase up to an aggregate of 39,740,500 shares of common stock (the "New Warrants") at an exercise price of \$2.37 per share and with an exercise period of five years from the initial issuance date. Pursuant to the Letter Agreements, the New Warrants are substantially in the form of the Existing Warrants (except for customary legends and other language typical for an unregistered warrant, including the ability for the holder of the New Warrant to make a cashless exercise if no resale registration statement covering the common stock underlying the New Warrants is effective after six months), will be exercisable immediately, and will have a term of exercise of five years, and the Company will be required to register for resale the shares of common stock underlying the New Warrants.

On February 1, 2021, the Company through GBI Acquisition LLC, a New Jersey limited liability company, and 2811210 Ontario Inc., a company organized under the laws of the Province of Ontario, two wholly owned subsidiaries of the Company, closed its previously announced acquisition pursuant to a Purchase and Sale Agreement (the "Purchase Agreement") with (i) Harold Aaron Chizick, (ii) Jennifer Mara Chizick, (iii) Wishing Thumbelina Inc. ("Wishing Thumbelina"), and (iv) Harold Aaron Chizick and Jennifer Mara Chizick, the trustees of The Chizsix (2019) Family Trust for and on behalf of Harold Aaron Chizick, Jennifer Mara Chizick and Jay Mark Sonshine, trustees of The Chizsix (2019) Family Trust, (the "Trustees") (each a "Seller" and, collectively, "Sellers"), pursuant to which the Company acquired from the Sellers all of the issued and outstanding equity interests of ChizComm Ltd., a corporation organized in Canada ("ChizComm Canada"), and ChizComm USA Corp., a New Jersey corporation ("ChizComm USA" and, together with ChizComm Canada, "ChizComm") (the "Acquisition").

Total consideration paid by the Company in the transaction at closing consisted of \$8.5 million in cash and 1,977,658 shares (the "Closing Shares") of the Company's common stock, \$0.001 par value per share (the "Common Stock") with a value of approximately \$3.5 million, both as subject to certain purchase price adjustments. Of the Closing Shares, 674,157 shares of Common Stock, with a value of approximately \$1.2 million, were deposited into an escrow account to cover potential post-closing indemnification obligations of Sellers under the Purchase Agreement. Additionally, the Purchase Agreement also provides for the issuance of additional shares of Common Stock with an aggregate value of up to \$8.0 million that may be issued to the Sellers if certain EBITDA and performance levels are achieved within a four-year period commencing on the date of the Purchase Agreement.

On February 1, 2021, the Company issued 53,763 Restricted Stock Units to an employee. The Restricted Stock Units vest over three years with one third vesting each anniversary date.

As a result of COVID 19, the majority of our employees started working remotely and we stopped paying rent in April of 2020. On November 30, 2020, the landlord filed a lawsuit demanding that the Company pay all past due rent. On February 18, 2021 we entered into a settlement agreement with the landlord whereby we agreed to pay \$237,500 in full settlement of all claims and promised to resume paying the contractually agreed rent in full starting March 1, 2021.

On September 21, 2020, the Company entered into an employment agreement with a senior executive. The agreement provided for a two-year term and an equity grant among other benefits. In or about January of 2021 the Company and the Executive mutually elected to terminate the agreement. As part of the separation agreement, the Company agreed to pay the executive \$343,750 as well as \$11,250 as reimbursement for health insurance premiums for 15 months. The executive was granted 750,000 fully vested options to purchase shares of the Company's Common Stock, with a strike price of \$3.06 and 1 year in which to exercise said options, to and including February 2, 2022.

**BARBARA K. CEGAVSKE**  
Secretary of State

**KIMBERLEY PERONDI**  
Deputy Secretary for  
Commercial Recordings

STATE OF NEVADA



OFFICE OF THE  
SECRETARY OF STATE

Commercial Recordings Division  
202 N. Carson Street  
Carson City, NV 89701  
Telephone (775) 684-3708  
Fax (775) 684-7138  
North Las Vegas City Hall  
2250 Las Vegas Blvd North, Suite 400  
North Las Vegas, NV 89030  
Telephone (702) 486-2880  
Fax (702) 486-2888

**Certified Copy**

03/25/2021 19:43:19 PM

Work Order Number: W2021032502659 - 1218530  
Reference Number: 20211334785  
Through Date: 03/25/2021 19:43:19 PM  
Corporate Name: GENIUS BRANDS  
INTERNATIONAL, INC.

The undersigned filing officer hereby certifies that the attached copies are true and exact copies of all requested statements and related subsequent documentation filed with the Secretary of State's Office, Commercial Recordings Division listed on the attached report.

Document Number	Description	Number of Pages
20200893490	Amendment After Issuance of Stock - 09/02/2020	3
20200459688	Certificate Pursuant to NRS 78.209 - 02/03/2020	1
20200463502	Certificate Pursuant to NRS 78.209 - 02/03/2020	1
20190343969	Amended Certification of Stock Designation After Issuance of Class/Series - 11/21/2019	19
20160486430-34	Certificate Pursuant to NRS 78.209 - 11/04/2016	1
20140356163-01	Certificate of Designation - 05/14/2014	30
20140249726-47	Amendment - 04/02/2014	2
20130676443-56	Amendment - 10/16/2013	2
20110852886-01	Amendment - 12/02/2011	6
20110746121-15	Merge In - 10/17/2011	11
20110672665-16	Articles of Incorporation - 09/16/2011	3

**BARBARA K. CEGAVSKE**  
*Secretary of State*

**KIMBERLEY PERONDI**  
*Deputy Secretary for  
Commercial Recordings*

STATE OF NEVADA



OFFICE OF THE  
SECRETARY OF STATE

*Commercial Recordings Division*  
202 N. Carson Street  
Carson City, NV 89701  
Telephone (775) 684-5708  
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North Las Vegas City Hall  
2250 Las Vegas Blvd North, Suite 400  
North Las Vegas, NV 89030  
Telephone (702) 486-2880  
Fax (702) 486-2888



Certified By: Electronically Certified  
Certificate Number: B202103261539250  
You may verify this certificate  
online at <http://www.nvsos.gov>

Respectfully,

A handwritten signature in black ink that reads "Barbara K. Cegavske".

BARBARA K. CEGAVSKE  
Nevada Secretary of State



**BARBARA K. CEGAVSKE**  
 Secretary of State  
 202 North Carson Street  
 Carson City, Nevada 89701-4201  
 (775) 684-5708  
 Website: www.nvsos.gov

Filed in the Office of <i>Barbara K. Cegavske</i>	Business Number E0615682011-9
Secretary of State State Of Nevada	Filing Number 20200893499
	Filed On 9/2/2020 3:10:00 PM
	Number of Pages 3

**Profit Corporation:**  
**Certificate of Amendment** (PURSUANT TO NRS 78.380 & 78.385/78.390)  
**Certificate to Accompany Restated Articles or Amended and Restated Articles** (PURSUANT TO NRS 78.403)  
**Officer's Statement** (PURSUANT TO NRS 80.030)

TYPE OR PRINT - USE DARK INK ONLY - DO NOT HIGHLIGHT

<b>1. Entity information:</b>	Name of entity as on file with the Nevada Secretary of State: Genius Brands International, Inc.
	Entity or Nevada Business Identification Number (NVID): NV20111597664
<b>2. Restated or Amended and Restated Articles:</b> (Select one)  (If amending and restating only, complete section 1, 2, 3, 5 and 6)	<input type="checkbox"/> Certificate to Accompany Restated Articles or Amended and Restated Articles <input type="checkbox"/> Restated Articles - No amendments; articles are restated only and are signed by an officer of the corporation who has been authorized to execute the certificate by resolution of the board of directors adopted on: _____ The certificate correctly sets forth the text of the articles or certificate as amended to the date of the certificate. <input type="checkbox"/> Amended and Restated Articles * Restated or Amended and Restated Articles must be included with this filing type.
<b>3. Type of Amendment Filing Being Completed:</b> (Select only one box)  (If amending, complete section 1, 3, 5 and 6.)	<input type="checkbox"/> Certificate of Amendment to Articles of Incorporation (Pursuant to NRS 78.380 - Before Issuance of Stock) The undersigned declare that they constitute at least two-thirds of the following: (Check only one box) <input type="checkbox"/> incorporators <input type="checkbox"/> board of directors The undersigned affirmatively declare that to the date of this certificate, no stock of the corporation has been issued <input checked="" type="checkbox"/> Certificate of Amendment to Articles of Incorporation (Pursuant to NRS 78.385 and 78.390 - After Issuance of Stock) The vote by which the stockholders holding shares in the corporation entitling them to exercise at least a majority of the voting power, or such greater proportion of the voting power as may be required in the case of a vote by classes or series, or as may be required by the provisions of the articles of incorporation* have voted in favor of the amendment is: 118,840,971.2 or 54.3% TSO <input type="checkbox"/> Officer's Statement (foreign qualified entities only) - Name in home state, if using a modified name in Nevada: _____ Jurisdiction of formation: _____ Changes to takes the following effect: <input type="checkbox"/> The entity name has been amended. <input type="checkbox"/> Dissolution <input type="checkbox"/> The purpose of the entity has been amended. <input type="checkbox"/> Merger <input type="checkbox"/> The authorized shares have been amended. <input type="checkbox"/> Conversion <input type="checkbox"/> Other: (specify changes) _____ * Officer's Statement must be submitted with either a certified copy of or a certificate evidencing the filing of any document, amendatory or otherwise, relating to the original articles in the place of the corporations creation.

This form must be accompanied by appropriate fees.



BARBARA K. CEGAVSKE  
 Secretary of State  
 202 North Carson Street  
 Carson City, Nevada 89701-4201  
 (775) 684-5708  
 Website: www.nvsos.gov

**Profit Corporation:**  
**Certificate of Amendment** (PURSUANT TO NRS 78.380 & 78.385/78.390)  
**Certificate to Accompany Restated Articles or Amended and**  
**Restated Articles** (PURSUANT TO NRS 78.403)  
**Officer's Statement** (PURSUANT TO NRS 80.030)

**4. Effective Date and Time: (Optional)** Date: 09/03/2020 Time:   
 (must not be later than 90 days after the certificate is filed)

**5. Information Being Changed:** (Domestic corporations only)  
 Changes to takes the following effect:  
 The entity name has been amended.  
 The registered agent has been changed. (attach Certificate of Acceptance from new registered agent)  
 The purpose of the entity has been amended.  
 The authorized shares have been amended.  
 The directors, managers or general partners have been amended.  
 IRS tax language has been added.  
 Articles have been added.  
 Articles have been deleted.  
 Other.  
 The articles have been amended as follows: (provide article numbers, if available)  
 Please see below.  
 (attach additional page(s) if necessary)

**6. Signature: (Required)**  
 X Michael A. Jaffa Michael A. Jaffa, General Counsel and Secretary  
 Signature of Officer or Authorized Signer Title  
 X \_\_\_\_\_  
 Signature of Officer or Authorized Signer Title  
 \*If any proposed amendment would alter or change any preference or any relative or other right given to any class or series of outstanding shares, then the amendment must be approved by the vote, in addition to the affirmative vote otherwise required, of the holders of shares representing a majority of the voting power of each class or series affected by the amendment regardless to limitations or restrictions on the voting power thereof.

**Please include any required or optional information in space below:**  
 (attach additional page(s) if necessary)

Sections 4.01 and 4.02 of Article IV of the Articles of Incorporation have been amended to read in full as follows:  
 4.01. Authorized Capital Stock. The total number of shares of stock this Corporation is authorized to issue shall be four hundred and ten million (410,000,000) shares. This stock shall be divided into two classes to be designated as "Common Stock" and "Preferred Stock."  
 4.02 Common Stock. The total number of authorized shares of Common Stock shall be four hundred million (400,000,000) shares with par value of \$0.001 per share. Each share of Common Stock when issued, shall have one (1) vote on all matters presented to the stockholders.

This form must be accompanied by appropriate fees.

**CERTIFICATE OF AMENDMENT TO  
ARTICLES OF INCORPORATION  
OF  
GENIUS BRANDS INTERNATIONAL, INC.  
(Pursuant to NRS 78.385 and 78.390)**

Pursuant to the provisions of the Nevada Revised Statutes, Chapter 78, the undersigned officer does hereby certify:

- FIRST: That the name of the Corporation is Genius Brands International, Inc. (the "Corporation").
- SECOND: That the directors of the Corporation unanimously adopted a resolution on July 24, 2020 which resolution approved an amendment to the Corporation's Articles of Incorporation (the "Articles"), subject to stockholder approval in accordance with NRS 78.390.
- THIRD: That the stockholders of the Corporation have approved the following amendment to the Articles pursuant to NRS 78.385 and NRS 78.390, such amendment to become effective immediately upon filing with the Nevada Secretary of State:

Sections 4.01 and 4.02 of Article IV of the Articles are amended to read in full as follows:

4.01 *Authorized Capital Stock* The total number of shares of stock this Corporation is authorized to issue shall be four hundred and ten million (410,000,000) shares. This stock shall be divided into two classes to be designated as "Common Stock" and "Preferred Stock."

4.02 *Common Stock* The total number of authorized shares of Common Stock shall be four hundred million (400,000,000) shares with par value of \$0.001 per share. Each share of Common Stock when issued, shall have one (1) vote on all matters presented to the stockholders.

IN WITNESS WHEREOF, this Certificate of Amendment to the Articles of Incorporation of Genius Brands International, Inc., is executed as of August 28, 2020.

/s/ Andy Heyward  
Andy Heyward  
Chief Executive Officer

---



BARBARA K. CEGAUSKE  
 Secretary of State  
 202 North Carson Street  
 Carson City, Nevada 89701-4201  
 (775) 684-5708  
 Website: www.nvsos.gov

Filed in the Office of <i>Barbara K. Cegauske</i>	Business Number E0615682011-9
Secretary of State State Of Nevada	File Number 20200459688
	Filed On 2/3/2020 1:14:00 PM
	Number of Pages 1

**Certificate of Change Pursuant  
to NRS 78.209**

USE BLACK INK ONLY - DO NOT HIGHLIGHT

ABOVE SPACE IS FOR OFFICE USE ONLY

**Certificate of Change filed Pursuant to NRS 78.209  
For Nevada Profit Corporations**

1. Name of corporation:

Genius Brands International, Inc.

2. The board of directors have adopted a resolution pursuant to NRS 78.209 and have obtained any required approval of the stockholders.

3. The current number of authorized shares and the par value, if any, of each class or series, if any, of shares before the change:

233,333,334 shares of common stock, par value \$0.001 per share; 10,000 shares of preferred stock, par value \$0.001 per share

4. The number of authorized shares and the par value, if any, of each class or series, if any, of shares after the change:

23,333,333 shares of common stock, par value \$0.001 per share; 10,000 shares of preferred stock, par value \$0.001 per share

5. The number of shares of each affected class or series, if any, to be issued after the change in exchange for each issued share of the same class or series:

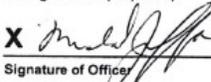
2,554,915

6. The provisions, if any, for the issuance of fractional shares, or for the payment of money or the issuance of scrip to stockholders otherwise entitled to a fraction of a share and the percentage of outstanding shares affected thereby:

Fractional shares will be rounded up. 0%

7. Effective date and time of filing: (optional) Date:  Time:

8. Signature: (required) (must not be later than 90 days after the certificate is filed)

X  \_\_\_\_\_ General Counsel  
 Signature of Officer Title

**IMPORTANT:** Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected.

This form must be accompanied by appropriate fees.

Nevada Secretary of State Stock Split  
 Revised: 1-5-15



BARBARA K. CEGAVSKE  
 Secretary of State  
 202 North Carson Street  
 Carson City, Nevada 89701-4201  
 (775) 684-5708  
 Website: www.nvsos.gov

Filed in the Office of <i>Barbara K. Cegavske</i>	Business Number E0515692011-9
Secretary of State State Of Nevada	Filing Number 20200463502
	Filed On 2/3/2020 1:14:00 PM
	Number of Pages 1

**Certificate of Change Pursuant  
to NRS 78.209**

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**Certificate of Change filed Pursuant to NRS 78.209  
For Nevada Profit Corporations**

1. Name of corporation:  
 Genius Brands International, Inc.

2. The board of directors have adopted a resolution pursuant to NRS 78.209 and have obtained any required approval of the stockholders.

3. The current number of authorized shares and the par value, if any, of each class or series, if any, of shares before the change:  
 233,333,334 shares of common stock, par value \$0.001 per share; 10,000 shares of preferred stock, par value \$0.001 per share

4. The number of authorized shares and the par value, if any, of each class or series, if any, of shares after the change:  
 23,333,333 shares of common stock, par value \$0.001 per share; 10,000 shares of preferred stock, par value \$0.001 per share

5. The number of shares of each affected class or series, if any, to be issued after the change in exchange for each issued share of the same class or series:  
 2,554,915

6. The provisions, if any, for the issuance of fractional shares, or for the payment of money or the issuance of scrip to stockholders otherwise entitled to a fraction of a share and the percentage of outstanding shares affected thereby:  
 Fractional shares will be rounded up. 0%

7. Effective date and time of filing: (optional) Date:  Time:

8. Signature: (required)  (must not be later than 90 days after the certificate is filed)

X   
 Signature of Officer  Title

**IMPORTANT:** Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected.



BARBARA K. CEGAUSKE  
 Secretary of State  
 202 North Carson Street  
 Carson City, Nevada 89701-4201  
 (775) 684-5708  
 Website: www.nvsos.gov

Filed in the Office of <i>Barbara K. Cegauske</i>	Business Number E0515682011-9
Secretary of State State Of Nevada	Filing Number 20190343969
	Filed On 11/21/2019 11:19:28 AM
	Number of Pages 19

**Certificate, Amendment or Withdrawal of Designation**

NRS 78.1955, 78.1955(6)

Certificate of Designation  
 Certificate of Amendment to Designation - Before Issuance of Class or Series  
 Certificate of Amendment to Designation - After Issuance of Class or Series  
 Certificate of Withdrawal of Certificate of Designation

TYPE OR PRINT - USE DARK INK ONLY - DO NOT HIGHLIGHT

<b>1. Entity information:</b>	Name of entity: Genius Brands International, Inc. Entity or Nevada Business Identification Number (NVID): NV20111597664
<b>2. Effective date and time:</b>	For Certificate of Designation or Amendment to Designation Only (Optional): Date: _____ Time: _____ (must not be later than 90 days after the certificate is filed)
<b>3. Class or series of stock:</b> (Certificate of Designation only)	The class or series of stock being designated within this filing: Series A Convertible Preferred Stock
<b>4. Information for amendment of class or series of stock:</b>	The original class or series of stock being amended within this filing: Series A Convertible Preferred Stock
<b>5. Amendment of class or series of stock:</b>	<input type="checkbox"/> Certificate of Amendment to Designation- Before Issuance of Class or Series As of the date of this certificate no shares of the class or series of stock have been issued. <input checked="" type="checkbox"/> Certificate of Amendment to Designation- After Issuance of Class or Series The amendment has been approved by the vote of stockholders holding shares in the corporation entitling them to exercise a majority of the voting power, or such greater proportion of the voting power as may be required by the articles of incorporation or the certificate of designation.
<b>6. Resolution:</b> Certificate of Designation and Amendment to Designation only)	By resolution of the board of directors pursuant to a provision in the articles of incorporation this certificate establishes OR amends the following regarding the voting powers, designations, preferences, limitations, restrictions and relative rights of the following class or series of stock.* The undersigned Chief Executive Officer of Genius Brands International, Inc., a Nevada corporation (the "Company"), in accordance with the provisions of the Nevada Revised Statutes, does hereby certify that, pursuant to the authority conferred upon the Board of Directors by the Articles of Incorporation of the Company, as amended, the following resolution amending and restating a series of Series A Convertible Preferred Stock was duly adopted on November 20, 2019.
<b>7. Withdrawal:</b>	Designation being Withdrawn: _____ Date of Designation: _____ No shares of the class or series of stock being withdrawn are outstanding. The resolution of the board of directors authorizing the withdrawal of the certificate of designation establishing the class or series of stock: *
<b>8. Signature:</b> (Required)	<input checked="" type="checkbox"/> <u>Andy Hayward</u> Signature of Officer Date: 11/20/2019

\* Attach additional page(s) if necessary  
 This form must be accompanied by appropriate fees.

