

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

FORM 10-Q

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

For the quarterly period ended September 30, 2016

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.)

**301 North Canon Drive, Suite 305**  
**Beverly Hills, California**  
(Address of principal executive offices)

**90210**  
(Zip Code)

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer  Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)  Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 3,990,349 shares of common stock, par value \$0.001, were outstanding as of November 11, 2016.

**GENIUS BRANDS INTERNATIONAL, INC.**  
**FORM 10-Q**

**For the Quarterly Period Ended September 30, 2016**

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**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS.**

**Genius Brands International, Inc.  
Consolidated Balance Sheets  
As of September 30, 2016 and December 31, 2015**

	<u>9/30/2016</u>	<u>12/31/2015</u>
	(unaudited)	(As Revised - See Note 2)
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and Cash Equivalents	\$ 3,642,667	\$ 5,187,620
Accounts Receivable, net	199,337	171,867
Inventory, net	6,562	7,080
Prepaid and Other Assets	319,142	65,464
Total Current Assets	<u>4,167,708</u>	<u>5,432,031</u>
Property and Equipment, net	102,852	150,948
Film and Television Costs, net	1,602,236	1,003,546
Intangible Assets, net	1,864,242	1,918,206
Goodwill	10,365,805	10,365,805
<b>Total Assets</b>	<b><u>\$ 18,102,843</u></b>	<b><u>\$ 18,870,536</u></b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
Current Liabilities:		
Accounts Payable	\$ 425,678	\$ 359,433
Accrued Expenses	224,854	509,477
Deferred Revenue	369,894	305,850
Accrued Salaries and Wages	119,608	96,385
Disputed Trade Payable	925,000	925,000
Service Advance	1,489,583	-
Short Term Debt - Related Party	-	410,535
Total Current Liabilities	<u>3,554,617</u>	<u>2,606,680</u>
Long Term Liabilities:		
Deferred Revenue	2,748,836	652,689
Production Facility Credit Line	239,655	-
Services Advance	-	1,489,583
Total Liabilities	<u>6,543,108</u>	<u>4,748,952</u>
Stockholders' Equity		
Preferred Stock, \$0.001 par value, 10,000,000 share authorized, respectively; 4,955 and 5,290 shares issued and outstanding, respectively	5	6
Common Stock, \$0.001 par value, 233,333,334 shares authorized, respectively; 3,990,211 and 3,753,150 shares issued and outstanding, respectively	3,991	3,753
Common Stock to Be Issued	24	24
Additional Paid in Capital	46,349,747	44,547,427
Accumulated Deficit	(34,793,193)	(30,429,626)
Accumulated Other Comprehensive Income (Loss)	(839)	-
Total Equity	<u>11,559,735</u>	<u>14,121,584</u>
<b>Total Liabilities and Stockholders' Equity</b>	<b><u>\$ 18,102,843</u></b>	<b><u>\$ 18,870,536</u></b>

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

**Genius Brands International, Inc.**  
**Consolidated Statements of Operations**  
**Three and Nine Months Ended September 30, 2016 and 2015**

	Three Months Ended		Nine Months Ended	
	9/30/2016	9/30/2015	9/30/2016	9/30/2015
<b>Revenues:</b>				
Licensing & Royalties	\$ 85,660	\$ 98,035	\$ 347,128	\$ 372,022
Television & Home Entertainment	34,826	182,715	285,433	323,804
Product Sales	—	—	16,150	15,173
<b>Total Revenues</b>	<b>120,486</b>	<b>280,750</b>	<b>648,711</b>	<b>710,999</b>
<b>Cost of Sales</b>	<b>21,209</b>	<b>23,127</b>	<b>94,520</b>	<b>45,699</b>
<b>Gross Profit</b>	<b>99,277</b>	<b>257,622</b>	<b>554,191</b>	<b>665,300</b>
<b>Operating Expenses:</b>				
Professional Services	166,820	244,803	470,747	549,702
Rent Expense	35,160	34,136	104,985	106,271
Marketing & Sales	220,627	91,258	686,577	342,318
Amortization of Film & TV Costs	23,011	42,642	158,168	42,642
Depreciation & Amortization	36,022	36,673	107,400	96,823
Salaries and Related Expenses	508,812	429,347	1,597,265	1,414,746
Stock Compensation Expense	358,919	—	1,236,880	—
Bad Debt Expense (Recovery)	—	—	—	(1,550)
Other General & Administrative	283,627	133,388	806,576	581,774
Loss on Impairment of Assets	—	—	1,850	7,500
<b>Total Operating Expenses</b>	<b>1,632,998</b>	<b>1,012,247</b>	<b>5,170,448</b>	<b>3,140,226</b>
<b>Loss from Operations</b>	<b>(1,533,721)</b>	<b>(754,624)</b>	<b>(4,616,257)</b>	<b>(2,474,926)</b>
<b>Other Income (Expense):</b>				
Other Income	3,238	11,421	3,298	16,965
Interest Expense	(417)	(723)	(2,570)	(2,212)
Interest Expense - Related Parties	—	(6,224)	(6,141)	(18,544)
Gain / (Loss) on Distribution Contracts	—	(47,650)	258,103	102,350
Gain / (Loss) on Deferred Financing Costs	—	—	—	(9,313)
Unrealized Gain (Loss) on Foreign Currency Translation	—	(20)	—	(36,258)
<b>Net Other Income (Expense)</b>	<b>2,821</b>	<b>(43,196)</b>	<b>252,690</b>	<b>52,988</b>
<b>Loss before Income Tax Expense</b>	<b>(1,530,900)</b>	<b>(797,820)</b>	<b>(4,363,567)</b>	<b>(2,421,938)</b>
<b>Income Tax Expense</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net Loss</b>	<b>(1,530,900)</b>	<b>(797,820)</b>	<b>(4,363,567)</b>	<b>(2,421,938)</b>
<b>Net Loss per Common Share (Basic and Diluted)</b>	<b>\$ (0.38)</b>	<b>\$ (0.37)</b>	<b>\$ (1.12)</b>	<b>\$ (1.12)</b>
<b>Weighted Average Shares Outstanding (Basic and Diluted)</b>	<b>3,988,626</b>	<b>2,176,484</b>	<b>3,889,108</b>	<b>2,154,835</b>

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

**Genius Brands International, Inc.**  
**Consolidated Statements of Comprehensive Income (Loss)**  
**Three and Nine Months Ended September 30, 2016 and 2015**

	Three Months Ended		Nine Months Ended	
	9/30/2016	9/30/2015	9/30/2016	9/30/2015
Net Loss	\$ (1,530,900)	\$ (797,820)	\$ (4,363,567)	\$ (2,421,938)
Other Comprehensive Income (Loss), Net of Tax:				
Unrealized Gain (Loss) on Foreign Currency Translation	(6)	-	(839)	-
Other Comprehensive Income (Loss), Net of Tax:	(6)	-	(839)	-
Comprehensive Income (Loss)	<u>\$ (1,530,906)</u>	<u>\$ (797,820)</u>	<u>\$ (4,364,406)</u>	<u>\$ (2,421,938)</u>

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

**Genius Brands International, Inc.**  
**Consolidated Statements of Cash Flows**  
**Nine Months Ended September 30, 2016 and 2015**

	<u>9/30/2016</u>	<u>9/30/2015</u>
<b>Cash Flows from Operating Activities:</b>		
Net Loss	\$ (4,363,567)	\$ (2,421,938)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Amortization of Film and Television Costs	158,168	–
Depreciation Expense	49,637	46,501
Amortization Expense	57,763	50,322
Imputed Interest Expense	6,141	18,544
Bad Debt Expense / (Recovery)	–	(1,550)
Stock Issued for Services	39,000	–
Stock Compensation Expense	1,236,880	–
(Gain) Loss on Distribution Contracts	(258,103)	(102,350)
(Gain) Loss on Impairment of Assets	1,850	7,500
(Gain) Loss on Deferred Financing Asset	–	9,313
(Gain) Loss on Foreign Currency Translation	–	36,258
Decrease (Increase) in Operating Assets:		
Accounts Receivable	220,285	18,612
Inventory	518	(2,355)
Prepaid Expenses & Other Assets	(253,678)	16,744
Film and Television Costs, Net	(754,770)	(599,681)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	66,247	(14,059)
Accrued Salaries	23,223	35,332
Deferred Revenue and Advances	2,159,120	165,270
Other Accrued Expenses	(274,042)	125,930
Net Cash Used in Operating Activities	<u>(1,885,328)</u>	<u>(2,611,607)</u>
<b>Cash Flows from Investing Activities:</b>		
Investment in Intangible Assets	(5,650)	(111,221)
Investment in Fixed Assets	(1,542)	(180,853)
Net Cash Used in Investing Activities	<u>(7,192)</u>	<u>(292,074)</u>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from Exercise of Warrants	110,000	–
Proceeds from Production Facility, Net of Offering Costs	237,567	–
Proceeds from Services Advance	–	750,000
Proceeds of Related Party Notes	–	513
Net Cash Provided by Financing Activities	<u>347,567</u>	<u>750,513</u>
Net Decrease in Cash and Cash Equivalents	(1,544,953)	(2,153,168)
Beginning Cash and Cash Equivalents	5,187,620	4,301,099
Ending Cash and Cash Equivalents	<u>\$ 3,642,667</u>	<u>\$ 2,147,931</u>
<i>Supplemental Disclosures of Cash Flow Information:</i>		
Cash Paid for Interest	\$ 1,450	\$ 1,076
<i>Schedule of Non-Cash Financing and Investing Activities:</i>		
Issuance of Common Stock in Satisfaction of Short Term Related Party Advances	\$ 410,535	\$ –