**AMENDED AND RESTATED  
CERTIFICATE OF DESIGNATIONS, PREFERENCES AND RIGHTS OF THE  
0% SERIES A CONVERTIBLE PREFERRED STOCK OF  
GENIUS BRANDS INTERNATIONAL, INC.**

I, Andrew Heyward, hereby certify that I am the Chief Executive Officer of Genius Brands International, Inc. (the "**Company**"), a corporation organized and existing under the Chapter 78 of the Nevada Revised Statutes (the "**Nevada General Company Law**" or the "**NGCL**"), and further do hereby certify:

That pursuant to the authority expressly conferred upon the Board of Directors of the Company (the "**Board**") by the Company's Articles of Incorporation, as amended (the "**Articles of Incorporation**"), the Board on November 20, 2019 adopted, and the Required Holders (as defined below) approved, the following resolutions amending and restating in their entirety the terms of a series of shares of Preferred Stock designated as 0% Series A Convertible Preferred Stock, which were originally created on May 14, 2014:

RESOLVED, that the Board designates the 0% Series A Convertible Preferred Stock and the number of shares constituting such series, and fixes the rights, powers, preferences, privileges and restrictions relating to such series in addition to any set forth in the Articles of Incorporation as follows:

**TERMS OF SERIES A CONVERTIBLE PREFERRED STOCK**

1. Designation and Number of Shares. There shall hereby be created and established a series of preferred stock of the Company designated as "0% Series A Convertible Preferred Stock" (the "**Preferred Shares**"). The authorized number of Preferred Shares shall be 6,000 shares. Each Preferred Share shall have \$0.001 par value. Capitalized terms not defined herein shall have the meaning as set forth in Section 23 below.

2. Ranking. Except to the extent that the holders of at least a majority of the outstanding Preferred Shares (the "**Required Holders**") expressly consent to the creation of Parity Stock (as defined below) or Senior Preferred Stock (as defined below) in accordance with Section 12, all shares of capital stock of the Company shall be junior in rank to all Preferred Shares with respect to the preferences as to dividends, distributions and payments upon the liquidation, dissolution and winding up of the Company (such junior stock is referred to herein collectively as "**Junior Stock**"). The rights of all such shares of capital stock of the Company shall be subject to the rights, powers, preferences and privileges of the Preferred Shares. Without limiting any other provision of this Certificate of Designations, without the prior express consent of the Required Holders, voting separate as a single class, the Company shall not hereafter authorize or issue any additional or other shares of capital stock that is (i) of senior rank to the Preferred Shares in respect of the preferences as to dividends, distributions and payments upon the liquidation, dissolution and winding up of the Company (collectively, the "**Senior Preferred Stock**"), (ii) of *pari passu* rank to the Preferred Shares in respect of the preferences as to dividends, distributions and payments upon the liquidation, dissolution and winding up of the Company (collectively, the "**Parity Stock**") or (iii) any Junior Stock having a maturity date (or any other date requiring redemption or repayment of such shares of Junior Stock) that is prior to the date no Preferred Shares remain outstanding. In the event of the merger or consolidation of the Company with or into another corporation, the Preferred Shares shall maintain their relative rights, powers, designations, privileges and preferences provided for herein and no such merger or consolidation shall result inconsistent therewith.

3. Dividends. In addition to Sections 5(a) and 11 below, from and after the first date of issuance of any Preferred Shares (the "Initial Issuance Date"), each holder of a Preferred Share (each, a "Holder" and collectively, the "Holders") shall be entitled to receive dividends ("Dividends") when and as declared by the Board, from time to time, in its sole discretion, which Dividends shall be paid by the Company out of funds legally available therefor, payable, subject to the conditions and other terms hereof, in cash on the Stated Value of such Preferred Share.

4. Conversion. Each Preferred Share shall be convertible into validly issued, fully paid and non-assessable shares of Common Stock (as defined below) on the terms and conditions set forth in this Section 4.

(a) Holder's Conversion Right. Subject to the provisions of Section 4(e), at any time or times on or after the Initial Issuance Date, each Holder shall be entitled to convert any whole number of Preferred Shares into validly issued, fully paid and non-assessable shares of Common Stock in accordance with Section 4(c) at the Conversion Rate (as defined below).

(b) Conversion Rate. The number of validly issued, fully paid and non-assessable shares of Common Stock issuable upon conversion of each Preferred Share pursuant to Section 4(a) shall be determined according to the following formula (the "Conversion Rate"):

$$\frac{\text{Base Amount}}{\text{Conversion Price}}$$

No fractional shares of Common Stock are to be issued upon the conversion of any Preferred Shares. If the issuance would result in the issuance of a fraction of a share of Common Stock, the Company shall round such fraction of a share of Common Stock up to the nearest whole share.

(c) Mechanics of Conversion. The conversion of each Preferred Share shall be conducted in the following manner:

(i) Holder's Conversion. To convert a Preferred Share into validly issued, fully paid and non-assessable shares of Common Stock on any date (a "**Conversion Date**"), a Holder shall deliver (whether via facsimile or otherwise), for receipt on or prior to 11:59 p.m., New York time, on such date, a copy of an executed notice of conversion of the share(s) of Preferred Shares subject to such conversion in the form attached hereto as Exhibit I (the "Conversion Notice") to the Company. If required by Section 4(c)(vi), within five (5) Trading Days following a conversion of any such Preferred Shares as aforesaid, such Holder shall surrender to a nationally recognized overnight delivery service for delivery to the Company the original certificates representing the share(s) of Preferred Shares (the "**Preferred Share Certificates**") so converted as aforesaid.

(ii) Company's Response. On or before the first (1st) Trading Day following the date of receipt of a Conversion Notice, the Company shall transmit by facsimile an acknowledgment of confirmation, in the form attached hereto as Exhibit II, of receipt of such Conversion Notice to such Holder and the Transfer Agent, which confirmation shall constitute an instruction to the Transfer Agent to process such Conversion Notice in accordance with the terms herein. On or before the second (2nd) Trading Day following the date of receipt by the Company of such Conversion Notice, the Company shall (1) provided that (x) the Transfer Agent is participating in DTC Fast Automated Securities Transfer Program and (y) the shares of Common Stock to be issued are otherwise eligible for resale pursuant to Rule 144 promulgated under the Securities Act of 1933, as amended, credit such aggregate number of shares of Common Stock to which such Holder shall be entitled to such Holder's or its designee's balance account with DTC through its Deposit/Withdrawal at Custodian system, or (2) if either of the immediately preceding clauses (x) or (y) are not satisfied, issue and deliver (via reputable overnight courier) to the address as specified in such Conversion Notice, a certificate, registered in the name of such Holder or its designee, for the number of shares of Common Stock to which such Holder shall be entitled. If the number of Preferred Shares represented by the Preferred Share Certificate(s) submitted for conversion pursuant to Section 4(c)(vi) is greater than the number of Preferred Shares being converted, then the Company shall if requested by such Holder, as soon as practicable and in no event later than three (3) Trading Days after receipt of the Preferred Share Certificate(s) and at its own expense, issue and deliver to such Holder (or its designee) a new Preferred Share Certificate representing the number of Preferred Shares not converted.

(iii) Record Holder. The Person or Persons entitled to receive the shares of Common Stock issuable upon a conversion of Preferred Shares shall be treated for all purposes as the record holder or holders of such shares of Common Stock on the Conversion Date.

(iv) Company's Failure to Timely Convert. If the Company shall fail, for any reason or for no reason, to issue to a Holder within three (3) Trading Days after the Company's receipt of a Conversion Notice (whether via facsimile or otherwise) (the "**Share Delivery Deadline**"), a certificate for the number of shares of Common Stock to which such Holder is entitled and register such shares of Common Stock on the Company's share register or to credit such Holder's or its designee's balance account with DTC for such number of shares of Common Stock to which such Holder is entitled upon such Holder's conversion of any Preferred Shares (as the case may be) (a "**Conversion Failure**"), then, in addition to all other remedies available to such Holder, such Holder, upon written notice to the Company, may void its Conversion Notice with respect to, and retain or have returned (as the case may be) any Preferred Shares that have not been converted pursuant to such Holder's Conversion Notice, provided that the voiding of a Conversion Notice shall not affect the Company's obligations to make any payments which have accrued prior to the date of such notice pursuant to the terms of this Certificate of Designations or otherwise. In addition to the foregoing, if within three (3) Trading Days after the Company's receipt of a Conversion Notice (whether via facsimile or otherwise), the Company shall fail to issue and deliver a certificate to such Holder and register such shares of Common Stock on the Company's share register or credit such Holder's or its designee's balance account with DTC for the number of shares of Common Stock to which such Holder is entitled upon such Holder's conversion hereunder (as the case may be), and if on or after such third (3rd) Trading Day such Holder (or any other Person in respect, or on behalf, of such Holder) purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by such Holder of all or any portion of the number of shares of Common Stock, or a sale of a number of shares of Common Stock equal to all or any portion of the number of shares of Common Stock, issuable upon such conversion that such Holder so anticipated receiving from the Company, then, in addition to all other remedies available to such Holder, the Company shall, within three (3) Business Days after such Holder's request and in such Holder's discretion, either (i) pay cash to such Holder in an amount equal to such Holder's total purchase price (including brokerage commissions and other reasonable out-of-pocket expenses related to the Buy-In, if any) for the shares of Common Stock so purchased (including, without limitation, by any other Person in respect, or on behalf, of such Holder) (the "**Buy-In Price**"), at which point the Company's obligation to so issue and deliver such certificate or credit such Holder's balance account with DTC for the number of shares of Common Stock to which such Holder is entitled upon such Holder's conversion hereunder (as the case may be) (and to issue such shares of Common Stock) shall terminate, or (ii) promptly honor its obligation to so issue and deliver to such Holder a certificate or certificates representing such shares of Common Stock or credit such Holder's balance account with DTC for the number of shares of Common Stock to which such Holder is entitled upon such Holder's conversion hereunder (as the case may be) and pay cash to such Holder in an amount equal to the excess (if any) of the Buy-In Price over the product of (A) such number of shares of Common Stock multiplied by (B) the sale price of the Common Stock at which the sell order giving rise to such purchase obligation was executed.

(v) Pro Rata Conversion Disputes. In the event the Company receives a Conversion Notice from more than one Holder for the same Conversion Date and the Company can convert some, but not all, of such Preferred Shares submitted for conversion, the Company shall convert from each Holder electing to have Preferred Shares converted on such date a pro rata amount of such Holder's Preferred Shares submitted for conversion on such date based on the number of Preferred Shares submitted for conversion on such date by such Holder relative to the aggregate number of Preferred Shares submitted for conversion on such date.

In the event of a dispute as to the number of shares of Common Stock issuable to a Holder in connection with a conversion of Preferred Shares, the Company shall issue to such Holder the number of shares of Common Stock not in dispute and resolve such dispute in accordance with the Purchase Agreement.

(vi) Book-Entry. Notwithstanding anything to the contrary set forth in this Section 4, upon conversion of any Preferred Shares in accordance with the terms hereof, no Holder thereof shall be required to physically surrender the certificate representing the Preferred Shares to the Company following conversion thereof unless (A) the full or remaining number of Preferred Shares represented by the certificate are being converted (in which event such certificate(s) shall be delivered to the Company as contemplated by this Section 4(c)(vi)) or (B) such Holder has provided the Company with prior written notice (which notice may be included in a Conversion Notice) requesting reissuance of Preferred Shares upon physical surrender of any Preferred Shares. Each Holder and the Company shall maintain records showing the number of Preferred Shares so converted by such Holder and the dates of such conversions or shall use such other method, reasonably satisfactory to such Holder and the Company, so as not to require physical surrender of the certificate representing the Preferred Shares upon each such conversion. In the event of any dispute or discrepancy, such records of such Holder establishing the number of Preferred Shares to which the record holder is entitled shall be controlling and determinative in the absence of manifest error. A Holder and any transferee or assignee, by acceptance of a certificate, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of any Preferred Shares, the number of Preferred Shares represented by such certificate may be less than the number of Preferred Shares stated on the face thereof. Each certificate for Preferred Shares shall bear the following legend:

ANY TRANSFEREE OR ASSIGNEE OF THIS CERTIFICATE SHOULD CAREFULLY REVIEW THE TERMS OF THE CORPORATION'S CERTIFICATE OF DESIGNATIONS RELATING TO THE SHARES OF SERIES A PREFERRED STOCK REPRESENTED BY THIS CERTIFICATE, INCLUDING SECTION 4(c)(vi) THEREOF. THE NUMBER OF SHARES OF SERIES A PREFERRED STOCK REPRESENTED BY THIS CERTIFICATE MAY BE LESS THAN THE NUMBER OF SHARES OF SERIES A PREFERRED STOCK STATED ON THE FACE HEREOF PURSUANT TO SECTION 4(c)(vi) OF THE CERTIFICATE OF DESIGNATIONS RELATING TO THE SHARES OF SERIES A PREFERRED STOCK REPRESENTED BY THIS CERTIFICATE.

(d) Taxes. The Company shall pay any and all documentary, stamp, transfer (but only in respect of the registered holder thereof), issuance and other similar taxes that may be payable with respect to the issuance and delivery of shares of Common Stock upon the conversion of Preferred Shares.

(e) Limitation on Beneficial Ownership. Notwithstanding anything to the contrary contained in this Certificate of Designations, the Preferred Shares held by a Holder shall not be convertible by such Holder, and the Company shall not effect any conversion of any Preferred Shares held by such Holder, to the extent (but only to the extent) that such Holder or any of its affiliates would beneficially own in excess of 9.99% (the "**Maximum Percentage**") of the Common Stock. To the extent the above limitation applies, the determination of whether the Preferred Shares held by such Holder shall be convertible (vis-a-vis other convertible, exercisable or exchangeable securities owned by such Holder or any of its affiliates) and of which such securities shall be convertible, exercisable or exchangeable (as among all such securities owned by such Holder and its affiliates) shall, subject to such Maximum Percentage limitation, be determined on the basis of the first submission to the Company for conversion, exercise or exchange (as the case may be). No prior inability of a Holder to convert Preferred Shares, or of the Company to issue shares of Common Stock to such Holder, pursuant to this Section 4(e) shall have any effect on the applicability of the provisions of this Section 4(e) with respect to any subsequent determination of convertibility or issuance (as the case may be). For purposes of this Section 4(e), beneficial ownership and all determinations and calculations (including, without limitation, with respect to calculations of percentage ownership) shall be determined in accordance with Section 13(d) of the 1934 Act and the rules and regulations promulgated thereunder. The provisions of this Section 4(e) shall be implemented in a manner otherwise than in strict conformity with the terms of this Section 4(e) to correct this Section 4(e) (or any portion hereof) which may be defective or inconsistent with the intended Maximum Percentage beneficial ownership limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such Maximum Percentage limitation. The limitations contained in this Section 4(e) shall apply to a successor holder of Preferred Shares. The holders of Common Stock shall be third party beneficiaries of this Section 4(e) and the Company may not waive this Section 4(e) without the consent of holders of a majority of its Common Stock. For any reason at any time, upon the written or oral request of a Holder, the Company shall within one (1) Business Day confirm orally and in writing to such Holder the number of shares of Common Stock then outstanding, including by virtue of any prior conversion or exercise of convertible or exercisable securities into Common Stock, including, without limitation, pursuant to this Certificate of Designations or securities issued pursuant to the Exchange Agreements. By written notice to the Company, any Holder may increase or decrease the Maximum Percentage to any other percentage not in excess of 9.99% specified in such notice; provided that (i) any such increase will not be effective until the 61st day after such notice is delivered to the Company, and (ii) any such increase or decrease will apply only to such Holder sending such notice and not to any other Holder.

5. Intentionally omitted.

6. Intentionally omitted.

7. Adjustment of Conversion Price.

(a) Intentionally Omitted.

(b) Adjustment of Conversion Price upon Subdivision or Combination of Common Stock. Without limiting any provision of Sections 5 and 11, if the Company at any time on or after the Subscription Date subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Conversion Price in effect immediately prior to such subdivision will be proportionately reduced. Without limiting any provision of Sections 5 and 11, if the Company at any time on or after the Subscription Date combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Conversion Price in effect immediately prior to such combination will be proportionately increased. Any adjustment pursuant to this Section 7(b) shall become effective immediately after the effective date of such subdivision or combination. If any event requiring an adjustment under this Section 7(b) occurs during the period that a Conversion Price is calculated hereunder, then the calculation of such Conversion Price shall be adjusted appropriately to reflect such event.

(c) Calculations. All calculations under this Section 7 shall be made by rounding to the nearest one-hundred thousandth of a cent or the nearest 1/100th of a share, as applicable. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Common Stock.

8. Authorized Shares.

(a) Reservation. The Company shall initially reserve out of its authorized and unissued Common Stock a number of shares of Common Stock equal to 100% of the Conversion Rate with respect to the Base Amount of each Preferred Share as of the Initial Issuance Date (assuming for purposes hereof, that all the Preferred Shares issuable pursuant to the Securities Purchase Agreement have been issued, such Preferred Shares are convertible at the Conversion Price and without taking into account any limitations on the conversion of such Preferred Shares set forth in herein) issuable pursuant to the terms of this Certificate of Designations from the Initial Issuance Date through the second anniversary of the Initial Issuance Date assuming (assuming for purposes hereof, that all the Preferred Shares issuable pursuant to the Securities Purchase Agreement have been issued and without taking into account any limitations on the issuance of securities set forth herein). So long as any of the Preferred Shares are outstanding, the Company shall take all action necessary to reserve and keep available out of its authorized and unissued shares of Common Stock, solely for the purpose of effecting the conversion of the Preferred Shares, as of any given date, 100% of the number of shares of Common Stock as shall from time to time be necessary to effect the conversion of all of the Preferred Shares issued or issuable pursuant to the Securities Purchase Agreement assuming for purposes hereof, that all the Preferred Shares issuable pursuant to the Securities Purchase Agreement have been issued and without taking into account any limitations on the issuance of securities set forth herein), provided that at no time shall the number of shares of Common Stock so available be less than the number of shares required to be reserved by the previous sentence (without regard to any limitations on conversions contained in this Certificate of Designations) (the "**Required Amount**"). The initial number of shares of Common Stock reserved for conversions of the Preferred Shares and each increase in the number of shares so reserved shall be allocated pro rata among the Holders based on the number of Preferred Shares held by each Holder on the Initial Issuance Date or increase in the number of reserved shares (as the case may be) (the "**Authorized Share Allocation**"). In the event a Holder shall sell or otherwise transfer any of such Holder's Preferred Shares, each transferee shall be allocated a pro rata portion of such Holder's Authorized Share Allocation. Any shares of Common Stock reserved and allocated to any Person which ceases to hold any Preferred Shares shall be allocated to the remaining Holders of Preferred Shares, pro rata based on the number of Preferred Shares then held by such Holders.

(b) Insufficient Authorized Shares. If, notwithstanding Section 8(a) and not in limitation thereof, at any time while any of the Preferred Shares remain outstanding the Company does not have a sufficient number of authorized and unissued shares of Common Stock to satisfy its obligation to have available for issuance upon conversion of the Preferred Shares at least a number of shares of Common Stock equal to the Required Amount (an "**Authorized Share Failure**"), then the Company shall promptly take all reasonable action to increase the Company's authorized shares of Common Stock to an amount sufficient to allow the Company to reserve and have available the Required Amount for all of the Preferred Shares then outstanding. Without limiting the generality of the foregoing sentence, as soon as practicable after the date of the occurrence of an Authorized Share Failure, but in no event later than ninety (90) days after the occurrence of such Authorized Share Failure, the Company shall hold a meeting of its stockholders or conduct a consent solicitation for the approval of an increase in the number of authorized shares of Common Stock. In connection with such meeting, the Company shall provide each stockholder with a proxy statement and shall use its best efforts to solicit its stockholders' approval of such increase in authorized shares of Common Stock and to cause its Board to recommend to the stockholders that they approve such proposal.

9. Voting Rights. Holders of Preferred Shares shall have no voting rights, except as required by law (including without limitation, the NGCL) and as expressly provided in this Certificate of Designations. Subject to Section 4(e), to the extent that under the NGCL holders of the Preferred Shares are entitled to vote on a matter with holders of shares of Common Stock, voting together as one class, each Preferred Share shall entitle the holder thereof to cast that number of votes per share as is equal to the number of shares of Common Stock into which it is then convertible (subject to the ownership limitations specified in Section 4(e) hereof) using the record date for determining the stockholders of the Company eligible to vote on such matters as the date as of which the Conversion Price is calculated. Holders of the Preferred Shares shall be entitled to written notice of all stockholder meetings or written consents (and copies of proxy materials and other information sent to stockholders) with respect to which they would be entitled by vote, which notice would be provided pursuant to the Company's bylaws and the NGCL).

10. Liquidation, Dissolution, Winding-Up. In the event of a Liquidation Event, the Holders shall be entitled to receive in cash out of the assets of the Company, whether from capital or from earnings available for distribution to its stockholders (the "**Liquidation Funds**"), before any amount shall be paid to the holders of any of shares of Junior Stock, an amount per Preferred Share equal to the amount per share such Holder would receive if such Holder converted such Preferred Shares into Common Stock immediately prior to the date of such payment, provided that if the Liquidation Funds are insufficient to pay the full amount due to the Holders and holders of shares of Parity Stock, then each Holder and each holder of Parity Stock shall receive a percentage of the Liquidation Funds equal to the full amount of Liquidation Funds payable to such Holder and such holder of Parity Stock as a liquidation preference, in accordance with their respective certificate of designations (or equivalent), as a percentage of the full amount of Liquidation Funds payable to all holders of Preferred Shares and all holders of shares of Parity Stock. To the extent necessary, the Company shall cause such actions to be taken by each of its Subsidiaries so as to enable, to the maximum extent permitted by law, the proceeds of a Liquidation Event to be distributed to the Holders in accordance with this Section 10. All the preferential amounts to be paid to the Holders under this Section 10 shall be paid or set apart for payment before the payment or setting apart for payment of any amount for, or the distribution of any Liquidation Funds of the Company to the holders of shares of Junior Stock in connection with a Liquidation Event as to which this Section 10 applies.

11. Participation. In addition to any adjustments pursuant to Section 7(b), the Holders shall, as holders of Preferred Shares, be entitled to receive such dividends paid and distributions made to the holders of shares of Common Stock to the same extent as if such Holders had converted each Preferred Share held by each of them into shares of Common Stock (without regard to any limitations on conversion herein or elsewhere) and had held such shares of Common Stock on the record date for such dividends and distributions. Payments under the preceding sentence shall be made concurrently with the dividend or distribution to the holders of shares of Common Stock (provided, however, to the extent that a Holder's right to participate in any such dividend or distribution would result in such Holder exceeding the Maximum Percentage, then such Holder shall not be entitled to participate in such dividend or distribution to such extent (or the beneficial ownership of any such shares of Common Stock as a result of such dividend or distribution to such extent) and such dividend or distribution to such extent shall be held in abeyance for the benefit of such Holder until such time, if ever, as its right thereto would not result in such Holder exceeding the Maximum Percentage).

12. Vote to Change the Terms of or Issue Preferred Shares. In addition to any other rights provided by law, except where the vote or written consent of the holders of a greater number of shares is required by law or by another provision of the Articles of Incorporation, without first obtaining the affirmative vote at a meeting duly called for such purpose or the written consent without a meeting of the Required Holders, voting together as a single class, the Company shall not: (a) amend or repeal any provision of, or add any provision to, its Articles of Incorporation or bylaws, or file any certificate of designations or articles of amendment, if such action would adversely alter or change in any respect the preferences, rights, privileges or powers, or restrictions provided for the benefit, of the Preferred Shares, regardless of whether any such action shall be by means of amendment to the Articles of Incorporation or by merger, consolidation or otherwise; or (b) without limiting any provision of Section 16, whether or not prohibited by the terms of the Preferred Shares, circumvent a right of the Preferred Shares.

13. Intentionally Omitted.

14. Lost or Stolen Certificates. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of any certificates representing Preferred Shares (as to which a written certification and the indemnification contemplated below shall suffice as such evidence), and, in the case of loss, theft or destruction, of an indemnification undertaking by the applicable Holder to the Company in customary and reasonable form and, in the case of mutilation, upon surrender and cancellation of the certificate(s), the Company shall execute and deliver new certificate(s) of like tenor and date.

15. Remedies, Characterizations, Other Obligations, Breaches and Injunctive Relief. The remedies provided in this Certificate of Designations shall be cumulative and in addition to all other remedies available under this Certificate of Designations and any of the other Transaction Documents, at law or in equity (including a decree of specific performance and/or other injunctive relief), and no remedy contained herein shall be deemed a waiver of compliance with the provisions giving rise to such remedy. Nothing herein shall limit any Holder's right to pursue actual and consequential damages for any failure by the Company to comply with the terms of this Certificate of Designations. The Company covenants to each Holder that there shall be no characterization concerning this instrument other than as expressly provided herein. Amounts set forth or provided for herein with respect to payments, conversion and the like (and the computation thereof) shall be the amounts to be received by a Holder and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holders and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, each Holder shall be entitled, in addition to all other available remedies, to an injunction restraining any such breach or any such threatened breach, without the necessity of showing economic loss and without any bond or other security being required. The Company shall provide all information and documentation to a Holder that is requested by such Holder to enable such Holder to confirm the Company's compliance with the terms and conditions of this Certificate of Designations.

16. Non-circumvention. The Company hereby covenants and agrees that the Company will not, by amendment of its Articles of Incorporation, bylaws or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Certificate of Designations, and will at all times in good faith carry out all the provisions of this Certificate of Designations and take all action as may be required to protect the rights of the Holders. Without limiting the generality of the foregoing or any other provision of this Certificate of Designations, the Company (i) shall not increase the par value of any shares of Common Stock receivable upon the conversion of any Preferred Shares above the Conversion Price then in effect, (ii) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and non-assessable shares of Common Stock upon the conversion of Preferred Shares and (iii) shall, so long as any Preferred Shares are outstanding, take all action necessary to reserve and keep available out of its authorized and unissued shares of Common Stock, solely for the purpose of effecting the conversion of the Preferred Shares, the maximum number of shares of Common Stock as shall from time to time be necessary to effect the conversion of the Preferred Shares then outstanding (without regard to any limitations on conversion contained herein).

17. Failure or Indulgence Not Waiver. No failure or delay on the part of a Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege. No waiver shall be effective unless it is in writing and signed by an authorized representative of the waiving party. This Certificate of Designations shall be deemed to be jointly drafted by the Company and all Holders and shall not be construed against any Person as the drafter hereof.

18. Notices. The Company shall provide each Holder of Preferred Shares with prompt written notice of all actions taken pursuant to the terms of this Certificate of Designations, including in reasonable detail a description of such action and the reason therefor. Whenever notice is required to be given under this Certificate of Designations, unless otherwise provided herein, such notice must be in writing and shall be given in accordance with Section 80) of the Securities Purchase Agreement. Without limiting the generality of the foregoing, the Company shall give written notice to each Holder (i) promptly following any adjustment of the Conversion Price, setting forth in reasonable detail, and certifying, the calculation of such adjustment and (ii) at least fifteen (15) days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the Common Stock, **(B)** with respect to any grant, issuances, or sales of any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property to all holders of shares of Common Stock as a class or (C) for determining rights to vote with respect to any dissolution or liquidation, provided, in each case, that such information shall be made known to the public prior to, or simultaneously with, such notice being provided to any Holder.

19. Transfer of Preferred Shares. Subject to the restrictions set forth in Section 2(g) of the Securities Purchase Agreement, a Holder may transfer some or all of its Preferred Shares without the consent of the Company.

20. Preferred Shares Register. The Company shall maintain at its principal executive offices (or such other office or agency of the Company as it may designate by notice to the Holders), a register for the Preferred Shares, in which the Company shall record the name, address and facsimile number of the Persons in whose name the Preferred Shares have been issued, as well as the name and address of each transferee. The Company may treat the Person in whose name any Preferred Shares is registered on the register as the owner and holder thereof for all purposes, notwithstanding any notice to the contrary, but in all events recognizing any properly made transfers.

21. Stockholder Matters; Amendment.

(a) Stockholder Matters. Any stockholder action, approval or consent required, desired or otherwise sought by the Company pursuant to the NGCL, the Articles of Incorporation, this Certificate of Designations or otherwise with respect to the issuance of Preferred Shares may be effected by written consent of the Company's stockholders or at a duly called meeting of the Company's stockholders, all in accordance with the applicable rules and regulations of the NGCL. This provision is intended to comply with the applicable sections of the NGCL permitting stockholder action, approval and consent affected by written consent in lieu of a meeting.

(b) Amendment. This Certificate of Designations or any provision hereof may be amended by obtaining the affirmative vote at a meeting duly called for such purpose, or written consent without a meeting in accordance with the NGCL, of the Required Holders, voting separate as a single class, and with such other stockholder approval, if any, as may then be required pursuant to the NGCL and the Articles of Incorporation.

22. Intentionally omitted.

23. Certain Defined Terms. For purposes of this Certificate of Designations, the following terms shall have the following meanings:

(a) **"1934 Act"** means the Securities Exchange Act of 1934, as amended.

(b) **Intentionally Omitted.**

(c) **"Base Amount"** means, with respect to each Preferred Share, as of the applicable date of determination, the sum of (1) the Stated Value thereof, plus (2) the Unpaid Dividend Amount thereon as of such date of determination.

(d) **"Bloomberg"** means **Bloomberg, L.P.**

(e) **"Business Day"** means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed.

(f) **Intentionally omitted.**

(g) **"Common Stock"** means (i) the Company's shares of common stock, \$0.001 par value per share, and (ii) any capital stock into which such common stock shall have been changed or any share capital resulting from a reclassification of such common stock.

(h) **"Conversion Price"** means, with respect to each Preferred Share, as of any Conversion Date or other applicable date of determination, \$0.21, subject to adjustment as provided herein.

(i) **"Convertible Securities"** means any stock or other security (other than Options) that is at any time and under any circumstances, directly or indirectly, convertible into, exercisable or exchangeable for, or which otherwise entitles the holder thereof to acquire, any shares of Common Stock.

(j) **Intentionally Omitted.**

(k) **Intentionally Omitted.**

(l) **Intentionally Omitted.**

(m) **Intentionally Omitted.**

- (n) **"Liquidation Event"** means, whether in a single transaction or series of transactions, the voluntary or involuntary liquidation, dissolution or winding up of the Company or such Subsidiaries the assets of which constitute all or substantially all of the assets of the business of the Company and its Subsidiaries, taken as a whole.
- (o) **"Options"** means any rights, warrants or options to subscribe for or purchase shares of Common Stock or Convertible Securities.
- (p) **Intentionally Omitted.**
- (q) **Intentionally Omitted.**
- (r) **Intentionally Omitted.**
- (s) **Intentionally Omitted.**
- (t) **"Person"** means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity or a government or any department or agency thereof.
- (u) **"Principal Market"** means the Nasdaq Capital Market.
- (v) **"SEC"** means the Securities and Exchange Commission or the successor thereto.
- (w) **"Securities"** means, collectively, the Preferred Shares and the shares of Common Stock issuable upon conversion of (or otherwise in accordance with) the Preferred Shares.
- (x) **"Securities Purchase Agreement"** means that certain securities purchase agreement by and among the Company and the initial holders of Preferred Shares, dated as of the Subscription Date, as may be amended from time in accordance with the terms thereof.
- (y) **"Stated Value"** shall mean \$1,000 per share, subject to adjustment for stock splits, stock dividends, recapitalizations, reorganizations, reclassifications, combinations, subdivisions or other similar events occurring after the Initial Issuance Date with respect to the Preferred Shares.
- (z) **"Subscription Date"** means May 14, 2014.
- (aa) **"Subsidiaries"** shall have the meaning as set forth in the Securities Purchase Agreement.
- (bb) **Intentionally omitted.**
- (cc) **"Trading Day"** means any day on which the Common Stock is traded on the Principal Market, or, if the Principal Market is not the principal trading market for the Common Stock, then on the principal securities exchange or securities market on which the Common Stock is then traded, provided that "Trading Day" shall not include any day on which the Common Stock is scheduled to trade on such exchange or market for less than 4.5 hours or any day that the Common Stock is suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not designate in advance the closing time of trading on such exchange or market, then during the hour ending at 4:00:00 p.m., New York time) unless such day is otherwise designated as a Trading Day in writing by the Required Holders.

(dd) **"Transaction Documents"** means the Securities Purchase Agreement, this Certificate of Designations, the Registration Rights Agreement and each of the other agreements and instruments entered into or delivered by the Company or any of the Holders in connection with the transactions contemplated by the Securities Purchase Agreement, all as may be amended from time to time in accordance with the terms thereof.

(ee) **"Unpaid Dividend Amount"** means, as of the applicable date of determination, with respect to each Preferred Share, all accrued and unpaid Dividends on such Preferred Share.

(ff) **"Voting Stock"** of a Person means capital stock of such Person of the class or classes pursuant to which the holders thereof have the general voting power to elect, or the general power to appoint, at least a majority of the board of directors, managers, trustees or other similar governing body of such Person (irrespective of whether or not at the time capital stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

24. Disclosure. Upon receipt or delivery by the Company of any notice in accordance with the terms of this Certificate of Designations, unless the Company has in good faith determined that the matters relating to such notice do not constitute material, non-public information relating to the Company or any of its Subsidiaries, the Company shall simultaneously with any such receipt or delivery publicly disclose such material, non-public information on a Current Report on Form **8-K** or otherwise. In the event that the Company believes that a notice contains material, nonpublic information relating to the Company or any of its Subsidiaries, the Company so shall indicate to each Holder contemporaneously with delivery of such notice, and in the absence of any such indication, each Holder shall be allowed to presume that all matters relating to such notice do not constitute material, non-public information relating to the Company or its Subsidiaries. Nothing contained in this Section 24 shall limit any obligations of the Company, or any rights of any Holder, under the Securities Purchase Agreement.

IN WITNESS WHEREOF, the Corporation has caused this Amended and Restated Certificate of Designations of Series A Convertible Preferred Stock of Genius Brands International, Inc. to be signed by its Chief Executive Officer on this 20th day of November, 2019.

**GENIUS BRANDS INTERNATIONAL, INC.**

/s/ Andy Heyward \_\_\_\_\_

Name: Andy Heyward

Title: CEO

GENIUS BRANDS INTERNATIONAL, INC.  
CONVERSION NOTICE

Reference is made to the Amended and Restated Certificate of Designations, Preferences and Rights of the Series A Convertible Preferred Stock of Genius Brands International, Inc. (the "**Certificate of Designations**"). In accordance with and pursuant to the Amended and Restated Certificate of Designations, the undersigned hereby elects to convert the number of shares of Series A Convertible Preferred Stock, \$0.001 par value per share (the "**Preferred Shares**"), of Genius Brands International, Inc., a Nevada corporation (the "**Company**"), indicated below into shares of common stock, \$0.001 par value per share (the "**Common Stock**"), of the Company, as of the date specified below.

Date of Conversion: \_\_\_\_\_

Number of Preferred Shares to be converted: \_\_\_\_\_

Share certificate no(s). of Preferred Shares to be converted: \_\_\_\_\_

Tax ID Number (If applicable): \_\_\_\_\_

Conversion Price: \_\_\_\_\_

Number of shares of Common Stock to be issued: \_\_\_\_\_

Please issue the shares of Common Stock into which the Preferred Shares are being converted in the following name and to the following address:

Issue to: \_\_\_\_\_

\_\_\_\_\_

Address: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Facsimile Number: \_\_\_\_\_

Holder: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Dated: \_\_\_\_\_

Account Number (if electronic book entry transfer): \_\_\_\_\_

Transaction Code Number (if electronic book entry transfer): \_\_\_\_\_

ACKNOWLEDGMENT

The Company hereby acknowledges this Conversion Notice and hereby directs \_\_\_\_\_ to issue the above indicated number of shares of Common Stock in accordance with the Irrevocable Transfer Agent Instructions dated \_\_\_\_\_, 2014 from the Company and acknowledged and agreed to by\_\_\_\_\_.

**GENIUS BRANDS INTERNATIONAL, INC.**

By: \_\_\_\_\_  
Name:  
Title:



BARBARA K. CEGAVSKE  
 Secretary of State  
 202 North Carson Street  
 Carson City, Nevada 89701-4201  
 (775) 684-5708  
 Website: www.nvsos.gov



\*090303\*

**Certificate of Change Pursuant  
 to NRS 78.209**

Filed in the Office of <i>Barbara K. Cegavske</i>	Business Number E0515682011-9
Secretary of State State Of Nevada	Filing Number 20160486430-34
	Filed On 11/04/2016
	Number of Pages 1

USE BLACK INK ONLY - DO NOT HIGHLIGHT

ABOVE SPACE IS FOR OFFICE USE ONLY

**Certificate of Change filed Pursuant to NRS 78.209  
 For Nevada Profit Corporations**

- Name of corporation:  
Genius Brands International, Inc.
- The board of directors have adopted a resolution pursuant to NRS 78.209 and have obtained any required approval of the stockholders.
- The current number of authorized shares and the par value, if any, of each class or series, if any, of shares before the change:  
700,000,000 authorized shares of Common Stock, par value \$0.001 per share.  
10,000,000 authorized shares of Preferred Stock, par value \$0.001 per share.
- The number of authorized shares and the par value, if any, of each class or series, if any, of shares after the change:  
233,335,334 authorized shares of Common Stock, par value \$0.001 per share.  
10,000,000 authorized shares of Preferred Stock, par value \$0.001 per share.
- The number of shares of each affected class or series, if any, to be issued after the change in exchange for each issued share of the same class or series:  
One (1) share of Common Stock will be issued in exchange for every three (3) shares of issued and outstanding Common Stock.
- The provisions, if any, for the issuance of fractional shares, or for the payment of money or the issuance of scrip to stockholders otherwise entitled to a fraction of a share and the percentage of outstanding shares affected thereby:  
All fractional shares of Common Stock will be rounded up to the nearest whole share.
- Effective date and time of filing: (optional) Date: 11/07/16 Time: 5:00 PM
- Signature: (required) (must not be later than 90 days after the certificate is filed)

X *Gregory B. Payne* CORPORATE SECRETARY  
 Signature of Officer Title

**IMPORTANT:** Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected.

This form must be accompanied by appropriate fees.

Nevada Secretary of State Stock Split  
 Revised: 1-15-14



ROSS MILLER  
 Secretary of State  
 204 North Carson Street, Suite 1  
 Carson City, Nevada 89701-4520  
 (775) 884-5708  
 Website: www.nvsos.gov



\*159101\*

**Certificate of Designation**  
 (PURSUANT TO NRS 78.1955)

Filed in the Office of <i>Ross Miller</i>	Business Number E0515682011-9
Secretary of State State Of Nevada	Filing Number 20140356163-01
	Filed On 05/14/2014
	Number of Pages 30

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**Certificate of Designation For  
 Nevada Profit Corporations  
 (Pursuant to NRS 78.1955)**

1. Name of corporation:

Genius Brands International, Inc.

2. By resolution of the board of directors pursuant to a provision in the articles of incorporation this certificate establishes the following regarding the voting powers, designations, preferences, limitations, restrictions and relative rights of the following class or series of stock.

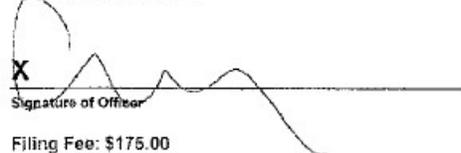
The undersigned Chief Executive Officer of Genius Brands International, Inc., a Nevada corporation (the "Company"), in accordance with the provisions of the Nevada Revised Statutes, does hereby certify that, pursuant to the authority conferred upon the Board of Directors by the Articles of Incorporation of the Company, as amended, the following resolution creating a series of Series A Convertible Preferred Stock was duly adopted on May 14, 2014:

See Attached

3. Effective date of filing: (optional)

(must not be later than 90 days after the certificate is filed)

4. Signature: (required)

*X*  
  
 Signature of Officer

Filing Fee: \$175.00

**IMPORTANT:** Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected.

This form must be accompanied by appropriate fees.

Nevada Secretary of State Stock Designation  
 Revised: 3-6-09

**CERTIFICATE OF DESIGNATIONS, PREFERENCES AND RIGHTS OF THE  
0% SERIES A CONVERTIBLE PREFERRED STOCK OF  
GENIUS BRANDS INTERNATIONAL, INC.**

I, Andrew Heyward, hereby certify that I am the Chief Executive Officer of Genius Brands International, Inc. (the "**Company**"), a corporation organized and existing under the Chapter 78 of the Nevada Revised Statutes (the "**Nevada General Company Law**" or the "**NGCL**"), and further do hereby certify:

That pursuant to the authority expressly conferred upon the Board of Directors of the Company (the "**Board**") by the Company's Articles of Incorporation, as amended (the "**Articles of Incorporation**"), the Board on May 14, 2014 adopted the following resolutions creating a series of shares of Preferred Stock designated as 0% Series A Convertible Preferred Stock, none of which shares have been issued:

RESOLVED, that the Board designates the 0% Series A Convertible Preferred Stock and the number of shares constituting such series, and fixes the rights, powers, preferences, privileges and restrictions relating to such series in addition to any set forth in the Articles of Incorporation as follows:

**TERMS OF SERIES A CONVERTIBLE PREFERRED STOCK**

1. Designation and Number of Shares. There shall hereby be created and established a series of preferred stock of the Company designated as "0% Series A Convertible Preferred Stock" (the "**Preferred Shares**"). The authorized number of Preferred Shares shall be 6,000 shares. Each Preferred Share shall have \$0.001 par value. Capitalized terms not defined herein shall have the meaning as set forth in Section 23 below.