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

**Genius Brands International, Inc.**  
**Notes to Financial Statements**  
**September 30, 2016 (unaudited)**

**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 industry veterans, the Company distributes its content in all formats as well as a broad range of consumer products based on its characters. In the children's media sector, the Company's portfolio features "content with a purpose" for toddlers to tweens, which provides enrichment as well as entertainment, including tween music-driven brand *SpacePop* ; preschool property debuting on Netflix *Llama Llama*; award-winning *Baby Genius*, re-launched with new entertainment and over 40 new products; adventure comedy *Thomas Edison's Secret Lab®* , available on Netflix, public broadcast stations and the Company's *Kid Genius* channel on Comcast's Xfinity on Demand; Warren Buffett's *Secret Millionaires Club*, created with and starring iconic investor Warren Buffett. The Company is also co-producing an all-new adult-themed animated series, *Stan Lee's Cosmic Crusaders*, with Stan Lee's Pow! Entertainment and The Hollywood Reporter.

In addition, the Company acts as licensing agent for certain brands, leveraging its existing licensing infrastructure to expand these brands into new product categories, new retailers, and new territories. These include *Llama Llama*; *From Frank*, a humor greeting card and product line; and *Celescence Technologies*, the world's leading microencapsulation company.

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,” “Little 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”.

On November 15, 2013, the Company entered into an Agreement and Plan of Reorganization (the “Merger Agreement”) with A Squared Entertainment LLC, a Delaware limited liability company (“A Squared”), A Squared Holdings LLC, a California limited liability company and sole member of A Squared (the “Parent Member”) and A2E Acquisition LLC, its newly formed, wholly-owned Delaware subsidiary (“Acquisition Sub”). Upon closing of the transactions contemplated under the Merger Agreement (the “Merger”), which occurred concurrently with entering into the Merger Agreement, the Acquisition Sub merged with and into A Squared, and A Squared, as the surviving entity, became a wholly-owned subsidiary of the Company. As a result of the Merger, the Company acquired the business and operations of A Squared.

On November 4, 2016, the Company filed a certificate to change its Articles of Incorporation to effect a reverse split on a 1-for-3 basis (the “2016 Reverse Split”). The 2016 Reverse Split became effective on November 9, 2016. All common stock share and per share information in this Quarterly Report on Form 10-Q (“Form 10-Q”), including the accompanying consolidated financial statements and notes thereto, have been adjusted to reflect retrospective application of the 2016 Reverse Split, unless otherwise indicated.

*Liquidity*

Historically, the Company has incurred net losses. As of September 30, 2016, the Company had an accumulated deficit of \$34,793,193 and total stockholders' equity of \$11,559,735. At September 30, 2016, the Company had current assets of \$4,167,708, including cash of \$3,642,667 and current liabilities of \$3,554,617, including certain trade payables of \$925,000 to which the Company disputes the claim, resulting in working capital of \$613,091. For the three months ended September 30, 2016 and 2015, the Company reported a net loss of \$1,530,900 and \$797,820, respectively. For the nine months ended September 30, 2016 and 2015, the Company reported a net loss of \$4,363,567 and \$2,421,938, respectively, and reported net cash used by operating activities \$1,885,328 and \$2,611,607, respectively.

During the nine months ended September 30, 2016, the Company received gross proceeds of \$2,000,000 pursuant to its distribution agreement with Sony Pictures Home Entertainment as well as \$275,000 for the settlement of a distribution agreement. Additionally, on August 8, 2016, Llama Productions LLC (“Llama Productions”), a California limited liability company and wholly-owned subsidiary of the Company, closed a \$5,275,000 multiple draw-down, non-recourse, secured, non-revolving credit facility with Bank Leumi USA for the production of its animated series *Llama Llama* (See Note 10, herein). While the Company believes that its current cash balances and receivables combined with its production facility and deal pipeline will be sufficient to fund operations for the next twelve months, there can be no assurance that cash flows from operations will continue to improve in the near future. If the Company is unable to attain profitable operations and attain positive operating cash flows, it may need to (i) seek additional funding, (ii) scale back its development or production plans, or (iii) reduce certain operations.

## Note 2: Summary of Significant Accounting Policies

### Basis of Presentation

Our consolidated financial statements for the year ended December 31, 2015 and the three and nine months ended September 30, 2016, include an immaterial revision to additional paid in capital as well as retained earnings related to the beneficial conversion feature of certain preferred securities. The effect of the revision was to increase additional paid in capital by \$3,383,850 and to reduce retained earnings by the same amount with no net effect to total stockholders' equity. In accordance with Securities and Exchange Commission ("SEC") Staff Accounting Bulletin Nos. 99 and 108 ("SAB 99" and "SAB 108"), the Company has evaluated this error and, based on an analysis of quantitative and qualitative factors, has determined that it was not material to any of the reporting periods affected and no amendments to previously filed 10-Q or 10-K reports with the SEC are required.

The following table summarizes impact of these errors on the Company's consolidated financial statement, principally the consolidated balance sheet and the consolidated statement of operations as the errors and corrections are both non-cash items. All information has been adjusted for the 2016 Reverse Split.