2. Ranking. Except to the extent that the holders of at least a majority of the outstanding Preferred Shares (the "**Required Holders**") expressly consent to the creation of Parity Stock (as defined below) or Senior Preferred Stock (as defined below) in accordance with Section 12, all shares of capital stock of the Company shall be junior in rank to all Preferred Shares with respect to the preferences as to dividends, distributions and payments upon the liquidation, dissolution and winding up of the Company (such junior stock is referred to herein collectively as "**Junior Stock**"). The rights of all such shares of capital stock of the Company shall be subject to the rights, powers, preferences and privileges of the Preferred Shares. Without limiting any other provision of this Certificate of Designations, without the prior express consent of the Required Holders, voting separate as a single class, the Company shall not hereafter authorize or issue any additional or other shares of capital stock that is (i) of senior rank to the Preferred Shares in respect of the preferences as to dividends, distributions and payments upon the liquidation, dissolution and winding up of the Company (collectively, the "**Senior Preferred Stock**"), (ii) of pari passu rank to the Preferred Shares in respect of the preferences as to dividends, distributions and payments upon the liquidation, dissolution and winding up of the Company (collectively, the "**Parity Stock**") or (iii) any Junior Stock having a maturity date (or any other date requiring redemption or repayment of such shares of Junior Stock) that is prior to the date no Preferred Shares remain outstanding. In the event of the merger or consolidation of the Company with or into another corporation, the Preferred Shares shall maintain their relative rights, powers, designations, privileges and preferences provided for herein and no such merger or consolidation shall result inconsistent therewith.

3. Dividends. In addition to Sections 5(a) and 11 below, from and after the first date of issuance of any Preferred Shares (the "**Initial Issuance Date**"), each holder of a Preferred Share (each, a "**Holder**" and collectively, the "**Holder**s") shall be entitled to receive dividends ("**Dividends**") when and as declared by the Board, from time to time, in its sole discretion, which Dividends shall be paid by the Company out of funds legally available therefor, payable, subject to the conditions and other terms hereof, in cash on the Stated Value of such Preferred Share.

4. Conversion. Each Preferred Share shall be convertible into validly issued, fully paid and non-assessable shares of Common Stock (as defined below) on the terms and conditions set forth in this Section 4.

(a) Holder's Conversion Right. Subject to the provisions of Section 4(e), at any time or times on or after the Initial Issuance Date, each Holder shall be entitled to convert any whole number of Preferred Shares into validly issued, fully paid and non-assessable shares of Common Stock in accordance with Section 4(c) at the Conversion Rate (as defined below).

(b) Conversion Rate. The number of validly issued, fully paid and non- assessable shares of Common Stock issuable upon conversion of each Preferred Share pursuant to Section 4(a) shall be determined according to the following formula (the "**Conversion Rate**"):

$$\frac{\text{Base Amount}}{\text{Conversion Price}}$$

No fractional shares of Common Stock are to be issued upon the conversion of any Preferred Shares. If the issuance would result in the issuance of a fraction of a share of Common Stock, the Company shall round such fraction of a share of Common Stock up to the nearest whole share.

(c) Mechanics of Conversion. The conversion of each Preferred Share shall be conducted in the following manner:

(i) Holder's Conversion. To convert a Preferred Share into validly issued, fully paid and non-assessable shares of Common Stock on any date (a "**Conversion Date**"), a Holder shall deliver (whether via facsimile or otherwise), for receipt on or prior to 11:59 p.m., New York time, on such date, a copy of an executed notice of conversion of the share(s) of Preferred Shares subject to such conversion in the form attached hereto as **Exhibit I** (the "**Conversion Notice**") to the Company. If required by Section 4(c)(vi), within five (5) Trading Days following a conversion of any such Preferred Shares as aforesaid, such Holder shall surrender to a nationally recognized overnight delivery service for delivery to the Company the original certificates representing the share(s) of Preferred Shares (the "**Preferred Share Certificates**") so converted as aforesaid.

(ii) Company's Response. On or before the first (1<sup>st</sup>) Trading Day following the date of receipt of a Conversion Notice, the Company shall transmit by facsimile an acknowledgment of confirmation, in the form attached hereto as **Exhibit II**, of receipt of such Conversion Notice to such Holder and the Transfer Agent, which confirmation shall constitute an instruction to the Transfer Agent to process such Conversion Notice in accordance with the terms herein. On or before the second (2<sup>nd</sup>) Trading Day following the date of receipt by the Company of such Conversion Notice, the Company shall (1) provided that the Transfer Agent is participating in DTC Fast Automated Securities Transfer Program, credit such aggregate number of shares of Common Stock to which such Holder shall be entitled to such Holder's or its designee's balance account with DTC through its Deposit/Withdrawal at Custodian system, or (2) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, issue and deliver (via reputable overnight courier) to the address as specified in such Conversion Notice, a certificate, registered in the name of such Holder or its designee, for the number of shares of Common Stock to which such Holder shall be entitled. If the number of Preferred Shares represented by the Preferred Share Certificate(s) submitted for conversion pursuant to Section 4(c)(vi) is greater than the number of Preferred Shares being converted, then the Company shall if requested by such Holder, as soon as practicable and in no event later than three (3) Trading Days after receipt of the Preferred Share Certificate(s) and at its own expense, issue and deliver to such Holder (or its designee) a new Preferred Share Certificate representing the number of Preferred Shares not converted.

(iii) Record Holder. The Person or Persons entitled to receive the shares of Common Stock issuable upon a conversion of Preferred Shares shall be treated for all purposes as the record holder or holders of such shares of Common Stock on the Conversion Date.

(iv) Company's Failure to Timely Convert. If the Company shall fail, for any reason or for no reason, to issue to a Holder within three (3) Trading Days after the Company's receipt of a Conversion Notice (whether via facsimile or otherwise) (the "**Share Delivery Deadline**"), a certificate for the number of shares of Common Stock to which such Holder is entitled and register such shares of Common Stock on the Company's share register or to credit such Holder's or its designee's balance account with DTC for such number of shares of Common Stock to which such Holder is entitled upon such Holder's conversion of any Preferred Shares (as the case may be) (a "**Conversion Failure**"), then, in addition to all other remedies available to such Holder, such Holder, upon written notice to the Company, (x) may void its Conversion Notice with respect to, and retain or have returned (as the case may be) any Preferred Shares that have not been converted pursuant to such Holder's Conversion Notice, provided that the voiding of a Conversion Notice shall not affect the Company's obligations to make any payments which have accrued prior to the date of such notice pursuant to the terms of this Certificate of Designations or otherwise and (y) the Company shall pay in cash to such Holder on each day after such third (3<sup>rd</sup>) Trading Day that the issuance of such shares of Common Stock is not timely effected an amount equal to 1.5% of the product of (A) the aggregate number of shares of Common Stock not issued to such Holder on a timely basis and to which the Holder is entitled and (B) the Closing Sale Price of the Common Stock on the Trading Day immediately preceding the last possible date on which the Company could have issued such shares of Common Stock to the Holder without violating Section 4(c). In addition to the foregoing, if within three (3) Trading Days after the Company's receipt of a Conversion Notice (whether via facsimile or otherwise), the Company shall fail to issue and deliver a certificate to such Holder and register such shares of Common Stock on the Company's share register or credit such Holder's or its designee's balance account with DTC for the number of shares of Common Stock to which such Holder is entitled upon such Holder's conversion hereunder (as the case may be), and if on or after such third (3<sup>rd</sup>) Trading Day such Holder (or any other Person in respect, or on behalf, of such Holder) purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by such Holder of all or any portion of the number of shares of Common Stock, or a sale of a number of shares of Common Stock equal to all or any portion of the number of shares of Common Stock, issuable upon such conversion that such Holder so anticipated receiving from the Company, then, in addition to all other remedies available to such Holder, the Company shall, within three (3) Business Days after such Holder's request and in such Holder's discretion, either (i) pay cash to such Holder in an amount equal to such Holder's total purchase price (including brokerage commissions and other out-of-pocket expenses, if any) for the shares of Common Stock so purchased (including, without limitation, by any other Person in respect, or on behalf, of such Holder) (the "**Buy-In Price**"), at which point the Company's obligation to so issue and deliver such certificate or credit such Holder's balance account with DTC for the number of shares of Common Stock to which such Holder is entitled upon such Holder's conversion hereunder (as the case may be) (and to issue such shares of Common Stock) shall terminate, or (ii) promptly honor its obligation to so issue and deliver to such Holder a certificate or certificates representing such shares of Common Stock or credit such Holder's balance account with DTC for the number of shares of Common Stock to which such Holder is entitled upon such Holder's conversion hereunder (as the case may be) and pay cash to such Holder in an amount equal to the excess (if any) of the Buy-In Price over the product of (A) such number of shares of Common Stock multiplied by (B) the lowest Closing Sale Price of the Common Stock on any Trading Day during the period commencing on the date of the applicable Conversion Notice and ending on the date of such issuance and payment under this clause (ii).

(v) Pro Rata Conversion; Disputes. In the event the Company receives a Conversion Notice from more than one Holder for the same Conversion Date and the Company can convert some, but not all, of such Preferred Shares submitted for conversion, the Company shall convert from each Holder electing to have Preferred Shares converted on such date a pro rata amount of such Holder's Preferred Shares submitted for conversion on such date based on the number of Preferred Shares submitted for conversion on such date by such Holder relative to the aggregate number of Preferred Shares submitted for conversion on such date.

In the event of a dispute as to the number of shares of Common Stock issuable to a Holder in connection with a conversion of Preferred Shares, the Company shall issue to such Holder the number of shares of Common Stock not in dispute and resolve such dispute in accordance with Section 22.

(vi) Book-Entry. Notwithstanding anything to the contrary set forth in this Section 4, upon conversion of any Preferred Shares in accordance with the terms hereof, no Holder thereof shall be required to physically surrender the certificate representing the Preferred Shares to the Company following conversion thereof unless (A) the full or remaining number of Preferred Shares represented by the certificate are being converted (in which event such certificate(s) shall be delivered to the Company as contemplated by this Section 4(c)(vi)) or (B) such Holder has provided the Company with prior written notice (which notice may be included in a Conversion Notice) requesting reissuance of Preferred Shares upon physical surrender of any Preferred Shares. Each Holder and the Company shall maintain records showing the number of Preferred Shares so converted by such Holder and the dates of such conversions or shall use such other method, reasonably satisfactory to such Holder and the Company, so as not to require physical surrender of the certificate representing the Preferred Shares upon each such conversion. In the event of any dispute or discrepancy, such records of such Holder establishing the number of Preferred Shares to which the record holder is entitled shall be controlling and determinative in the absence of manifest error. A Holder and any transferee or assignee, by acceptance of a certificate, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of any Preferred Shares, the number of Preferred Shares represented by such certificate may be less than the number of Preferred Shares stated on the face thereof. Each certificate for Preferred Shares shall bear the following legend:

ANY TRANSFEREE OR ASSIGNEE OF THIS CERTIFICATE SHOULD CAREFULLY REVIEW THE TERMS OF THE CORPORATION'S CERTIFICATE OF DESIGNATIONS RELATING TO THE SHARES OF SERIES A PREFERRED STOCK REPRESENTED BY THIS CERTIFICATE, INCLUDING SECTION 4(c)(vi) THEREOF. THE NUMBER OF SHARES OF SERIES A PREFERRED STOCK REPRESENTED BY THIS CERTIFICATE MAY BE LESS THAN THE NUMBER OF SHARES OF SERIES A PREFERRED STOCK STATED ON THE FACE HEREOF PURSUANT TO SECTION 4(c)(vi) OF THE CERTIFICATE OF DESIGNATIONS RELATING TO THE SHARES OF SERIES A PREFERRED STOCK REPRESENTED BY THIS CERTIFICATE.

(d) Taxes. The Company shall pay any and all documentary, stamp, transfer (but only in respect of the registered holder thereof), issuance and other similar taxes that may be payable with respect to the issuance and delivery of shares of Common Stock upon the conversion of Preferred Shares.

(e) Limitation on Beneficial Ownership. Notwithstanding anything to the contrary contained in this Certificate of Designations, the Preferred Shares held by a Holder shall not be convertible by such Holder, and the Company shall not effect any conversion of any Preferred Shares held by such Holder, to the extent (but only to the extent) that such Holder or any of its affiliates would beneficially own in excess of 9.99% (the "**Maximum Percentage**") of the Common Stock. To the extent the above limitation applies, the determination of whether the Preferred Shares held by such Holder shall be convertible (vis-à-vis other convertible, exercisable or exchangeable securities owned by such Holder or any of its affiliates) and of which such securities shall be convertible, exercisable or exchangeable (as among all such securities owned by such Holder and its affiliates) shall, subject to such Maximum Percentage limitation, be determined on the basis of the first submission to the Company for conversion, exercise or exchange (as the case may be). No prior inability of a Holder to convert Preferred Shares, or of the Company to issue shares of Common Stock to such Holder, pursuant to this Section 4(e) shall have any effect on the applicability of the provisions of this Section 4(e) with respect to any subsequent determination of convertibility or issuance (as the case may be). For purposes of this Section 4(e), beneficial ownership and all determinations and calculations (including, without limitation, with respect to calculations of percentage ownership) shall be determined in accordance with Section 13(d) of the 1934 Act and the rules and regulations promulgated thereunder. The provisions of this Section 4(e) shall be implemented in a manner otherwise than in strict conformity with the terms of this Section 4(e) to correct this Section 4(e) (or any portion hereof) which may be defective or inconsistent with the intended Maximum Percentage beneficial ownership limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such Maximum Percentage limitation. The limitations contained in this Section 4(e) shall apply to a successor holder of Preferred Shares. The holders of Common Stock shall be third party beneficiaries of this Section 4(e) and the Company may not waive this Section 4(e) without the consent of holders of a majority of its Common Stock. For any reason at any time, upon the written or oral request of a Holder, the Company shall within one (1) Business Day confirm orally and in writing to such Holder the number of shares of Common Stock then outstanding, including by virtue of any prior conversion or exercise of convertible or exercisable securities into Common Stock, including, without limitation, pursuant to this Certificate of Designations or securities issued pursuant to the Exchange Agreements. By written notice to the Company, any Holder may increase or decrease the Maximum Percentage to any other percentage not in excess of 9.99% specified in such notice; provided that (i) any such increase will not be effective until the 61st day after such notice is delivered to the Company, and (ii) any such increase or decrease will apply only to such Holder sending such notice and not to any other Holder.

5. Rights Upon Issuance of Purchase Rights and Other Corporate Events.

(a) Purchase Rights. In addition to any adjustments pursuant to Section 7 below, if at any time the Company grants, issues or sells any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of Common Stock (the "**Purchase Rights**"), then each Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which such Holder could have acquired if such Holder had held the number of shares of Common Stock acquirable upon complete conversion of all the Preferred Shares (without taking into account any limitations or restrictions on the convertibility of the Preferred Shares) held by such Holder immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that such Holder's right to participate in any such Purchase Right would result in such Holder exceeding the Maximum Percentage, then such Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such shares of Common Stock as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for such Holder until such time, if ever, as its right thereto would not result in such Holder exceeding the Maximum Percentage).

(b) Other Corporate Events. In addition to and not in substitution for any other rights hereunder, prior to the consummation of any Fundamental Transaction pursuant to which holders of shares of Common Stock are entitled to receive securities or other assets with respect to or in exchange for shares of Common Stock (a "**Corporate Event**"), the Company shall make appropriate provision to insure that each Holder will thereafter have the right to receive upon a conversion of all the Preferred Shares held by such Holder (i) in addition to the shares of Common Stock receivable upon such conversion, such securities or other assets to which such Holder would have been entitled with respect to such shares of Common Stock had such shares of Common Stock been held by such Holder upon the consummation of such Corporate Event (without taking into account any limitations or restrictions on the convertibility of the Preferred Shares contained in this Certificate of Designations) or (ii) in lieu of the shares of Common Stock otherwise receivable upon such conversion, such securities or other assets received by the holders of shares of Common Stock in connection with the consummation of such Corporate Event in such amounts as such Holder would have been entitled to receive had the Preferred Shares held by such Holder initially been issued with conversion rights for the form of such consideration (as opposed to shares of Common Stock) at a conversion rate for such consideration commensurate with the Conversion Rate. The provisions of this Section 5(b) shall apply similarly and equally to successive Corporate Events and shall be applied without regard to any limitations on the conversion of the Preferred Shares contained in this Certificate of Designations.

6. Rights Upon Fundamental Transactions.

(a) Assumption. The Company shall not enter into or be party to a Fundamental Transaction unless (i) the Successor Entity assumes in writing all of the obligations of the Company under this Certificate of Designations and the other Transaction Documents in accordance with the provisions of this Section 6 pursuant to written agreements in form and substance satisfactory to the Required Holders and approved by the Required Holders prior to such Fundamental Transaction, including agreements to deliver to each holder of Preferred Shares in exchange for such Preferred Shares a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Certificate of Designations, including, without limitation, having a stated value and dividend rate equal to the stated value and dividend rate of the Preferred Shares held by the Holders and having similar ranking to the Preferred Shares, and reasonably satisfactory to the Required Holders and (ii) the Successor Entity (including its Parent Entity) is a publicly traded corporation whose shares of common stock are quoted on or listed for trading on an Eligible Market. Upon the occurrence of any Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Certificate of Designations and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Certificate of Designations and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein and therein. In addition to the foregoing, upon consummation of a Fundamental Transaction, the Successor Entity shall deliver to each Holder confirmation that there shall be issued upon conversion of the Preferred Shares at any time after the consummation of such Fundamental Transaction, in lieu of the shares of Common Stock (or other securities, cash, assets or other property (except such items still issuable under Sections 5 and 11, which shall continue to be receivable thereafter)) issuable upon the conversion of the Preferred Shares prior to such Fundamental Transaction, such shares of publicly traded common stock (or their equivalent) of the Successor Entity (including its Parent Entity) which each Holder would have been entitled to receive upon the happening of such Fundamental Transaction had all the Preferred Shares held by each Holder been converted immediately prior to such Fundamental Transaction (without regard to any limitations on the conversion of the Preferred Shares contained in this Certificate of Designations), as adjusted in accordance with the provisions of this Certificate of Designations. The provisions of this Section 6 shall apply similarly and equally to successive Fundamental Transactions and shall be applied without regard to any limitations on the conversion of the Preferred Shares.

7. Rights Upon Issuance of Other Securities.

(a) Adjustment of Conversion Price upon Issuance of Common Stock. If and whenever on or after the Subscription Date the Company issues or sells, or in accordance with this Section 7(a) is deemed to have issued or sold, any shares of Common Stock (including the issuance or sale of shares of Common Stock owned or held by or for the account of the Company, but excluding any Excluded Securities issued or sold or deemed to have been issued or sold) for a consideration per share (the "New Issuance Price") less than a price equal to the Conversion Price in effect immediately prior to such issuance or sale or deemed issuance or sale (such Conversion Price then in effect is referred to as the "**Applicable Price**") (the foregoing a "**Dilutive Issuance**"), then, immediately after such Dilutive Issuance the Conversion Price then in effect shall be reduced to the New Issuance Price. For all purposes of the foregoing (including, without limitation, determining the adjusted Conversion Price and the New Issuance Price under this Section 7(a)), the following shall be applicable:

(i) Issuance of Options. If the Company in any manner grants or sells any Options and the lowest price per share for which one share of Common Stock is issuable upon the exercise of any such Option or upon conversion, exercise or exchange of any Convertible Securities issuable upon exercise of any such Option is less than the Applicable Price, then such share of Common Stock shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the granting or sale of such Option for such price per share. For purposes of this Section 7(a)(i), the "lowest price per share for which one share of Common Stock is issuable upon the exercise of any such Options or upon conversion, exercise or exchange of any Convertible Securities issuable upon exercise of any such Option" shall be equal to (1) the lower of (x) the sum of the lowest amounts of consideration (if any) received or receivable by the Company with respect to any one share of Common Stock upon the granting or sale of such Option, upon exercise of such Option and upon conversion, exercise or exchange of any Convertible Security issuable upon exercise of such Option and (y) the lowest exercise price set forth in such Option for which one share of Common Stock is issuable upon the exercise of any such Options or upon conversion, exercise or exchange of any Convertible Securities issuable upon exercise of any such Option minus (2) the sum of all amounts paid or payable to the holder of such Option (or any other Person) upon the granting or sale of such Option, upon exercise of such Option and upon conversion, exercise or exchange of any Convertible Security issuable upon exercise of such Option plus the value of any other consideration received or receivable by, or benefit conferred on, the holder of such Option (or any other Person). Except as contemplated below, no further adjustment of the Conversion Price shall be made upon the actual issuance of such share of Common Stock or of such Convertible Securities upon the exercise of such Options or upon the actual issuance of such share of Common Stock upon conversion, exercise or exchange of such Convertible Securities.