### Impact of Errors on the Consolidated Balance Sheet

<i>in \$</i>	<b>As of 12/31/15</b>		<b>As of 12/31/15</b>	
	<b>As Presented</b>	<b>Adjustment</b>	<b>As Adjusted</b>	<b>% Variance</b>
Preferred Stock, \$0.001 par value, 10,000,000 share authorized, respectively; 5,290 shares issued and outstanding	\$ 6	–	\$ 6	–
Common Stock, \$0.001 par value, 233,333,334 shares authorized, respectively; 3,753,150 shares issued and outstanding	3,753	–	3,753	–
Common Stock to Be Issued	24	–	24	–
Additional Paid in Capital	41,163,577	3,383,850	44,547,427	8%
Accumulated Deficit	(27,045,776)	(3,383,850)	(30,429,626)	13%
Accumulated Other Comprehensive Income (Loss)	–	–	–	–
Total Equity	<u>\$ 14,121,584</u>	<u>–</u>	<u>\$ 14,121,584</u>	<u>–</u>

### Impact of Errors on the Consolidated Statement of Operations

<i>in \$</i>	<b>For the twelve months ended 12/31/15</b>		<b>For the twelve months ended 12/31/15</b>	
	<b>As Presented</b>	<b>Adjustment</b>	<b>As Adjusted</b>	<b>% Variance</b>
Net Loss	\$ (3,483,122)	–	\$ (3,483,122)	0%
Beneficial Conversion Feature on Preferred Stock	(400,000)	(3,383,850)	(3,783,850)	-846%
Net Loss Applicable to Common Shareholders	(3,883,122)	(3,383,850)	(7,266,972)	-87%
Net Loss per Common Share	\$ (1.55)	(1.35)	\$ (2.90)	-87%
Weighted Average Shares Outstanding	2,500,854	–	2,500,854	0%

### Impact of Errors on the Consolidated Statement of Operations

<i>in \$</i>	<b>For the nine months ended 9/30/16</b>		<b>For the nine months ended 9/30/16</b>	
	<b>As Presented</b>	<b>Adjustment</b>	<b>As Adjusted</b>	<b>% Variance</b>
Net Loss	\$ (4,363,567)	–	\$ (4,363,567)	0%
Beneficial Conversion Feature on Preferred Stock	(335,000)	335,000	–	100%
Net Loss Applicable to Common Shareholders	\$ (4,698,567)	335,000	(4,363,567)	7%
Net Loss per Common Share	\$ (1.21)	0.09	\$ (1.12)	7%
Weighted Average Shares Outstanding	3,889,108	–	3,889,108	0%

### Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Genius Brands International, Inc., its wholly-owned subsidiaries A Squared and Llama Productions as well as its interest in Stan Lee Comics, LLC ("Stan Lee Comics"). All significant inter-company balances and transactions have been eliminated in consolidation.



### *Business Combination*

On November 15, 2013, the Company entered into a Merger Agreement with A Squared, the Member, and the Acquisition Sub. Upon closing of the Merger, which occurred concurrently with entering into the Merger Agreement, our Acquisition Sub merged with and into A Squared, and A Squared, as the surviving entity, became a wholly-owned subsidiary of the Company. As a result of the Merger, the Company acquired the business and operations of A Squared.

The financial statements have been prepared using the acquisition method of accounting in accordance with FASB Accounting Standards Codification (“ASC”) 805 Business Combinations.

### *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (“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. Included in Cash and Cash Equivalents is \$1,000,000 that the Company deposited into a cash account to be used solely for the production of its series *Llama Llama* as a condition of its loan agreement with Bank Leumi.

### *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 recorded an allowance for doubtful accounts of \$110,658 as of each of September 30, 2016 and December 31, 2015.

### *Inventories*

Inventories are stated at the lower of cost (average) or market and consist of finished goods such as DVDs, CDs and other products. A reserve for slow-moving and obsolete inventory is established for all inventory deemed potentially non-saleable by management in the period in which it is determined to be potentially non-saleable. The current inventory is considered properly valued and saleable. The Company concluded that there was an appropriate reserve for slow moving and obsolete inventory of \$26,097 and \$28,813 at September 30, 2016 and December 31, 2015, respectively.

### *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 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. The Company completes the annual goodwill and indefinite-lived intangible asset impairment tests at the end of each fiscal year. To test for goodwill impairment, we are required to estimate the fair market value of each of our reporting units, of which we have one. While we may use a variety of methods to estimate fair value for impairment testing, our primary method is discounted cash flows. We estimate future cash flows and allocations of certain assets using estimates for future growth rates and our judgment regarding the applicable discount rates. Changes to our judgments and estimates could result in a significantly different estimate of the fair market value of the reporting units, which could result in an impairment of goodwill of indefinite lived intangible assets in future periods.

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 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*

The Company capitalizes production costs for episodic series produced in accordance with 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 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, the Company develops new videos, music, books and digital applications in addition to adding content, improved animation and bonus songs/features to its existing product catalog. 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.

#### *Revenue Recognition*

The Company recognizes revenue in accordance with ASC 926-605 Entertainment-Films - Revenue Recognition. Accordingly, the Company recognizes revenue when (i) persuasive evidence of a sale with a customer exists, (ii) the film is complete and has been delivered or is available for delivery, (iii) the license period of the arrangement has begun and the customer can begin its exploitation, exhibition, or sale, (iv) the arrangement fee is fixed or determinable, and (v) collection of the arrangement fee is reasonably assured.

The Company's licensing and royalty revenue represents revenue generated from license agreements that are held in conjunction with third parties that are responsible for collecting fees due and remitting to the Company its share after expenses. Revenue from licensed products is recognized when realized or realizable based on royalty reporting received from licensees. Licensing income the Company recognizes as an agent is in accordance with ASC 605-45 Revenue Recognition - Principal Agent. Accordingly, the Company's revenue is its gross billings to its customers less the amounts it pays to suppliers for their products and services.

The Company recognizes revenue related to product sales when (i) the seller's price is substantially fixed, (ii) shipment has occurred causing the buyer to be obligated to pay for product, (iii) the buyer has economic substance apart from the seller, and (iv) there is no significant obligation for future performance to directly bring about the resale of the product by the buyer as required by ASC 605 Revenue Recognition.

#### *Stock Based Compensation*

As required by ASC 718 - Stock Compensation, the Company recognizes an expense related to the fair value of our stock-based compensation awards, including stock options, using the Black-Scholes calculation as of the date of grant.

#### *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.

### *Fair value of financial instruments*

The carrying amounts of cash, receivables and accrued liabilities approximate fair value due to the short-term maturity of the instruments.

We adopted ASC 820 as of January 1, 2008 for financial instruments measured at fair value on a recurring basis. ASC Topic 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. 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 May 2014, the FASB issued Accounting Standards Update 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"). ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of non-financial assets unless those contracts are within the scope of other standards (e.g. insurance contracts). This ASU will supersede all revenue recognition requirements in Topic 605, Revenue Recognition, and industry-specific guidance throughout the industry topics of the codification. The guidance's core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying the revenue principles, an entity will identify the contract(s) with a customer, identify the performance obligations, determine the transaction price, allocate the transaction price to the performance obligations and recognize revenue when the performance obligation is satisfied (either over time or at a point in time). The ASU further states that an entity should disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date", which approved a one-year deferral of the effective date of the ASU from the original effective date of annual reporting periods beginning after December 15, 2016, to annual reporting periods (including interim reporting periods) beginning after December 15, 2017, with an option for early adoption of the standard on the original effective date. Additionally, in March 2016, the FASB issued ASU 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)", which clarified the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing", that amended the revenue guidance on identifying performance obligations and accounting for licenses of intellectual property. In May 2016, the FASB issued ASU 2016-11 "Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 805): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting", which rescinded from the FASB Accounting Standards Codification certain SEC paragraphs as a result of two SEC Staff Announcements. The FASB also issued ASU 2016-12 "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients", which clarified guidance on assessment of collectability, presentation of sale taxes, measurement of noncash consideration, and certain transition matters. The Company is still evaluating the impact that the provisions of ASU 2014-09 and related subsequent updates will have on the Company's condensed consolidated financial position, results of operations and cash flows.

In April 2015, the FASB issued Accounting Standards Update 2015-3, "Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." This update requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. We adopted this standard during the quarter ended September 30, 2016.

In February 2016, the FASB issued Accounting Standards Update 2016-02, "Leases". The standard requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The new guidance is effective for annual and interim reporting periods beginning after December 15, 2018. The amendments should be applied at the beginning of the earliest period presented using a modified retrospective approach with earlier application permitted as of the beginning of an interim or annual reporting period. We are currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

In March 2016, the FASB issued Accounting Standards Update 2016-09, "Compensation - Stock Compensation" ("ASU 2016-09"). ASU 2016-09 simplifies the accounting and reporting of certain aspects of share-based payment transactions, including income tax treatment of excess tax benefits, forfeitures, classification of share-based awards as either equity or liabilities, and classification in the statement of cash flows for certain share-based transactions related to tax benefits and tax payments. ASU 2016-09 is effective for public business entities for annual periods beginning after December 15, 2016, and interim periods within those annual periods; early adoption is permitted. We are currently evaluating the potential impact of adopting this guidance on our 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, and are not expected to have a material effect on our financial position, results of operations, or cash flows.

### Note 3: Inventory

During the second quarter of 2014, the Company began a strategic initiative to restructure its product sales business by phasing out the direct sale of physical products including DVDs and CDs and shifting to a licensing model. In addition to nominal changes to the reserve made during the normal course of business, during the second quarter of 2014, the Company determined that a portion of its inventory may not be saleable and recorded an additional reserve of \$174,963 which was recorded as a loss on inventory. As of September 30, 2016 and December 31, 2015, the Company had recorded a total reserve of \$26,097 and \$28,813, respectively.