(ii) Issuance of Convertible Securities. If the Company in any manner issues or sells any Convertible Securities and the lowest price per share for which one share of Common Stock is issuable upon the conversion, exercise or exchange thereof is less than the Applicable Price, then such share of Common Stock shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the issuance or sale of such Convertible Securities for such price per share. For purposes of this Section 7(a)(ii), the "lowest price per share for which one share of Common Stock is issuable upon the conversion, exercise or exchange thereof" shall be equal to (1) the lower of (x) the sum of the lowest amounts of consideration (if any) received or receivable by the Company with respect to one share of Common Stock upon the issuance or sale of the Convertible Security and upon conversion, exercise or exchange of such Convertible Security and (y) the lowest conversion price set forth in such Convertible Security for which one share of Common Stock is issuable upon conversion, exercise or exchange thereof minus (2) the sum of all amounts paid or payable to the holder of such Convertible Security (or any other Person) upon the issuance or sale of such Convertible Security plus the value of any other consideration received or receivable by, or benefit conferred on, the holder of such Convertible Security (or any other Person). Except as contemplated below, no further adjustment of the Conversion Price shall be made upon the actual issuance of such share of Common Stock upon conversion, exercise or exchange of such Convertible Securities, and if any such issue or sale of such Convertible Securities is made upon exercise of any Options for which adjustment of the Conversion Price has been or is to be made pursuant to other provisions of this Section 7(a), except as contemplated below, no further adjustment of the Conversion Price shall be made by reason of such issue or sale.

(iii) Change in Option Price or Rate of Conversion. If the purchase or exercise price provided for in any Options, the additional consideration, if any, payable upon the issue, conversion, exercise or exchange of any Convertible Securities, or the rate at which any Convertible Securities are convertible into or exercisable or exchangeable for shares of Common Stock increases or decreases at any time, the Conversion Price in effect at the time of such increase or decrease shall be adjusted to the Conversion Price which would have been in effect at such time had such Options or Convertible Securities provided for such increased or decreased purchase price, additional consideration or increased or decreased conversion rate (as the case may be) at the time initially granted, issued or sold. For purposes of this Section 7(a)(iii), if the terms of any Option or Convertible Security that was outstanding as of the Subscription Date are increased or decreased in the manner described in the immediately preceding sentence, then such Option or Convertible Security and the shares of Common Stock deemed issuable upon exercise, conversion or exchange thereof shall be deemed to have been issued as of the date of such increase or decrease. No adjustment pursuant to this Section 7(a) shall be made if such adjustment would result in an increase of the Conversion Price then in effect.

(iv) Calculation of Consideration Received. If any Option or Convertible Security is issued in connection with the issuance or sale or deemed issuance or sale of any other securities of the Company (including, without limitation, any other Option or Convertible Security), together comprising one integrated transaction, (x) such Option or Convertible Security (as applicable) will be deemed to have been issued for consideration equal to the fair market value thereof as determined in good faith by the Company's Board of Directors and (y) the other securities issued or sold or deemed to have been issued or sold in such integrated transaction shall be deemed to have been issued for consideration equal to the difference of (I) the aggregate consideration received by the Company minus (II) the aggregate fair market value of all such Options and/or Convertible Securities (as applicable) so issued. If any shares of Common Stock, Options or Convertible Securities are issued or sold or deemed to have been issued or sold for cash, the consideration received therefor will be deemed to be the net amount of consideration received by the Company therefor. If any shares of Common Stock, Options or Convertible Securities are issued or sold for a consideration other than cash, the amount of such consideration received by the Company will be the fair value of such consideration, except where such consideration consists of publicly traded securities, in which case the amount of consideration received by the Company for such securities will be the arithmetic average of the VWAPs of such security for each of the five (5) Trading Days immediately preceding the date of receipt. If any shares of Common Stock, Options or Convertible Securities are issued to the owners of the non-surviving entity in connection with any merger in which the Company is the surviving entity, the amount of consideration therefor will be deemed to be the fair value of such portion of the net assets and business of the non-surviving entity as is attributable to such shares of Common Stock, Options or Convertible Securities, as the case may be. The fair value of any consideration other than cash or publicly traded securities will be determined jointly by the Company and the Required Holders. If such parties are unable to reach agreement within ten (10) days after the occurrence of an event requiring valuation (the "**Valuation Event**"), the fair value of such consideration will be determined within five (5) Trading Days after the tenth (10<sup>th</sup>) day following such Valuation Event by an independent, reputable appraiser jointly selected by the Company and the Required Holders. The determination of such appraiser shall be final and binding upon all parties absent manifest error and the fees and expenses of such appraiser shall be borne by the Company.

(v) Record Date. If the Company takes a record of the holders of shares of Common Stock for the purpose of entitling them (A) to receive a dividend or other distribution payable in shares of Common Stock, Options or in Convertible Securities or (B) to subscribe for or purchase shares of Common Stock, Options or Convertible Securities, then such record date will be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase (as the case may be).

(b) Adjustment of Conversion Price upon Subdivision or Combination of Common Stock. Without limiting any provision of Sections 5 and 11, if the Company at any time on or after the Subscription Date subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Conversion Price in effect immediately prior to such subdivision will be proportionately reduced. Without limiting any provision of Sections 5 and 11, if the Company at any time on or after the Subscription Date combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Conversion Price in effect immediately prior to such combination will be proportionately increased. Any adjustment pursuant to this Section 7(b) shall become effective immediately after the effective date of such subdivision or combination. If any event requiring an adjustment under this Section 7(b) occurs during the period that a Conversion Price is calculated hereunder, then the calculation of such Conversion Price shall be adjusted appropriately to reflect such event.

(c) Other Events. In the event that the Company (or any Subsidiary) shall take any action to which the provisions hereof are not strictly applicable, or, if applicable, would not operate to protect any Holder from dilution or if any event occurs of the type contemplated by the provisions of this Section 7 but not expressly provided for by such provisions (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features), then the Board shall in good faith determine and implement an appropriate adjustment in the Conversion Price so as to protect the rights of such Holder, provided that no such adjustment pursuant to this Section 7(c) will increase the Conversion Price as otherwise determined pursuant to this Section 7, provided further that if such Holder does not accept such adjustments as appropriately protecting its interests hereunder against such dilution, then the Board and such Holder shall agree, in good faith, upon an independent investment bank of nationally recognized standing to make such appropriate adjustments, whose determination shall be final and binding and whose fees and expenses shall be borne by the Company.

(d) Calculations. All calculations under this Section 7 shall be made by rounding to the nearest one-hundred thousandth of a cent or the nearest 1/100<sup>th</sup> of a share, as applicable. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Common Stock.

8. Authorized Shares.

(a) Reservation. The Company shall initially reserve out of its authorized and unissued Common Stock a number of shares of Common Stock equal to 125% of the Conversion Rate with respect to the Base Amount of each Preferred Share as of the Initial Issuance Date (assuming for purposes hereof, that all the Preferred Shares issuable pursuant to the Securities Purchase Agreement have been issued, such Preferred Shares are convertible at the Conversion Price and without taking into account any limitations on the conversion of such Preferred Shares set forth in herein) issuable pursuant to the terms of this Certificate of Designations from the Initial Issuance Date through the second anniversary of the Initial Issuance Date assuming (assuming for purposes hereof, that all the Preferred Shares issuable pursuant to the Securities Purchase Agreement have been issued and without taking into account any limitations on the issuance of securities set forth herein). So long as any of the Preferred Shares are outstanding, the Company shall take all action necessary to reserve and keep available out of its authorized and unissued shares of Common Stock, solely for the purpose of effecting the conversion of the Preferred Shares, as of any given date, 125% of the number of shares of Common Stock as shall from time to time be necessary to effect the conversion of all of the Preferred Shares issued or issuable pursuant to the Securities Purchase Agreement assuming for purposes hereof, that all the Preferred Shares issuable pursuant to the Securities Purchase Agreement have been issued and without taking into account any limitations on the issuance of securities set forth herein), provided that at no time shall the number of shares of Common Stock so available be less than the number of shares required to be reserved by the previous sentence (without regard to any limitations on conversions contained in this Certificate of Designations) (the "**Required Amount**"). The initial number of shares of Common Stock reserved for conversions of the Preferred Shares and each increase in the number of shares so reserved shall be allocated pro rata among the Holders based on the number of Preferred Shares held by each Holder on the Initial Issuance Date or increase in the number of reserved shares (as the case may be) (the "**Authorized Share Allocation**"). In the event a Holder shall sell or otherwise transfer any of such Holder's Preferred Shares, each transferee shall be allocated a pro rata portion of such Holder's Authorized Share Allocation. Any shares of Common Stock reserved and allocated to any Person which ceases to hold any Preferred Shares shall be allocated to the remaining Holders of Preferred Shares, pro rata based on the number of Preferred Shares then held by such Holders.

(b) **Insufficient Authorized Shares.** If, notwithstanding Section 8(a) and not in limitation thereof, at any time while any of the Preferred Shares remain outstanding the Company does not have a sufficient number of authorized and unissued shares of Common Stock to satisfy its obligation to have available for issuance upon conversion of the Preferred Shares at least a number of shares of Common Stock equal to the Required Amount (an "**Authorized Share Failure**"), then the Company shall promptly take all action necessary to increase the Company's authorized shares of Common Stock to an amount sufficient to allow the Company to reserve and have available the Required Amount for all of the Preferred Shares then outstanding. Without limiting the generality of the foregoing sentence, as soon as practicable after the date of the occurrence of an Authorized Share Failure, but in no event later than ninety (90) days after the occurrence of such Authorized Share Failure, the Company shall hold a meeting of its stockholders or conduct a consent solicitation for the approval of an increase in the number of authorized shares of Common Stock. In connection with such meeting, the Company shall provide each stockholder with a proxy statement and shall use its best efforts to solicit its stockholders' approval of such increase in authorized shares of Common Stock and to cause its Board to recommend to the stockholders that they approve such proposal. Nothing contained in this Section 8 shall limit any obligations of the Company under any provision of the Securities Purchase Agreement. In the event that the Company is prohibited from issuing shares of Common Stock upon a conversion of any Preferred Share due to the failure by the Company to have sufficient shares of Common Stock available out of the authorized but unissued shares of Common Stock (such unavailable number of shares of Common Stock, the "**Authorization Failure Shares**"), in lieu of delivering such Authorization Failure Shares to such Holder of such Preferred Shares, the Company shall pay cash in exchange for the cancellation of such Preferred Shares convertible into such Authorization Failure Shares at a price equal to the sum of (i) the product of (x) such number of Authorization Failure Shares and (y) the Closing Sale Price on the Trading Day immediately preceding the date such Holder delivers the applicable Conversion Notice with respect to such Authorization Failure Shares to the Company and (ii) to the extent such Holder purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by such Holder of Authorization Failure Shares, any brokerage commissions and other out-of-pocket expenses, if any, of such Holder incurred in connection therewith.

9. **Voting Rights.** Holders of Preferred Shares shall have no voting rights, except as required by law (including without limitation, the NGCL) and as expressly provided in this Certificate of Designations. To the extent that under the NGCL the vote of the holders of the Preferred Shares, voting separately as a class or Series As applicable, is required to authorize a given action of the Company, the affirmative vote or consent of the holders of all of the shares of the Preferred Shares, voting together in the aggregate and not in separate series unless required under the NGCL, represented at a duly held meeting at which a quorum is presented or by written consent of all of the Preferred Shares (except as otherwise may be required under the NGCL), voting together in the aggregate and not in separate series unless required under the NGCL, shall constitute the approval of such action by both the class or the series, as applicable. Subject to Section 4(e), to the extent that under the NGCL holders of the Preferred Shares are entitled to vote on a matter with holders of shares of Common Stock, voting together as one class, each Preferred Share shall entitle the holder thereof to cast that number of votes per share as is equal to the number of shares of Common Stock into which it is then convertible (subject to the ownership limitations specified in Section 4(e) hereof) using the record date for determining the stockholders of the Company eligible to vote on such matters as the date as of which the Conversion Price is calculated. Holders of the Preferred Shares shall be entitled to written notice of all stockholder meetings or written consents (and copies of proxy materials and other information sent to stockholders) with respect to which they would be entitled by vote, which notice would be provided pursuant to the Company's bylaws and the NGCL).

10. Liquidation, Dissolution, Winding-Up. In the event of a Liquidation Event, the Holders shall be entitled to receive in cash out of the assets of the Company, whether from capital or from earnings available for distribution to its stockholders (the "**Liquidation Funds**"), before any amount shall be paid to the holders of any of shares of Junior Stock, an amount per Preferred Share equal to the greater of (A) the Base Amount thereof on the date of such payment and (B) the amount per share such Holder would receive if such Holder converted such Preferred Shares into Common Stock immediately prior to the date of such payment, provided that if the Liquidation Funds are insufficient to pay the full amount due to the Holders and holders of shares of Parity Stock, then each Holder and each holder of Parity Stock shall receive a percentage of the Liquidation Funds equal to the full amount of Liquidation Funds payable to such Holder and such holder of Parity Stock as a liquidation preference, in accordance with their respective certificate of designations (or equivalent), as a percentage of the full amount of Liquidation Funds payable to all holders of Preferred Shares and all holders of shares of Parity Stock. To the extent necessary, the Company shall cause such actions to be taken by each of its Subsidiaries so as to enable, to the maximum extent permitted by law, the proceeds of a Liquidation Event to be distributed to the Holders in accordance with this Section 10. All the preferential amounts to be paid to the Holders under this Section 10 shall be paid or set apart for payment before the payment or setting apart for payment of any amount for, or the distribution of any Liquidation Funds of the Company to the holders of shares of Junior Stock in connection with a Liquidation Event as to which this Section 10 applies.

11. Participation. In addition to any adjustments pursuant to Section 7(b), the Holders shall, as holders of Preferred Shares, be entitled to receive such dividends paid and distributions made to the holders of shares of Common Stock to the same extent as if such Holders had converted each Preferred Share held by each of them into shares of Common Stock (without regard to any limitations on conversion herein or elsewhere) and had held such shares of Common Stock on the record date for such dividends and distributions. Payments under the preceding sentence shall be made concurrently with the dividend or distribution to the holders of shares of Common Stock (provided, however, to the extent that a Holder's right to participate in any such dividend or distribution would result in such Holder exceeding the Maximum Percentage, then such Holder shall not be entitled to participate in such dividend or distribution to such extent (or the beneficial ownership of any such shares of Common Stock as a result of such dividend or distribution to such extent) and such dividend or distribution to such extent shall be held in abeyance for the benefit of such Holder until such time, if ever, as its right thereto would not result in such Holder exceeding the Maximum Percentage).

12. Vote to Change the Terms of or Issue Preferred Shares. In addition to any other rights provided by law, except where the vote or written consent of the holders of a greater number of shares is required by law or by another provision of the Articles of Incorporation, without first obtaining the affirmative vote at a meeting duly called for such purpose or the written consent without a meeting of the Required Holders, voting together as a single class, the Company shall not: (a) amend or repeal any provision of, or add any provision to, its Articles of Incorporation or bylaws, or file any certificate of designations or articles of amendment of any series of shares of preferred stock, if such action would adversely alter or change in any respect the preferences, rights, privileges or powers, or restrictions provided for the benefit, of the Preferred Shares, regardless of whether any such action shall be by means of amendment to the Articles of Incorporation or by merger, consolidation or otherwise; (b) increase or decrease (other than by conversion) the authorized number of Preferred Shares; (c) without limiting any provision of Section 2, create or authorize (by reclassification or otherwise) any new class or series of shares that has a preference over or is on a parity with the Preferred Shares with respect to dividends or the distribution of assets on the liquidation, dissolution or winding up of the Company; (d) purchase, repurchase or redeem any shares of capital stock of the Company junior in rank to the Preferred Shares (other than pursuant to equity incentive agreements (that have in good faith been approved by the Board) with employees giving the Company the right to repurchase shares upon the termination of services); (e) without limiting any provision of Section 2, pay dividends or make any other distribution on any shares of any capital stock of the Company junior in rank to the Preferred Shares; (f) issue any Preferred Shares other than pursuant to the Securities Purchase Agreement; or (g) without limiting any provision of Section 16, whether or not prohibited by the terms of the Preferred Shares, circumvent a right of the Preferred Shares.

13. Covenants.

(a) Incurrence of Indebtedness. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, incur or guarantee, assume or suffer to exist any Indebtedness (other than Permitted Indebtedness).

(b) Existence of Liens. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, allow or suffer to exist any mortgage, lien, pledge, charge, security interest or other encumbrance upon or in any property or assets (including accounts and contract rights) owned by the Company or any of its Subsidiaries (collectively, "Liens") other than Permitted Liens.

14. Lost or Stolen Certificates. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of any certificates representing Preferred Shares (as to which a written certification and the indemnification contemplated below shall suffice as such evidence), and, in the case of loss, theft or destruction, of an indemnification undertaking by the applicable Holder to the Company in customary and reasonable form and, in the case of mutilation, upon surrender and cancellation of the certificate(s), the Company shall execute and deliver new certificate(s) of like tenor and date.

15. Remedies, Characterizations, Other Obligations, Breaches and Injunctive Relief. The remedies provided in this Certificate of Designations shall be cumulative and in addition to all other remedies available under this Certificate of Designations and any of the other Transaction Documents, at law or in equity (including a decree of specific performance and/or other injunctive relief), and no remedy contained herein shall be deemed a waiver of compliance with the provisions giving rise to such remedy. Nothing herein shall limit any Holder's right to pursue actual and consequential damages for any failure by the Company to comply with the terms of this Certificate of Designations. The Company covenants to each Holder that there shall be no characterization concerning this instrument other than as expressly provided herein. Amounts set forth or provided for herein with respect to payments, conversion and the like (and the computation thereof) shall be the amounts to be received by a Holder and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holders and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, each Holder shall be entitled, in addition to all other available remedies, to an injunction restraining any such breach or any such threatened breach, without the necessity of showing economic loss and without any bond or other security being required. The Company shall provide all information and documentation to a Holder that is requested by such Holder to enable such Holder to confirm the Company's compliance with the terms and conditions of this Certificate of Designations.

16. Noncircumvention. The Company hereby covenants and agrees that the Company will not, by amendment of its Articles of Incorporation, bylaws or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Certificate of Designations, and will at all times in good faith carry out all the provisions of this Certificate of Designations and take all action as may be required to protect the rights of the Holders. Without limiting the generality of the foregoing or any other provision of this Certificate of Designations, the Company (i) shall not increase the par value of any shares of Common Stock receivable upon the conversion of any Preferred Shares above the Conversion Price then in effect, (ii) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and non-assessable shares of Common Stock upon the conversion of Preferred Shares and (iii) shall, so long as any Preferred Shares are outstanding, take all action necessary to reserve and keep available out of its authorized and unissued shares of Common Stock, solely for the purpose of effecting the conversion of the Preferred Shares, the maximum number of shares of Common Stock as shall from time to time be necessary to effect the conversion of the Preferred Shares then outstanding (without regard to any limitations on conversion contained herein).

17. Failure or Indulgence Not Waiver. No failure or delay on the part of a Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege. No waiver shall be effective unless it is in writing and signed by an authorized representative of the waiving party. This Certificate of Designations shall be deemed to be jointly drafted by the Company and all Holders and shall not be construed against any Person as the drafter hereof.

18. Notices. The Company shall provide each Holder of Preferred Shares with prompt written notice of all actions taken pursuant to the terms of this Certificate of Designations, including in reasonable detail a description of such action and the reason therefor. Whenever notice is required to be given under this Certificate of Designations, unless otherwise provided herein, such notice must be in writing and shall be given in accordance with Section 8(f) of the Securities Purchase Agreement. Without limiting the generality of the foregoing, the Company shall give written notice to each Holder (i) promptly following any adjustment of the Conversion Price, setting forth in reasonable detail, and certifying, the calculation of such adjustment and (ii) at least fifteen (15) days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the Common Stock, (B) with respect to any grant, issuances, or sales of any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property to all holders of shares of Common Stock as a class or (C) for determining rights to vote with respect to any Fundamental Transaction, dissolution or liquidation, provided, in each case, that such information shall be made known to the public prior to, or simultaneously with, such notice being provided to any Holder.