### Note 4: Property and Equipment, Net

The Company has property and equipment as follows as of September 30, 2016 and December 31, 2015:

	<u>9/30/2016</u>	<u>12/31/2015</u>
Furniture and Equipment	\$ 12,385	\$ 12,385
Computer Equipment	38,352	36,810
Leasehold Improvements	176,903	176,903
Software	15,737	15,737
Property and Equipment, Gross	243,377	241,835
Less Accumulated Depreciation	(140,525)	(90,887)
Property and Equipment, Net	<u>\$ 102,852</u>	<u>\$ 150,948</u>

During the three months ended September 30, 2016 and 2015, the Company recorded depreciation expense of \$16,574 and \$16,674, respectively. During the nine months ended September 30, 2016 and 2015, the Company recorded depreciation expense of \$49,637 and \$46,501, respectively.

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

As of September 30, 2016, the Company had net Film and Television Costs of \$1,602,236 compared to \$1,003,546 at December 31, 2015. The increase relates primarily to the production and development of *SpacePop*, *Llama Llama*, and *Stan Lee's Cosmic Crusaders* offset by the amortization of film costs associated with the revenue recognized for *Thomas Edison's Secret Lab*.

During the three months ended September 30, 2016 and 2015, the Company recorded Film and Television Cost amortization expense of \$23,011 and \$42,642, respectively. During the nine months ended September 30, 2016 and 2015, the Company recorded Film and Television Cost amortization expense of \$158,168 and \$42,642, respectively. The Company recorded accumulated Film and Television Cost amortization of \$285,719 and \$127,551 as of September 30, 2016 and December 31, 2015, respectively.

Included in the balance at September 30, 2016 is \$9,786 in interest related to our production facility (See Note 10, herein) which has been capitalized to the cost of the *Llama Llama* production.

## Note 6: Goodwill and Intangible Assets, Net

### Goodwill

In association with the Merger, the Company recognized \$10,365,805 in Goodwill, representing the excess of the fair value of the consideration for the Merger over net identifiable assets acquired. Pursuant to 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 September 30, 2016, the Company has not recognized any impairment to Goodwill.

### Intangible Assets, Net

The Company had the following intangible assets as of September 30, 2016 and December 31, 2015:

	<u>9/30/2016</u>	<u>12/31/2015</u>
Identifiable Artistic-Related Assets (a)	\$ 1,740,000	\$ 1,740,000
Trademarks (b)	129,831	129,831
Product Masters (b)	64,676	64,676
Other Intangible Assets (b)	185,019	181,220
Intangible Assets, Gross	<u>2,119,526</u>	<u>2,115,727</u>
Less Accumulated Amortization (c)	(255,284)	(197,521)
Intangible Assets, Net	<u>\$ 1,864,242</u>	<u>\$ 1,918,206</u>

- (a) In association with the Merger, the Company acquired \$1,740,000 of Identifiable Artistic-Related Assets. These assets, related to certain properties owned by A Squared and assumed by the Company, were valued using an independent firm during the fourth quarter of 2013. Based on certain legal, regulatory, contractual, and economic factors, the Company has deemed these assets to be indefinite-lived. Hence, pursuant to ASC 350-30, these assets are not subject to amortization and are tested annually for impairment. Through September 30, 2016, the Company has not recognized any impairment expense related to these assets.
- (b) Pursuant to 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. During the three and nine months ended September 30, 2016 and 2015, the Company did not recognize any impairment of these assets.
- (c) During the three months ended September 30, 2016 and 2015, the Company recognized \$19,448 and \$19,999, respectively, in amortization expense related to the Trademarks, Product Masters, and Other Intangible Assets. During the nine months ended September 30, 2016 and 2015, the Company recognized \$57,763 and \$50,322, respectively, in amortization expense related to the Trademarks, Product Masters, and Other Intangible Assets.

Expected future intangible asset amortization as of September 30, 2016 is as follows:

<i>Fiscal Year:</i>	
2016	\$ 18,593
2017	55,520
2018	26,119
2019	9,236
2020	8,655
Remaining	6,119
Total	<u>\$ 124,242</u>

## Note 7: Deferred Revenue

As of September 30, 2016 and December 31, 2015, the Company had total deferred revenue of \$3,118,730 and 958,539, 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.

## Note 8: Accrued Liabilities - Current

As of September 30, 2016 and December 31, 2015, the Company has the following accrued liabilities:

	9/30/2016	12/31/2015
Accrued Salaries and Wages (a)	\$ 119,608	\$ 96,385
Disputed Trade Payables (b)	925,000	925,000
Services Advance - Current Portion (c)	1,489,583	-
Other Accrued Expenses	224,854	509,477
Total Accrued Liabilities	<u>\$ 2,759,045</u>	<u>\$ 1,530,862</u>

- (a) Accrued Salaries and Wages represent accrued vacation payable to employees.
- (b) As part of the Merger, 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 September 30, 2016, 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 uncollectible. The Company is working with the counterparty to extinguish this liability.
- (c) During the first quarter of 2014, the Company entered into an exclusive three-year agreement with Sony DADC, the optical disc manufacturing and fulfillment arm of Sony, to provide all CD, DVD and BD replication, packaging and distribution to the Company's direct customers. Under the terms of the long-term, exclusive supply chain services agreement, the Company will order a minimum level of disc replication, packaging and distribution services for its content across all physical media, including DVD, CD, and Blu-ray from Sony DADC. As consideration for these minimum order levels, the Company received a total of \$1,500,000, \$750,000 during the first quarter of 2014 and \$750,000 during the first quarter of 2015. At the end of the term, the Company is obligated to repay a pro-rata portion of the advance if it has not ordered a minimum number of DVD/CD units during the term.

## Note 9: Short Term Debt - Related Parties

As part of the Merger, the Company acquired certain liabilities from A Squared. From time to time, A Squared required short-term advances to fund its operations and provide working capital from its founder, the Company's current Chief Executive Officer, Andrew Heyward. As of December 31, 2015, these advances totaled \$410,535. On May 4, 2016, the Company issued to Mr. Heyward 79,561 shares of common stock valued at \$5.16 per share, the day's closing stock price, in full payment and satisfaction of these advances.

These advances were interest free and had no stated maturity. The Company applied an imputed interest rate of 6% in accordance with ASC 835-30-45. During three months ended September 30, 2016 and 2015, the Company recognized imputed interest expense of \$0 and \$6,229 as a contribution to additional paid-in capital, respectively. During nine months ended September 30, 2016 and 2015, the Company recognized imputed interest expense of \$6,141 and \$18,544 as a contribution to additional paid-in capital, respectively.

## Note 10: Production Facility

On August 8, 2016, Llama Productions LLC, a wholly-owned subsidiary of the Company, closed a \$5,275,000 multiple draw-down, secured, non-recourse, non-revolving credit facility (the "Facility") with Bank Leumi USA for the production of its animated series *Llama Llama*, (the "Series") which is configured as fifteen half-hour episodes comprised of thirty 11 minute programs to be 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 for the production of 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 September 30, 2016, the Company had gross outstanding borrowing under the facility of \$385,971 against which offering costs of \$146,316 were applied resulting in net borrowings of \$239,655.

## **Note 11: Stockholders' Equity**

### *Common Stock*

As of September 30, 2016, the total number of authorized shares of common stock was 233,333,334.

On April 2, 2014, we filed a certificate of change to our Articles of Incorporation to effect a reverse split on a 1-for-100 basis (the "2014 Reverse Split."). The 2014 Reverse Split was effective with FINRA on April 7, 2014. All common stock share and per share information in this Form 10-Q, including the accompanying consolidated financial statements and notes thereto, have been adjusted to reflect application of the 2014 Reverse Split, unless otherwise indicated. The total number of authorized shares of common stock was not adjusted in conjunction with the 2014 Reverse Split.

On October 29, 2015, the Company conducted a private placement with certain accredited investors pursuant to which it sold an aggregate of 1,443,334 shares of its common stock, par value \$0.001 per share, and warrants to purchase up to an aggregate of 1,443,334 shares of common stock for a purchase price of \$3.00 per share and associated warrant for gross proceeds of \$4,330,000 (the "2015 Private Placement"). The 2015 Private Placement closed on November 3, 2015. Stock offering costs were \$502,218. (See Note 13 for additional information about these warrants.)

On October 6, 2016, the Board of Directors of the Company authorized a reverse stock split in preparation for the Company's anticipated uplisting on the NASDAQ Capital Market.

On November 4, 2016, the Company filed a certificate of change to the Company's Articles of Incorporation with the Secretary of State of the State of Nevada to effect a 1-for-3 reverse stock split of the Company's issued and outstanding common stock. As a result of the reverse stock split, every three shares of the Company's issued and outstanding common stock were automatically combined and reclassified into one share of the Company's common stock. The reverse stock split affected all issued and outstanding shares of common stock, as well as common stock underlying stock options and warrants outstanding. No fractional shares will be issued in connection with the reverse stock split. Stockholders who would otherwise hold a fractional share of common stock will receive an increase to their common stock as the common stock will be rounded up to a full share. The total number of authorized shares of common stock was reduced from 700,000,000 to 233,333,334 in conjunction with the reverse stock split. The reverse stock split became effective on November 9, 2016. All disclosures of shares and per share data in these consolidated financial statements and related notes have been retroactively adjusted to reflect the reverse stock split for all periods presented.