19. Transfer of Preferred Shares. Subject to the restrictions set forth in Section 2(g) of the Securities Purchase Agreement, a Holder may transfer some or all of its Preferred Shares without the consent of the Company.

20. Preferred Shares Register. The Company shall maintain at its principal executive offices (or such other office or agency of the Company as it may designate by notice to the Holders), a register for the Preferred Shares, in which the Company shall record the name, address and facsimile number of the Persons in whose name the Preferred Shares have been issued, as well as the name and address of each transferee. The Company may treat the Person in whose name any Preferred Shares is registered on the register as the owner and holder thereof for all purposes, notwithstanding any notice to the contrary, but in all events recognizing any properly made transfers.

21. Stockholder Matters; Amendment.

(a) Stockholder Matters. Any stockholder action, approval or consent required, desired or otherwise sought by the Company pursuant to the NGCL, the Articles of Incorporation, this Certificate of Designations or otherwise with respect to the issuance of Preferred Shares may be effected by written consent of the Company's stockholders or at a duly called meeting of the Company's stockholders, all in accordance with the applicable rules and regulations of the NGCL. This provision is intended to comply with the applicable sections of the NGCL permitting stockholder action, approval and consent affected by written consent in lieu of a meeting.

(b) Amendment. This Certificate of Designations or any provision hereof may be amended by obtaining the affirmative vote at a meeting duly called for such purpose, or written consent without a meeting in accordance with the NGCL, of the Required Holders, voting separate as a single class, and with such other stockholder approval, if any, as may then be required pursuant to the NGCL and the Articles of Incorporation.

22. Dispute Resolution.

(a) Disputes Over Closing Bid Price, Closing Sale Price, Conversion Price, VWAP or Fair Market Value.

(i) In the case of a dispute relating to a Closing Bid Price, a Closing Sale Price, a Conversion Price, a VWAP or fair market value (as the case may be) (including, without limitation, a dispute relating to the determination of any of the foregoing), the Company or such applicable Holder (as the case may be) shall submit the dispute via facsimile (I) within two (2) Business Days after delivery of the applicable notice giving rise to such dispute to the Company or such Holder (as the case may be) or (II) if no notice gave rise to such dispute, at any time after such Holder learned of the circumstances giving rise to such dispute. If such Holder and the Company are unable to resolve such dispute relating to such Closing Bid Price, such Closing Sale Price, such Conversion Price, such VWAP or such fair market value (as the case may be) by 5:00 p.m. (New York time) on the third (3rd) Business Day following such delivery by the Company or such Holder (as the case may be) of such dispute to the Company or such Holder (as the case may be), then such Holder shall select an independent, reputable investment bank to resolve such dispute.

(ii) Such Holder and the Company shall each deliver to such investment bank (x) a copy of the initial dispute submission so delivered in accordance with the first sentence of this Section 22(a) and (y) written documentation supporting its position with respect to such dispute, in each case, no later than 5:00 p.m. (New York time) by the fifth (5<sup>th</sup>) Business Day immediately following the date on which such Holder selected such investment bank (the "**Dispute Submission Deadline**") (the documents referred to in the immediately preceding clauses (x) and (y) are collectively referred to herein as the "**Required Dispute Documentation**") (it being understood and agreed that if either such Holder or the Company fails to so deliver all of the Required Dispute Documentation by the Dispute Submission Deadline, then the party who fails to so submit all of the Required Dispute Documentation shall no longer be entitled to (and hereby waives its right to) deliver or submit any written documentation or other support to such investment bank with respect to such dispute and such investment bank shall resolve such dispute based solely on the Required Dispute Documentation that was delivered to such investment bank prior to the Dispute Submission Deadline). Unless otherwise agreed to in writing by both the Company and such Holder or otherwise requested by such investment bank, neither the Company nor such Holder shall be entitled to deliver or submit any written documentation or other support to such investment bank in connection with such dispute (other than the Required Dispute Documentation).

(iii) The Company and such Holder shall cause such investment bank to determine the resolution of such dispute and notify the Company and such Holder of such resolution no later than ten (10) Business Days immediately following the Dispute Submission Deadline. The fees and expenses of such investment bank shall be borne solely by the Company, and such investment bank's resolution of such dispute shall be final and binding upon all parties absent manifest error.

(b) Disputes Over Arithmetic Calculation of the Conversion Rate.

(i) In the case of a dispute as to the arithmetic calculation of a Conversion Rate, the Company or such Holder (as the case may be) shall submit the disputed arithmetic calculation via facsimile (i) within two (2) Business Days after delivery of the applicable notice giving rise to such dispute to the Company or such Holder (as the case may be) or (ii) if no notice gave rise to such dispute, at any time after such Holder learned of the circumstances giving rise to such dispute. If such Holder and the Company are unable to resolve such disputed arithmetic calculation of such Conversion Rate by 5:00 p.m. (New York time) on the third (3<sup>rd</sup>) Business Day following such delivery by the Company or such Holder (as the case may be) of such disputed arithmetic calculation, then such Holder shall select an independent, reputable accountant or accounting firm to perform such disputed arithmetic calculation.

(ii) Such Holder and the Company shall each deliver to such accountant or accounting firm (as the case may be) (x) a copy of the initial dispute submission so delivered in accordance with the first sentence of this Section 22(a) and (y) written documentation supporting its position with respect to such disputed arithmetic calculation, in each case, no later than 5:00 p.m. (New York time) by the fifth (5<sup>th</sup>) Business Day immediately following the date on which such Holder selected such accountant or accounting firm (as the case may be) (the "Submission Deadline") (the documents referred to in the immediately preceding clauses (x) and (y) are collectively referred to herein as the "**Required Documentation**") (it being understood and agreed that if either such Holder or the Company fails to so deliver all of the Required Documentation by the Submission Deadline, then the party who fails to so submit all of the Required Documentation shall no longer be entitled to (and hereby waives its right to) deliver or submit any written documentation or other support to such accountant or accounting firm (as the case may be) with respect to such disputed arithmetic calculation and such accountant or accounting firm (as the case may be) shall perform such disputed arithmetic calculation based solely on the Required Documentation that was delivered to such accountant or accounting firm (as the case may be) prior to the Submission Deadline). Unless otherwise agreed to in writing by both the Company and such Holder or otherwise requested by such accountant or accounting firm (as the case may be), neither the Company nor such Holder shall be entitled to deliver or submit any written documentation or other support to such accountant or accounting firm (as the case may be) in connection with such disputed arithmetic calculation of the Conversion Rate (other than the Required Documentation).

(iii) The Company and such Holder shall cause such accountant or accounting firm (as the case may be) to perform such disputed arithmetic calculation and notify the Company and such Holder of the results no later than ten (10) Business Days immediately following the Submission Deadline. The fees and expenses of such accountant or accounting firm (as the case may be) shall be borne solely by the Company, and such accountant's or accounting firm's (as the case may be) arithmetic calculation shall be final and binding upon all parties absent manifest error.

(c) Miscellaneous. The Company expressly acknowledges and agrees that (i) this Section 22 constitutes an agreement to arbitrate between the Company and such Holder (and constitutes an arbitration agreement) under § 7501, et seq. of the New York Civil Practice Law and Rules ("**CPLR**") and that each party shall be entitled to compel arbitration pursuant to CPLR § 7503(a) in order to compel compliance with this Section 22, (ii) a dispute relating to a Conversion Price includes, without limitation, disputes as to (1) whether an issuance or sale or deemed issuance or sale of Common Stock occurred under Section 7(a), (2) the consideration per share at which an issuance or deemed issuance of Common Stock occurred, (3) whether any issuance or sale or deemed issuance or sale of Common Stock was an issuance or sale or deemed issuance or sale of Excluded Securities, (4) whether an agreement, instrument, security or the like constitutes and Option or Convertible Security and (5) whether a Dilutive Issuance occurred, (iii) the terms of this Certificate of Designations and each other applicable Transaction Document shall serve as the basis for the selected investment bank's resolution of the applicable dispute, such investment bank shall be entitled (and is hereby expressly authorized) to make all findings, determinations and the like that such investment bank determines are required to be made by such investment bank in connection with its resolution of such dispute and in resolving such dispute such investment bank shall apply such findings, determinations and the like to the terms of this Certificate of Designations and any other applicable Transaction Documents, (iv) the terms of this Certificate of Designations and each other applicable Transaction Document shall serve as the basis for the selected accountant's or accounting firm's performance of the applicable arithmetic calculation, (v) for clarification purposes and without implication that the contrary would otherwise be true, disputes relating to matters described in Section 22(a) shall be governed by Section 22(a) and not by Section 22(b), (vi) such Holder (and only such Holder), in its sole discretion, shall have the right to submit any dispute described in this Section 22 to any state or federal court sitting in The City of New York, Borough of Manhattan in lieu of utilizing the procedures set forth in this Section 22 and (vii) nothing in this Section 22 shall limit such Holder from obtaining any injunctive relief or other equitable remedies (including, without limitation, with respect to any matters described in Section 22(a) or Section 22(b)).

23. Certain Defined Terms. For purposes of this Certificate of Designations, the following terms shall have the following meanings:

- (a) **"1934 Act"** means the Securities Exchange Act of 1934, as amended.
- (b) **"Bank"** means a commercial banking institution that is a member of the Federal Reserve System and has a combined capital and surplus and undivided profits of not less than \$500,000,000.
- (c) **"Base Amount"** means, with respect to each Preferred Share, as of the applicable date of determination, the sum of (1) the Stated Value thereof, plus (2) the Unpaid Dividend Amount thereon as of such date of determination.
- (d) **"Bloomberg"** means Bloomberg, L.P.
- (e) **"Business Day"** means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed.
- (f) **"Closing Bid Price"** and **"Closing Sale Price"** means, for any security as of any date, the last closing bid price and last closing trade price, respectively, for such security on the Principal Market, as reported by Bloomberg, or, if the Principal Market begins to operate on an extended hours basis and does not designate the closing bid price or the closing trade price (as the case may be) then the last bid price or last trade price, respectively, of such security prior to 4:00:00 p.m., New York time, as reported by Bloomberg, or, if the Principal Market is not the principal securities exchange or trading market for such security, the last closing bid price or last trade price, respectively, of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or if the foregoing do not apply, the last closing bid price or last trade price, respectively, of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no closing bid price or last trade price, respectively, is reported for such security by Bloomberg, the average of the bid prices, or the ask prices, respectively, of any market makers for such security as reported in the "pink sheets" by OTC Markets Group Inc. (formerly Pink Sheets LLC). If the Closing Bid Price or the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Bid Price or the Closing Sale Price (as the case may be) of such security on such date shall be the fair market value as mutually determined by the Company and the applicable Holder. If the Company and such Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved in accordance with the procedures in Section 22. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during such period.

(g) **"Common Stock"** means (i) the Company's shares of common stock, \$0.001 par value per share, and (ii) any capital stock into which such common stock shall have been changed or any share capital resulting from a reclassification of such common stock.

(h) **"Conversion Price"** means, with respect to each Preferred Share, as of any Conversion Date or other applicable date of determination, \$2.00, subject to adjustment as provided herein.

(i) **"Convertible Securities"** means any stock or other security (other than Options) that is at any time and under any circumstances, directly or indirectly, convertible into, exercisable or exchangeable for, or which otherwise entitles the holder thereof to acquire, any shares of Common Stock.

(j) **"Eligible Market"** means The New York Stock Exchange, the NYSE MKT, the Nasdaq Global Select Market, the Nasdaq Global Market, the Nasdaq Capital Market or the Principal Market (or any successor thereto).

(k) **"Fundamental Transaction"** " " means that (i) the Company or any of its Subsidiaries shall, directly or indirectly, in one or more related transactions, (I) consolidate or merge with or into (whether or not the Company or any of its Subsidiaries is the surviving corporation) any other Person, or (2) sell, lease, license, assign, transfer, convey or otherwise dispose of all or substantially all of its respective properties or assets to any other Person, or (3) allow any other Person to make a purchase, tender or exchange offer that is accepted by the holders of more than 50% of the outstanding shares of Voting Stock of the Company (not including any shares of Voting Stock of the Company held by the Person or Persons making or party to, or associated or affiliated with the Persons making or party to, such purchase, tender or exchange offer), or (4) consummate a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with any other Person whereby such other Person acquires more than 50% of the outstanding shares of Voting Stock of the Company (not including any shares of Voting Stock of the Company held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination), or (5) reorganize, recapitalize or reclassify the Common Stock, or (ii) any "person" or "group" (as these terms are used for purposes of Sections 13(d) and 14(d) of the 1934 Act and the rules and regulations promulgated thereunder) is or shall become the "beneficial owner" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of 50% of the aggregate ordinary voting power represented by issued and outstanding Voting Stock of the Company.

(l) **"Holder Pro Rata Amount"** means, with respect to any Holder, a fraction (i) the numerator of which is the number of Preferred Shares issued to such Holder pursuant to the Securities Purchase Agreement on the Initial Issuance Date and (ii) the denominator of which is the number of Preferred Shares issued to all Holders pursuant to the Securities Purchase Agreement on the Initial Issuance Date.

(m) **"LIBOR"** means, (i) the one-month London Interbank Offered Rate for deposits in U.S. dollars, as shown on such date in The Wall Street Journal (Eastern Edition) under the caption "Money Rates - London interbank offered rate or Libor"; or (ii) if The Wall Street Journal does not publish such rate, the offered one-month rate for deposits in U.S. dollars which appears on the Reuters Screen LIBO Page as of 10:00 a.m., New York time, each day, provided that if at least two rates appear on the Reuters Screen LIBO Page on any day, the "LIBOR" for such day shall be the arithmetic mean of such rates.

(n) **"Liquidation Event"** means, whether in a single transaction or series of transactions, the voluntary or involuntary liquidation, dissolution or winding up of the Company or such Subsidiaries the assets of which constitute all or substantially all of the assets of the business of the Company and its Subsidiaries, taken as a whole.

(o) **"Options"** means any rights, warrants or options to subscribe for or purchase shares of Common Stock or Convertible Securities.

(p) **"Parent Entity"** of a Person means an entity that, directly or indirectly, controls the applicable Person and whose common stock or equivalent equity security is quoted or listed on an Eligible Market, or, if there is more than one such Person or Parent Entity, the Person or Parent Entity with the largest public market capitalization as of the date of consummation of the Fundamental Transaction.

(q) **"Permitted Indebtedness"** means (i) Indebtedness described in Schedule 3(s) of the Securities Purchase Agreement as in effect as of the Initial Issuance Date; provided, that the principal amount of such Indebtedness is not increased, the terms of such Indebtedness are not modified to impose more burdensome terms upon the Company or any of its Subsidiaries and the terms of such Indebtedness are not materially changed in any manner that adversely affects any Holder, and (ii) any Permitted Line of Credit.

(r) **"Permitted Liens"** means (i) any Lien for taxes not yet due or delinquent or being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with GAAP, (ii) any statutory Lien arising in the ordinary course of business by operation of law with respect to a liability that is not yet due or delinquent, (iii) any Lien created by operation of law, such as materialmen's liens, mechanics' liens and other similar liens, arising in the ordinary course of business with respect to a liability that is not yet due or delinquent or that are being contested in good faith by appropriate proceedings, (iv) leases or subleases and licenses and sublicenses granted to others in the ordinary course of the Company's business, not interfering in any material respect with the business of the Company and its Subsidiaries taken as a whole, (v) Liens in favor of customs and revenue authorities arising as a matter of law to secure payments of custom duties in connection with the importation of goods, (vi) Liens arising from judgments, decrees or attachments, not in excess of \$100,000 in the aggregate, (vii) Liens with respect to any Permitted Line of Credit and (viii) the Liens described on Schedule 3(s) of the Securities Purchase Agreement.

(s) **"Permitted Line of Credit"** means the principal of (and premium, if any), interest on, and all fees and other amounts (including, without limitation, any reasonable out-of-pocket costs, enforcement expenses (including reasonable out-of-pocket legal fees and disbursements), collateral protection expenses and other reimbursement or indemnity obligations relating thereto) payable by Company and/or its Subsidiaries under or in connection with any line of credit to be entered into by the Company and/or its Subsidiaries with one or more Banks (and on terms and conditions), in form and substance reasonably satisfactory to the Required Holders; provided, however, that such indebtedness (i) is not convertible or exchangeable into Common Stock, Convertible Securities Options or any other securities of the Company or any of its Subsidiaries, (ii) is not being made in connection with the issuance to any Person of Common Stock, Convertible Securities Options or any other securities of the Company or any of its Subsidiaries, (iii) bears total interest and fees at a rate not in excess of 450 basis points over LIBOR per annum, (iv) is consummated on market terms and (v) the aggregate outstanding principal amount of such Indebtedness does not at any time exceed \$3,000,000.

(t) **"Person"** means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity or a government or any department or agency thereof.

(u) **"Principal Market"** means the OTCQB.

(v) **"SEC"** means the Securities and Exchange Commission or the successor thereto.

(w) **"Securities"** means, collectively, the Preferred Shares and the shares of Common Stock issuable upon conversion of (or otherwise in accordance with) the Preferred Shares.

(x) **"Securities Purchase Agreement"** means that certain securities purchase agreement by and among the Company and the initial holders of Preferred Shares, dated as of the Subscription Date, as may be amended from time in accordance with the terms thereof.

(y) **"Stated Value"** shall mean \$1,000 per share, subject to adjustment for stock splits, stock dividends, recapitalizations, reorganizations, reclassifications, combinations, subdivisions or other similar events occurring after the Initial Issuance Date with respect to the Preferred Shares.

(z) **"Subscription Date"** means May 14, 2014.

(aa) **"Subsidiaries"** shall have the meaning as set forth in the Securities Purchase Agreement.

(bb) **"Successor Entity"** means the Person (or, if so elected by the Required Holders, the Parent Entity) formed by, resulting from or surviving any Fundamental Transaction or the Person (or, if so elected by the Required Holders, the Parent Entity) with which such Fundamental Transaction shall have been entered into.

(cc) **"Trading Day"** means, as applicable, (x) with respect to all price determinations relating to the Common Stock, any day on which the Common Stock is traded on the Principal Market, or, if the Principal Market is not the principal trading market for the Common Stock, then on the principal securities exchange or securities market on which the Common Stock is then traded, provided that "Trading Day" shall not include any day on which the Common Stock is scheduled to trade on such exchange or market for less than 4.5 hours or any day that the Common Stock is suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not designate in advance the closing time of trading on such exchange or market, then during the hour ending at 4:00:00 p.m., New York time) unless such day is otherwise designated as a Trading Day in writing by the Required Holders or (y) with respect to all determinations other than price determinations relating to the Common Stock, any day on which The New York Stock Exchange (or any successor thereto) is open for trading of securities.

(dd) **"Transaction Documents"** means the Securities Purchase Agreement, this Certificate of Designations, the Registration Rights Agreement and each of the other agreements and instruments entered into or delivered by the Company or any of the Holders in connection with the transactions contemplated by the Securities Purchase Agreement, all as may be amended from time to time in accordance with the terms thereof.

(ee) **"Unpaid Dividend Amount"** means, as of the applicable date of determination, with respect to each Preferred Share, all accrued and unpaid Dividends on such Preferred Share.

(ff) **"Voting Stock"** of a Person means capital stock of such Person of the class or classes pursuant to which the holders thereof have the general voting power to elect, or the general power to appoint, at least a majority of the board of directors, managers, trustees or other similar governing body of such Person (irrespective of whether or not at the time capital stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

(gg) **"VWAP"** means, for any security as of any date, the dollar volume-weighted average price for such security on the Principal Market (or, if the Principal Market is not the principal trading market for such security, then on the principal securities exchange or securities market on which such security is then traded) during the period beginning at 9:30:01 a.m., New York time, and ending at 4:00:00 p.m., New York time, as reported by Bloomberg through its "HP" function set to "weighted average" or, if the foregoing does not apply, the dollar volume-weighted average price of such security in the over-the-counter market on the electronic bulletin board for such security during the period beginning at 9:30:01 a.m., New York time, and ending at 4:00:00 p.m., New York time, as reported by Bloomberg, or, if no dollar volume-weighted average price is reported for such security by Bloomberg for such hours, the average of the highest closing bid price and the lowest closing ask price of any of the market makers for such security as reported in the "pink sheets" by OTC Markets Group Inc. (formerly Pink Sheets LLC). If the VWAP cannot be calculated for such security on such date on any of the foregoing bases, the VWAP of such security on such date shall be the fair market value as mutually determined by the Company and such Holder. If the Company and such Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved in accordance with the procedures in Section 22. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during such period.

24. Disclosure. Upon receipt or delivery by the Company of any notice in accordance with the terms of this Certificate of Designations, unless the Company has in good faith determined that the matters relating to such notice do not constitute material, non-public information relating to the Company or any of its Subsidiaries, the Company shall simultaneously with any such receipt or delivery publicly disclose such material, non-public information on a Current Report on Form 8-K or otherwise. In the event that the Company believes that a notice contains material, non-public information relating to the Company or any of its Subsidiaries, the Company so shall indicate to each Holder contemporaneously with delivery of such notice, and in the absence of any such indication, each Holder shall be allowed to presume that all matters relating to such notice do not constitute material, non-public information relating to the Company or its Subsidiaries. Nothing contained in this Section 24 shall limit any obligations of the Company, or any rights of any Holder, under the Securities Purchase Agreement.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Designations of Series A Convertible Preferred Stock of Genius Brands International, Inc. to be signed by its Chief Executive Officer on this 14th day of May, 2014.

**GENIUS BRANDS INTERNATIONAL, INC.**

By: /s/ Andy Heyward  
Name: Andy Heyward  
Title: CEO

**GENIUS BRANDS INTERNATIONAL, INC.  
CONVERSION NOTICE**

Reference is made to the Certificate of Designations, Preferences and Rights of the Series A Convertible Preferred Stock of Genius Brands International, Inc. (the "**Certificate of Designations**"). In accordance with and pursuant to the Certificate of Designations, the undersigned hereby elects to convert the number of shares of Series A Convertible Preferred Stock, \$0.001 par value per share (the "**Preferred Shares**"), of Genius Brands International, Inc., a Nevada corporation (the "**Company**"), indicated below into shares of common stock, \$0.001 par value per share (the "**Common Stock**"), of the Company, as of the date specified below.

Date of Conversion: \_\_\_\_\_

Number of Preferred Shares to be converted: \_\_\_\_\_

Share certificate no(s). of Preferred Shares to be converted: \_\_\_\_\_

Tax ID Number (If applicable): \_\_\_\_\_

Conversion Price: \_\_\_\_\_

Number of shares of Common Stock to be issued: \_\_\_\_\_

Please issue the shares of Common Stock into which the Preferred Shares are being converted in the following name and to the following address:

Issue to: \_\_\_\_\_

\_\_\_\_\_

Address: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Facsimile Number: \_\_\_\_\_

Holder: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Dated: \_\_\_\_\_

Account Number (if electronic book entry transfer): \_\_\_\_\_

Transaction Code Number (if electronic book entry transfer): \_\_\_\_\_

**ACKNOWLEDGMENT**

The Company hereby acknowledges this Conversion Notice and hereby directs \_\_\_\_\_ to issue the above indicated number of shares of Common Stock in accordance with the Irrevocable Transfer Agent Instructions dated \_\_\_\_\_, 2014 from the Company and acknowledged and agreed to by \_\_\_\_\_.

**GENIUS BRANDS INTERNATIONAL, INC.**

By: \_\_\_\_\_  
Name:  
Title:



ROSS MILLER  
 Secretary of State  
 204 North Carson Street, Suite 1  
 Carson City, Nevada 89701-4620  
 (775) 684 5708  
 Website: www.nvssa.gov

Filed in the Office of 	Business Number E0615682011-9
	Filing Number 20140249726-47
Secretary of State State Of Nevada	Filed On 04/02/2014
	Number of Pages 2

**Certificate of Amendment**  
 (PURSUANT TO NRS 78.385 AND 78.390)

USE BLACK INK ONLY - DO NOT HIGHLIGHT

ABOVE SPACE IS FOR OFFICE USE ONLY

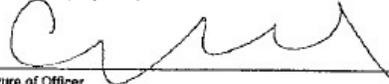
**Certificate of Amendment to Articles of Incorporation  
 For Nevada Profit Corporations  
 (Pursuant to NRS 78.385 and 78.390 - After issuance of Stock)**

1. Name of corporation:  
 Genius Brands International, Inc.

2. The articles have been amended as follows: (provide article numbers, if available)  
 Article IV of the Company's Articles of Incorporation shall be amended by adding the section, as set forth in Annex A hereto, to the end of Article IV, Subsection 4.02 of the Articles of Incorporation.

3. The vote by which the stockholders holding shares in the corporation entitling them to exercise a least a majority of the voting power, or such greater proportion of the voting power as may be required in the case of a vote by classes or series, or as may be required by the provisions of the articles of incorporation\* have voted in favor of the amendment is: 54.66%

4. Effective date of filing: (optional) \_\_\_\_\_  
 (must not be later than 90 days after the certificate is filed)

5. Signature: (required)  
 X   
 \_\_\_\_\_  
 Signature of Officer

\*If any proposed amendment would alter or change any preference or any relative or other right given to any class or series of outstanding shares, then the amendment must be approved by the vote, in addition to the affirmative vote otherwise required, of the holders of shares representing a majority of the voting power of each class or series affected by the amendment regardless to limitations or restrictions on the voting power thereof.

**IMPORTANT:** Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected.  
 This form must be accompanied by appropriate fees. Nevada Secretary of State Amend Profit-Artic Revised: 3-6-09

Certificate of Amendment  
of  
Articles of Incorporation  
of Genius Brands International, Inc.

Article IV of the Company's Articles of Incorporation shall be amended by adding the following section to the end of Article IV, Subsection 4.02 of the Articles of Incorporation, that reads as follows, subject to compliance with applicable law:

Upon the filing and effectiveness (the "Effective Time") pursuant to the Nevada Revised Statutes of this amendment to the Corporation's Articles of Incorporation, each 100 shares of Common Stock issued and outstanding immediately prior to the Effective Time either issued and outstanding or held by the Corporation as treasury stock shall be combined into one (1) validly issued, fully paid and non-assessable share of Common Stock without any further action by the Corporation or the holder thereof (the "Reverse Stock Split"); provided that no fractional shares shall be issued to any holder and that instead of issuing such fractional shares, the Corporation shall round shares up to the nearest whole number. Each certificate that immediately prior to the Effective Time represented shares of Common Stock ("Old Certificates"), shall thereafter represent that number of shares of Common Stock into which the shares of Common Stock represented by the Old Certificate shall have *been* combined, subject to the treatment of fractional shares as described above."

---



ROSS MILLER  
 Secretary of State  
 204 North Carson Street, Suite 1  
 Carson City, Nevada 89701-4620  
 (775) 684 5708  
 Website: www.nvsos.gov

Filed in the Office of 	Business Number E0515682011-9
Secretary of State	Filing Number 20130676443-86
State Of Nevada	Filed On 10/16/2013
	Number of Pages 2

**Certificate of Amendment**  
 (PURSUANT TO NRS 78.385 AND 78.390)

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**Certificate of Amendment to Articles of Incorporation  
 For Nevada Profit Corporations  
 (Pursuant to NRS 78.385 and 78.390 - After Issuance of Stock)**

1. Name of corporation:

Genius Brands International, Inc.

2. The articles have been amended as follows: (provide article numbers, if available)

Article IV, Subsection 4.02 shall be amended and restated in its entirety, as set forth in Annex A hereto

3. The vote by which the stockholders holding shares in the corporation entitling them to exercise a least a majority of the voting power, or such greater proportion of the voting power as may be required in the case of a vote by classes or series, or as may be required by the provisions of the articles of incorporation\* have voted in favor of the amendment is: 52.59%

4. Effective date of filing: (optional)

(must not be later than 90 days after the certificate is filed)

5. Signature: (required)

X   
 \_\_\_\_\_  
 Signature of Officer

\*If any proposed amendment would alter or change any preference or any relative or other right given to any class or series of outstanding shares, then the amendment must be approved by the vote, in addition to the affirmative vote otherwise required, of the holders of shares representing a majority of the voting power of each class or series affected by the amendment regardless to limitations or restrictions on the voting power thereof.

**IMPORTANT:** Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected.

This form must be accompanied by appropriate fees.

Nevada Secretary of State Amended Profit-After  
 Revised: 3-6-09

ANNEX A

4.02 *Common Stock* The total number of authorized shares of Common Stock shall be seven hundred million (700,000,000) shares with par value of \$0.001 per share. Each share of Common Stock when issued, shall have one (1) vote on all matters presented to the stockholders.

---



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**Certificate of Correction**  
 (PURSUANT TO NRS CHAPTERS 78,  
 78A, 80, 81, 82, 84, 86, 87, 87A, 88,  
 88A, 89 AND 92A)

Filed in the office of  Ross Miller Secretary of State State of Nevada	Document Number <b>20110852886-01</b> Filing Date and Time <b>12/02/2011 12:30 PM</b> Entity Number <b>E0515682011-9</b>
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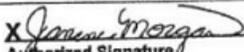
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Certificate of Correction

(Pursuant to NRS Chapters 78, 78A, 80, 81, 82, 84, 86, 87, 87A, 88, 88A, 89 and 92A)

- The name of the entity for which correction is being made:  
GENIUS BRANDS INTERNATIONAL, INC.
- Description of the original document for which correction is being made:  
Articles of Incorporation
- Filing date of the original document for which correction is being made: September 16, 2011
- Description of the inaccuracy or defect.  
Certain punctuation in the name of the corporation was inadvertently omitted. Furthermore, the complete language (originally intended as an addendum) of the Articles of Incorporation was inadvertently omitted.
- Correction of the inaccuracy or defect.  
The name of the entity shall be corrected to reflect "Genius Brands International, Inc."  
The completed language of the Articles of Incorporation is filed herewith as an addendum to the Articles of Incorporation.
- Signature:

X   
 Authorized Signature

Chief Financial Officer  
 Title \*

11/30/2011  
 Date

\*If entity is a corporation, it must be signed by an officer if stock has been issued, OR an incorporator or director if stock has not been issued; a limited-liability company, by a manager or managing members; a limited partnership or limited-liability limited partnership, by a general partner; a limited-liability partnership, by a managing partner; a business trust, by a trustee.

**IMPORTANT:** Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected.  
 This form must be accompanied by appropriate fees.

Nevada Secretary of State Correction  
 Revised: 7-1-08

**Addendum to**  
**Articles of Incorporation**  
**(PURSUANT TO NRS CHAPTER 78)**

**OF**

**GENIUS BRANDS INTERNATIONAL, INC.,**

**A Nevada Corporation**

**ARTICLE I**  
**NAME**

The name of the corporation is Genius Brands International, Inc. (the "Corporation").

**ARTICLE II**

**RESIDENT AGENT AND REGISTERED OFFICE**

The name and address of the Corporation's resident agent for service of process is The Corporation Trust Company of Nevada, 311 South Division Street, Carson City, Nevada 89703 (County of Carson City).

**ARTICLE III**

**PURPOSE**

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Nevada Revised Statutes ("NRS").

**ARTICLE IV**

**CAPITAL STOCK**

4.01 *Authorized Capital Stock* The total number of shares of stock this Corporation is authorized to issue shall be two hundred sixty million (260,000,000) shares. This stock shall be divided into two classes to be designated as "Common Stock" and "Preferred Stock."

4.02 *Common Stock* The total number of authorized shares of Common Stock shall be two hundred fifty million (250,000,000) shares with par value of \$0.001 per share. Each share of Common Stock when issued, shall have one (1) vote on all matters presented to the stockholders.

4.03 *Preferred Stock* The total number of authorized shares of Preferred Stock shall be ten million (10,000,000) shares with par value of \$0.001 per share. The board of directors shall have the authority to authorize the issuance of the Preferred Stock from time to time in one or more classes or series, and to state in the resolution or resolutions from time to time adopted providing for the issuance thereof the following:

- (a) Whether or not the class or series shall have voting rights, full or limited, the nature and qualifications, limitations and restrictions on those rights, or whether the class or series will be without voting rights;
- (b) The number of shares to constitute the class or series and the designation thereof;
- (c) The preferences and relative, participating, optional or other special rights, if any, and the qualifications, limitations, or restrictions thereof, if any, with respect to any class or series;
- (d) Whether or not the shares of any class or series shall be redeemable and if redeemable, the redemption price or prices, and the time or times at which, and the terms and conditions upon which, such shares shall be redeemable and the manner of redemption;
- (e) Whether or not the shares of a class or series shall be subject to the operation of retirement or sinking funds to be applied to the purchase or redemption of such shares for retirement, and if such retirement or sinking funds be established, the amount and the terms and provisions thereof;
- (f) The dividend rate, whether dividends are payable in cash, stock of the Corporation, or other property, the conditions upon which and the times when such dividends are payable, the preference to or the relation to the payment of dividends payable on any other class or classes or series of stock, whether or not such dividend shall be cumulative or noncumulative, and if cumulative, the date or dates from which such dividends shall accumulate;
- (g) The preferences, if any, and the amounts thereof which the holders of any class or series thereof are entitled to receive upon the voluntary or involuntary dissolution of, or upon any distribution of assets of, the Corporation;
- (h) Whether or not the shares of any class or series are convertible into, or exchangeable for, the shares of any other class or classes or of any other series of the same or any other class or classes of stock of the Corporation and the conversion price or prices or ratio or ratios or the rate or rates at which such exchange may be made, with such adjustments, if any, as shall be stated and expressed or provided for in such resolution or resolutions; and

(i) Such other rights and provisions with respect to any class or series as may to the board of directors seem advisable.

The shares of each class or series of the Preferred Stock may vary from the shares of any other class or series thereof in any respect. The Board of Directors may increase the number of shares of the Preferred Stock designated for any existing class or series by a resolution adding to such class or series authorized and unissued shares of the Preferred Stock not designated for any existing class or series of the Preferred Stock and the shares so subtracted shall become authorized, unissued and undesignated shares of the Preferred Stock.

## **ARTICLE V**

### **DIRECTORS**

The Board of Directors shall be divided into two classes, each such class as nearly equal in number as the then-authorized number of Directors constituting the Board of Directors permits, with the term of office of one class expiring each year. Following approval of this Articles of Incorporation, the stockholders shall elect one class of Directors until the first annual meeting of stockholders (the "Class B Directors") and another class of Directors for a term expiring at the following annual meeting of stockholders (the "Class A Directors"). Thereafter, each Director shall serve for a term ending at the second annual meeting of stockholders of the Corporation following the annual meeting at which such Director was elected. Members of each class shall hold office until their successors are elected and qualified. At each succeeding annual meeting of the stockholders of the Corporation, the successors of the class of Directors whose term expires at that meeting shall be elected by a plurality vote of all votes cast at such meeting to hold office for a term expiring at the annual meeting of stockholders held in the second year following the year of their election.

Subject to the foregoing, the number of directors comprising the board of directors shall be fixed and may be increased or decreased from time to time in the manner provided in the bylaws of the Corporation, except that at no time shall there be less than one director.

The names and addresses of the original Directors are as follows:

Class A:

Klaus Moeller  
5820 Oberlin Drive, Suite 203, San Diego, CA 92121

Howard Balaban  
5820 Oberlin Drive, Suite 203, San Diego, CA 92121

Saul Hyatt  
5820 Oberlin Drive, Suite 203, San Diego, CA 92121

Class B:

Michael G. Meader  
5820 Oberlin Drive, Suite 203, San Diego, CA 92121

Larry Balaban  
5820 Oberlin Drive, Suite 203, San Diego, CA 92121

## **ARTICLE VI**

### **DIRECTORS' AND OFFICERS' LIABILITY**

The individual liability of the directors and officers of the Corporation is hereby eliminated to the fullest extent permitted by the NRS, as the same may be amended and supplemented. Any repeal or modification of this Article by the stockholders of the Corporation shall be prospective only, and shall not adversely affect any limitation on the personal liability of a director or officer of the Corporation for acts or omissions prior to such repeal or modification.

## **ARTICLE VII**

### **INDEMNITY**

Every person who was or is a party to, or is threatened to be made a party to, or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he, or a person of whom he is the legal representative, is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer of another corporation, or as its representative in a partnership, joint venture, trust or other enterprise shall be indemnified and held harmless to the fullest extent legally permissible under the laws of the State of Nevada from time to time against all expenses, liability and loss (including attorneys' fees, judgments, fines and amounts paid or to be paid in settlement) reasonably incurred or suffered by him in connection therewith. Such right of indemnification shall be a contract right which may be enforced in any manner desired by such person. The expenses of officers and directors incurred in defending a civil or criminal action, suit or proceeding must be paid by the Corporation as they are incurred and in advance of the final disposition of the action, suit or proceeding, upon receipt of an undertaking by or on behalf of the director or officer to repay the amount if it is ultimately determined by a court of competent jurisdiction that he is not entitled to be indemnified by the Corporation. Such right of indemnification shall not be exclusive of any other right which such directors, officers or representatives may have or hereafter acquire, and, without limiting the generality of such statement, they shall be entitled to their respective rights of indemnification under any bylaw, agreement, vote of stockholders, provision of law, or otherwise, as well as their rights under this Article.

Without limiting the application of the foregoing, the board of directors may adopt bylaws from time to time with respect to indemnification, to provide at all times the fullest indemnification permitted by the laws of the State of Nevada, and may cause the Corporation to purchase and maintain insurance on behalf of any person who is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as director or officer of another corporation, or as its representative in a partnership, joint venture, trust or other enterprises against any liability asserted against such person and incurred in any such capacity or arising out of such status, whether or not the Corporation would have the power to indemnify such person.

The indemnification provided in this Article shall continue as to a person who has ceased to be a director, officer, employee or agent, and shall inure to the benefit of the heirs, executors and administrators of such person.

Dated: September 16, 2011

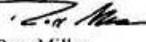
/s/ Michael G. Meader  
Michael G. Meader, Incorporator



\*140103\*



ROSS MILLER  
Secretary of State  
204 North Carson Street, Suite 1  
Carson City, Nevada 89701-4520  
(775) 684-5708  
Website: www.nvsos.gov

Filed in the office of  Ross Miller Secretary of State State of Nevada	Document Number <b>20110746121-15</b> Filing Date and Time <b>10/17/2011 4:10 PM</b> Entity Number <b>E0515682011-9</b>
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**Articles of Merger**  
(PURSUANT TO NRS 92A.200)  
**Page 1**

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**Articles of Merger**  
(Pursuant to NRS Chapter 92A)

1) Name and jurisdiction of organization of each constituent entity (NRS 92A.200):

If there are more than four merging entities, check box and attach an 8 1/2" x 11" blank sheet containing the required information for each additional entity from article one.

Pacific Entertainment Corporation  
Name of merging entity  
State of California Corporation  
Jurisdiction Entity type \*

Name of merging entity  
Jurisdiction Entity type \*

Name of merging entity  
Jurisdiction Entity type \*

Name of merging entity  
Jurisdiction Entity type \*

and  
Genius Brands International, Inc.  
Name of surviving entity  
Nevada Corporation  
Jurisdiction Entity type \*

\* Corporation, non-profit corporation, limited partnership, limited-liability company or business trust.

**Filing Fee: \$350.00**

*This form must be accompanied by appropriate fees.*

Nevada Secretary of State 92A Merger Page 1  
Revised: 10-25-10



ROSS MILLER  
 Secretary of State  
 204 North Carson Street, Suite 1  
 Carson City, Nevada 89701-4520  
 (775) 684-5708  
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**Articles of Merger**  
 (PURSUANT TO NRS 92A.200)  
**Page 2**

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2) Forwarding address where copies of process may be sent by the Secretary of State of Nevada (if a foreign entity is the survivor in the merger - NRS 92A.190):

Attn:

c/o

3) Choose one:

- The undersigned declares that a plan of merger has been adopted by each constituent entity (NRS 92A.200).
- The undersigned declares that a plan of merger has been adopted by the parent domestic entity (NRS 92A.180).

4) Owner's approval (NRS 92A.200) (options a, b or c must be used, as applicable, for each entity):

- If there are more than four merging entities, check box and attach an 8 1/2" x 11" blank sheet containing the required information for each additional entity from the appropriate section of article four.

(a) Owner's approval was not required from

Name of merging entity, if applicable

and, or:

Name of surviving entity, if applicable

This form must be accompanied by appropriate fees.

Nevada Secretary of State 92A Merger Page 2  
 Revised: 10-25-10



ROSS MILLER  
 Secretary of State  
 204 North Carson Street, Suite 1  
 Carson City, Nevada 89701-4520  
 (775) 684-5708  
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**Articles of Merger**  
 (PURSUANT TO NRS 92A.200)  
 Page 3

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(b) The plan was approved by the required consent of the owners of \*:

Pacific Entertainment Corporation  
 Name of **merging** entity, if applicable

and, or:

Genius Brands International, Inc.  
 Name of **surviving** entity, if applicable

\* Unless otherwise provided in the certificate of trust or governing instrument of a business trust, a merger must be approved by all the trustees and beneficial owners of each business trust that is a constituent entity in the merger.

*This form must be accompanied by appropriate fees.*

Nevada Secretary of State 92A Merger Page 3  
 Revised: 10-25-10



ROSS MILLER  
Secretary of State  
204 North Carson Street, Suite 1  
Carson City, Nevada 89701-4520  
(775) 684-5708  
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**Articles of Merger**  
(PURSUANT TO NRS 92A.200)  
**Page 4**

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(c) Approval of plan of merger for Nevada non-profit corporation (NRS 92A.160):

The plan of merger has been approved by the directors of the corporation and by each public officer or other person whose approval of the plan of merger is required by the articles of incorporation of the domestic corporation.

Name of merging entity, if applicable

and, or,

Name of surviving entity, if applicable

*This form must be accompanied by appropriate fees.*

Nevada Secretary of State 92A Merger Page 4  
Revised: 10-25-10



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**Articles of Merger**  
(PURSUANT TO NRS 92A.200)  
**Page 5**

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5) Amendments, if any, to the articles or certificate of the surviving entity. Provide article numbers, if available. (NRS 92A.200)\*\*:

6) Location of Plan of Merger (check a or b):

(a) The entire plan of merger is attached;

or,

(b) The entire plan of merger is on file at the registered office of the surviving corporation, limited-liability company or business trust, or at the records office address if a limited partnership, or other place of business of the surviving entity (NRS 92A.200).

7) Effective date (optional)\*\*:

\* Amended and restated articles may be attached as an exhibit or integrated into the articles of merger. Please entitle them "Restated" or "Amended and Restated," accordingly. The form to accompany restated articles prescribed by the secretary of state must accompany the amended and/or restated articles. Pursuant to NRS 92A.180 (merger of subsidiary into parent - Nevada parent owning 90% or more of subsidiary), the articles of merger may not contain amendments to the constituent documents of the surviving entity except that the name of the surviving entity may be changed.

\*\* A merger takes effect upon filing the articles of merger or upon a later date as specified in the articles, which must not be more than 90 days after the articles are filed (NRS 92A.240).

*This form must be accompanied by appropriate fees*

Nevada Secretary of State 92A Merger Page 5  
Revised 10-25-10



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 204 North Carson Street, Suite 1  
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**Articles of Merger**  
 (PURSUANT TO NRS 92A.200)  
**Page 6**

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B) Signatures - Must be signed by: An officer of each Nevada corporation; All general partners of each Nevada limited partnership; All general partners of each Nevada limited-liability limited partnership; A manager of each Nevada limited-liability company with managers or one member if there are no managers; A trustee of each Nevada business trust (NRS 92A.230)

If there are more than four merging entities, check box and attach an 8 1/2" x 11" blank sheet containing the required information for each additional entity from article eight.

Pacific Entertainment Corporation

Name of merging entity

X [Signature] President  
 Signature Title

10/14/11  
 Date

Name of merging entity

X \_\_\_\_\_  
 Signature Title

Date

Name of merging entity

X \_\_\_\_\_  
 Signature Title

Date

Name of merging entity

X \_\_\_\_\_  
 Signature Title

Date

and,

Genius Brands International, Inc.

Name of surviving entity

X [Signature] President  
 Signature Title

10/14/11  
 Date

\* The articles of merger must be signed by each foreign constituent entity in the manner provided by the law governing it (NRS 92A.230). Additional signature blocks may be added to this page or as an attachment, as needed.

**IMPORTANT:** Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected

This form must be accompanied by appropriate fees.

Nevada Secretary of State 92A Merger Page 6  
 Revised 10-25-10

**AGREEMENT AND PLAN OF MERGER**  
**OF**  
**PACIFIC ENTERTAINMENT CORPORATION, A CALIFORNIA CORPORATION**  
**AND**  
**GENIUS BRANDS INTERNATIONAL, INC., A NEVADA CORPORATION**

THIS AGREEMENT AND PLAN OF MERGER (the “**Agreement**”) dated as of October 14, 2011, made and entered into by and between Pacific Entertainment Corporation, A California corporation (“**Pacific**”), and Genius Brands International, Inc., a Nevada corporation (“**Genius**”), which corporations are sometimes referred to herein as the “**Constituent Corporations**.”

**WITNESSETH**

WHEREAS, Pacific is a corporation organized and existing under the laws of the State of California, having been incorporated on January 3, 2006, under the laws of the State of California under the California Corporations Code; and

WHEREAS, Genius is a wholly-owned subsidiary corporation of Pacific organized and existing under the laws of the State of Nevada, having been incorporated on September 16, 2011, under the Nevada Revised Statutes; and

WHEREAS, the respective Boards of Directors of Pacific and Genius have determined that it is desirable to merge Pacific with and into Genius and that Genius shall be the surviving corporation (the “**Merger**”); and

WHEREAS, the parties intend by this Agreement to effect a reorganization under Section 368 of the Internal Revenue Code of 1986, as amended.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained in this Agreement, and for other valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, Pacific and Genius hereto agree as follows:

**ARTICLE I**  
**MERGER**

1.1 On the effective date of the Merger (the “**Effective Date**”), as provided herein, Pacific shall be merged with and into Genius, the separate existence of Pacific shall cease and Genius (hereinafter sometimes referred to as the “**Surviving Corporation**”) shall continue to exist under the name of Genius Brands International, Inc. by virtue of, and shall be governed by, the laws of the State of Nevada. The address of the registered office of the Surviving Corporation in the State of Nevada will be The Corporation Trust Company of Nevada, 311 South Division Street, Carson City, Nevada 89703 (County of Carson City).

ARTICLE II  
ARTICLES OF INCORPORATION OF SURVIVING CORPORATION

2.1 The name of the Surviving Corporation shall be "Genius Brands International, Inc." The Articles of Incorporation of the Surviving Corporation, attached hereto as Exhibit A, as in effect on the date hereof, shall be the Articles of Incorporation of Genius without change, unless and until amended in accordance with this Agreement or otherwise amended in accordance with applicable law.

ARTICLE III  
BY LAWS OF THE SURVIVING CORPORATION

3.1 The Bylaws of the Surviving Corporation, as in effect on the date hereof shall be the Bylaws of Genius without change, unless and until amended in accordance with Article VIII of this Agreement or otherwise amended in accordance with applicable law.

ARTICLE IV  
EFFECT OF MERGER ON STOCK OF CONSTITUENT CORPORATIONS

4.1 On the Effective Date, the holders of the common stock of Pacific shall receive one share of common stock of Genius ("Genius Common Stock") as consideration and in exchange for each one share of common stock of Pacific and shall have no further claims of any kind or nature; and all of the common stock of Genius held by Pacific shall be surrendered and canceled. Each holder of record of any outstanding certificate or certificates theretofore representing stock of Pacific may surrender the same to the Surviving Corporation at its offices, and such holder shall be entitled upon such surrender to receive in exchange therefor a certificate or certificates representing the number of shares of common stock of the Surviving Corporation equal to the number of shares of common stock of the Corporation represented by such surrendered certificates (the "Conversion Amount"), provided however, that each certificate or certificates of the Corporation bearing a restrictive legend shall bear the same restrictive legend on the certificate or certificates of the Surviving Corporation. Until so surrendered, each outstanding certificate which prior to the effective time of the Merger represented one or more shares of stock of the Corporation shall be deemed for all corporate purposes to evidence ownership of shares of stock of the Surviving Corporation equal to the Conversion Amount.

4.2 On the Effective Date, the holders of any options, warrants, or other securities of Pacific shall be enforced against Genius to the same extent as if such options, warrants, or other securities had been issued by Genius.

ARTICLE V  
CORPORATE EXISTENCE, POWERS AND LIABILITIES OF THE SURVIVING CORPORATION

5.1 On the Effective Date, the separate existence of Pacific shall cease. Pacific shall be merged with and into Genius, the Surviving Corporation, in accordance with the provisions of this Agreement. Thereafter, Genius shall possess all the rights, privilege, powers and franchises of a public as well as of a private nature, and shall be subject to all the restriction; disabilities and duties of each of the parties to this Agreement; all singular rights, privileges, powers and franchises of Pacific and Genius, and all property, real, personal and mixed and all debts due to each of them on whatever account, shall be vested in Genius; and all property, rights, privileges, powers and franchises, and all and every other interest shall be thereafter the property of Genius, the Surviving Corporation, as they were of the respective constituent entities, and the title to any real estate, whether by deed or otherwise, vested in Pacific and Genius, or either of them, shall not revert or be in any way impaired by reason of the Merger, but all rights of creditors and all liens upon the property of the parties hereto, shall be preserved unimpaired, and all debts, liabilities and duties of Pacific shall thenceforth attach to Genius, and may be enforced against it to the same extent as if said debts, liabilities and duties had been incurred or contracted by it.

5.2. Pacific agrees that it will execute and deliver, or cause to be executed and delivered, all such deeds and other instruments and will take or cause to be taken such further or other action as the Surviving Corporation may deem necessary in order to vest in and confirm to the Surviving Corporation title to and possession of all the property, rights, privileges, immunities, powers, purposes and franchises, and all and every other interest of Pacific and otherwise to carry out the intent and purposes of this Agreement.

ARTICLE VI  
OFFICERS AND DIRECTORS OF SURVIVING CORPORATION

6.1. Upon the Effective Date, the officers and directors of Genius shall be the officers and directors of the Surviving Corporation

6.2 If upon the Effective Date, a vacancy shall exist in the Board of Directors of the Surviving Corporation, such vacancy shall be filled in the manner provided by the Genius Bylaws.

ARTICLE VII.  
DISSENTING SHARES

7.1 Holders of shares of Pacific common stock who have complied with all requirements for perfecting their right of appraisal as required in the California Corporations Code shall be entitled to their rights under California law with payments to be made by the Surviving Corporation.

ARTICLE VIII  
APPROVAL BY SHAREHOLDERS, EFFECTIVE DATE, CONDUCT OF BUSINESS  
PRIOR TO EFFECTIVE DATE

8.1 Promptly after the approval of this Agreement by the, requisite number of shareholders of Pacific, the respective Boards of Directors of Pacific and Genius will cause their duly authorized officers to make and execute Articles of Merger or other applicable certificates or documentation effecting this Agreement and shall cause the same to be filed with the Secretaries of State of California and Nevada, respectively; in accordance with the California Corporations Code and the Nevada Revised Statutes. The Effective Date shall be the date on which the Articles of Merger is filed with the Secretary of State of California and the Secretary of State of Nevada.

8.2 The. Boards of Directors of Pacific and Genius may amend, this Agreement and the Genius Articles of Incorporation or Genius Bylaws at any time prior to the Effective Date, provided that an amendment made subsequent to the approval of the Merger by the shareholders of Pacific may not (i) change the amount or kind of shares to be received in exchange for the. Pacific common stock; or (ii) alter or change any of the terms and conditions of this Agreement or the Genius Articles of Incorporation or Genius Bylaws if such change would adversely affect the holders of the Genius Common Stock.

ARTICLE IX  
TERMINATION OF MERGER

9.1 This Agreement may be terminated and the Merger abandoned at any time prior to the Effective Date, whether before or after shareholder approval of this Agreement, by the consent of the Board of Directors of Pacific; and Genius.

ARTICLE X  
MISCELLANEOUS

10.1 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada without reference to its principles of conflicts of law.

10.2 EXPENSES. If the Merger becomes effective, the Surviving Corporation shall assume and pay all expenses, in connection:therewith not theretofore paid by the respective parties. If for any reason the Merger shall not become effective; Pacific shall pay all expenses incurred in connection with all the proceedings taken in respect of this Merger Agreement or relating thereto.

10.3 AGREEMENT. An executed copy of this Agreement will be on file at the principal place of business of the Surviving Corporation at 5820 Oberlin Drive, Suite 203, San Diego, California 92121, and, upon request and without cost, a copy thereof will be furnished to any shareholder.

10.4 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same instrument.

[Signature Page Follows]

[Signature Page to Agreement and Plan of Merger]

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

GENIUS BRANDS INTERNATIONAL, INC.,  
a Nevada corporation

By: /s/ Michael Meader  
Michael Meader, President

PACIFIC ENTERTAINMENT CORPORATION,  
a California corporation

By: /s/ Michael Meader  
Michael Meader, President



ROSS MILLER  
Secretary of State  
204 North Carson Street, Suite 4  
Carson City, Nevada 89701-4520  
(775) 684-5708  
Website: www.nvsos.gov



\*04010\*

## Articles of Incorporation

(PURSUANT TO NRS CHAPTER 78)

Filed in the Office of 	Business Number E0615682011-9
Secretary of State State Of Nevada	Filing Number 20110672665-16
	Filed On 09/16/2011
	Number of Pages 3

(This document was filed electronically.)

USE BLACK INK ONLY - DO NOT HIGHLIGHT

ABOVE SPACE IS FOR OFFICE USE ONLY

<b>1. Name of Corporation:</b>	GENIUS BRANDS INTERNATIONAL INC.		
<b>2. Registered Agent for Service of Process:</b> (check only one box)	<input checked="" type="checkbox"/> Commercial Registered Agent: THE CORPORATION TRUST C-SEE ATTACHED Name <input type="checkbox"/> Noncommercial Registered Agent (name and address below) <b>OR</b> <input type="checkbox"/> Office or Position with Entity (name and address below) Name of Noncommercial Registered Agent <b>OR</b> Name of Title of Office or Other Position with Entity Nevada Street Address City Zip Code Nevada Mailing Address (if different from street address) City Zip Code		
<b>3. Authorized Stock:</b> (number of shares corporation is authorized to issue)	Number of shares with par value: 260000000	Par value per share: \$ 0.001	Number of shares without par value: 0
<b>4. Names and Addresses of the Board of Directors/Trustees:</b> (each Director/Trustee must be a natural person at least 18 years of age; attach additional page if more than two directors/trustees)	1) MICHAEL MEADER Name 5820 OBERLIN DR, STE 203 SAN DIEGO CA 92121 Street Address City State Zip Code 2) KLAUS MOELLER Name 5820 OBERLIN DR, STE 203 SAN DIEGO CA 92121 Street Address City State Zip Code		
<b>5. Purpose:</b> (optional; see instructions)	The purpose of the corporation shall be: ANY LEGAL PURPOSE		
<b>6. Name, Address and Signature of Incorporator:</b> (attach additional page if more than one incorporator)	MICHAEL G MEADER <input checked="" type="checkbox"/> MICHAEL G MEADER Name Incorporator Signature 5820 OBERLIN DR, STE 203 SAN DIEGO CA 92121 Address City State Zip Code		
<b>7. Certificate of Acceptance of Appointment of Registered Agent:</b>	I hereby accept appointment as Registered Agent for the above named Entity. <input checked="" type="checkbox"/> THE CORPORATION TRUST COMPANY OF NEVADA 9/16/2011 Authorized Signature of Registered Agent or On Behalf of Registered Agent Entity Date		

This form must be accompanied by appropriate fees.

Nevada Secretary of State NRS 78 Articles  
Revised: 4-10-03

# Articles of Incorporation

(PURSUANT TO NRS CHAPTER 78)

## CONTINUED

*Includes data that is too long to fit in the fields on the NRS 78 Form and all additional director/trustees and incorporators*

ENTITY NAME: **GENIUS BRANDS INTERNATIONAL INC.**

FOREIGN NAME TRANSLATION: **Not Applicable**

PURPOSE: **ANY LEGAL PURPOSE**

REGISTERED AGENT NAME: **THE CORPORATION TRUST COMPANY OF NEVADA**

STREET ADDRESS: **Not Applicable**

MAILING ADDRESS: **Not Applicable**

ADDITIONAL	Directors/Trustees
Name: LARRY BALABAN	Name: HOWARD BALABAN
Address: 5820 OBERLIN DR, STE 203	Address: 5820 OBERLIN DR, STE 203
City: SAN DIEGO	City: SAN DIEGO
State: CA	State: CA
Zip Code: 92121	Zip Code: 92121
Name: SAUL HYATT	
Address: 5820 OBERLIN DR, STE 203	
City: SAN DIEGO	
State: CA	
Zip Code: 92121	



ROSS MILLER  
 Secretary of State  
 262 North Carson Street  
 Carson City, Nevada 89701-6201  
 (775) 684-5708  
 Website: www.nvsos.gov



1981102

**Registered Agent  
 Acceptance**

(PURSUANT TO NRS 77-310)

This form may be submitted by: a Commercial Registered Agent, Noncommercial Registered Agent or Represented Entity. For more information please visit <http://www.nvsos.gov/index.aspx?page=124>

USE BLACK INK ONLY - DO NOT HIGHLIGHT

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**Certificate of Acceptance of Appointment by Registered Agent**

In the matter of

GENIUS BRANDS INTERNATIONAL, INC

Name of Represented Business Entity

I, THE CORPORATION TRUST COMPANY OF NEVADA am a

Name of Appointed Registered Agent - OR - Represented Entity Serving its own entity

(complete only or a)

- a)  commercial registered agent listed with the Nevada Secretary of State;
- b)  noncommercial registered agent with the following address for service of process:

Street Address: \_\_\_\_\_ City: \_\_\_\_\_ Nevada Zip Code: \_\_\_\_\_  
 Mailing Address (if different from street address): \_\_\_\_\_ City: \_\_\_\_\_ Nevada Zip Code: \_\_\_\_\_

- c)  represented entity accepting own service of process at the following address:

Title of Officer or Position of Person in Represented Entity: \_\_\_\_\_  
 Street Address: \_\_\_\_\_ City: \_\_\_\_\_ Nevada Zip Code: \_\_\_\_\_  
 Mailing Address (if different from street address): \_\_\_\_\_ City: \_\_\_\_\_ Nevada Zip Code: \_\_\_\_\_

and hereby state that on September 14, 2011 I accepted the appointment as registered agent for the above named business entity. Date

Juan Grajeda Assistant Secretary

As the \_\_\_\_\_ Signature of R.A. or On Behalf of R.A. Company

Date: 9/14/11

\*If changing Registered Agent when reinstating, officer's signature required.  
 Signature of Officer: \_\_\_\_\_ Date: \_\_\_\_\_

**List of Subsidiaries**

A Squared Entertainment LLC (Delaware)  
Llama Productions, LLC (California)  
Rainbow Rangers Productions LLC (California)

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statements on Form S-3 (No. 333-252670, No. 333-214805, No. 333-235962, No. 333-227349, No. 333-238928, No. 333-239495, and No. 333-248623 ), Form S-3MEF (No. 333-249694), Form S-1 (No. 333-221683, No. 333-230856, No. 333-232762, and No. 333-235709), Form S-1/A (No. 333-235709), and Form S-8 (No. 333-227482, No. 333-228655, and No. 333-250097), of Genius Brands International, Inc. of our report dated March 31, 2021, relating to our audit of the consolidated financial statements of Genius Brands International, Inc., which appears in this Annual Report on Form 10-K for the years ended December 31, 2020 and 2019.

**/s/ BAKER TILLY US, LLP**

Los Angeles, California  
March 31, 2021

**Certification of Principal Executive Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Andy Heyward, certify that:

1. I have reviewed this Annual Report on Form 10-K of Genius Brands International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our 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;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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: March 31, 2021

By: /s/ Andy Heyward  
Andy Heyward  
Chief Executive Officer  
(Principal Executive Officer)

**Certification of Principal Financial Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Robert L. Denton, certify that:

1. I have reviewed this Annual Report on Form 10-K of Genius Brands International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our 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;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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: March 31, 2021

By: /s/ Robert L. Denton  
Robert L. Denton  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

**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**

In connection with the Annual Report of Genius Brands International, Inc., a Nevada corporation (the "Company"), on Form 10-K for the fiscal year ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andy Heyward, Chief Executive Officer of the Company, certify, 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 operations of the Company.

Date: March 31, 2021

By: /s/ Andy Heyward

Andy Heyward

Chief Executive Officer

(Principal Executive Officer)

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

In connection with the Annual Report of Genius Brands International, Inc., a Nevada corporation (the "Company"), on Form 10-K for the fiscal year ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert L. Denton, Chief Financial Officer of the Company, certify, 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 operations of the Company.

Date: March 31, 2021

By: /s/ Robert L. Denton  
Robert L. Denton  
Chief Financial Officer  
(Principal Accounting Officer)