As of September 30, 2016 and December 31, 2015, there were 3,990,211 and 3,753,150 shares of common stock outstanding, respectively. Below are the changes to the Company's common stock during the nine months ended September 30, 2016:

- On various dates during the nine months ended September 30, 2016, the Company issued 111,667 shares of the Company's common stock as a conversion of 335 shares of Series A Preferred Stock.
- On various dates during the nine months ended September 30, 2016, the Company issued 33,334 shares of the Company's common stock for the exercise of 33,334 warrants each with an exercise price of \$3.30 for total cash proceeds of \$110,000.
- On March 12, 2016, the Company issued 10,000 shares of the Company's common stock valued at \$2.40 per share as part of a settlement agreement with an entity that had provided music production services to the Company.
- On May 4, 2016, the Company issued to Mr. Heyward 79,561 shares of common stock valued at \$5.16 per share, the day's closing stock price, in satisfaction of certain short term advances.
- On July 19, 2016, the Company issued 2,500 shares of common stock valued at \$6.00 per share, the day's closing stock price, to a vendor for services rendered.

### *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 September 30, 2016 and December 31, 2015, there were 4,955 and 5,290 shares of Series A 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 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 Preferred Stock to be converted and (ii) all unpaid dividends thereon. The stated value of each share of the Series A 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 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 Preferred Stock. The shares of Series A Preferred Stock possess no voting rights.

On May 14, 2014, we entered into securities purchase agreements with certain accredited investors pursuant to which we sold an aggregate of 6,000 shares of our then newly designated Series A Convertible Preferred Stock at a price of \$1,000 per share for gross proceeds to us of \$6,000,000. Related to the sale, we incurred offering costs of \$620,085 resulting in net proceeds of \$5,379,915. The transaction closed on May 15, 2014.

As the conversion price of the Series A Preferred Stock on a converted basis was below the market price of the common shares on the closing date, this resulted in a beneficial conversion feature recorded as an “imputed” dividend of \$2,010,000. In addition, during the fourth quarter of 2015, in connection with the 2015 Private Placement in which the Company’s common stock was sold at \$3.00 per share, the conversion price of the Series A Preferred Stock decreased to \$3.00. This decrease resulted in an additional beneficial conversion feature of \$3,383,850 which has now been recognized as of the time of the 2015 Private Placement as opposed to at the time of each investor’s conversion of the Series A Preferred Stock into common stock. (See Basis of Presentation in Note 2, herein).

#### **Note 12: Stock Options**

The Company has adopted the provisions of ASC 718 - Compensation which requires companies to measure the cost of employee services received in exchange for equity instruments based on the grant date fair value of those awards and to recognize the compensation expense over the requisite service period during which the awards are expected to vest.

On December 29, 2008, the Company adopted the 2008 Stock Option Plan (the “Plan”), which provides for the issuance of qualified and non-qualified stock options to officers, directors, employees and other qualified persons. The Plan is administered by the Board of Directors of the Company or a committee appointed by the Board of Directors. The number of shares of the Company’s common stock initially reserved for issuance under the Plan was 36,667. On September 2, 2011, the stockholders holding a majority of the Company’s outstanding common stock adopted an amendment to the Company’s 2008 Stock Option Plan to increase the number of shares of common stock issuable under the plan to 166,667.

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.



The following table summarizes the changes in the Company's stock option plan during the nine months ended September 30, 2016:

	<b>Options Outstanding Number of Shares</b>	<b>Exercise Price per Share</b>	<b>Weighted Average Remaining Contractual Life</b>	<b>Aggregate Intrinsic Value</b>	<b>Weighted Average Exercise Price per Share</b>
Balance at December 31, 2015	1,407,736	\$ 2.82 - 12.00	4.94 years	\$ 58,512	\$ 8.10
Options Granted	85,086				
Options Exercised	—				
Options Cancelled	114,298				
Options Expired	—				
Balance at September 30, 2016	<u>1,378,524</u>	\$ 2.82 - 12.00	4.24 years	\$ 432,848	\$ 8.12
Exercisable December 31, 2015	100,021	\$ 2.82	4.80 years	\$ 58,512	\$ 2.82
Exercisable September 30, 2016	120,024	\$ 2.82 - 6.00	4.20 years	\$ 336,068	\$ 3.35

During the year ended December 31, 2015, the Company granted options to purchase 1,407,736 shares of common stock to officers, directors, employees, and consultants. These stock options generally vest between one and three years, while a portion vested upon grant. The fair value of these options was determined to be \$2,402,395 using the Black-Scholes option pricing model based on the following assumptions:

Exercise Price	\$2.82 – \$12.00
Dividend Yield	0%
Volatility	100% - 137%
Risk-free interest rate	0.89% - 1.25%
Expected life of options	2.5 - 3.5 years

During the three months ended March 31, 2016, the Company recognized stock based compensation expense of \$564,985. The expense recognized reflects revisions to (i) align with the graded vesting of the majority of the options granted in 2015, (ii) make adjustments in certain accounting estimates utilized in the Black Scholes model, and (iii) reflect the accurate number of options granted in 2015. As such, included in the total stock based compensation expense recognized in this first quarter of 2016 is \$220,564 of true-up expenses from prior periods. The Company has assessed these adjustments individually and in aggregate and considers them immaterial to the current and prior periods.

During the three months and nine months ended September 30, 2016, the Company recognized \$358,919 and \$1,236,880 in stock compensation expense, respectively. During the three and nine months ended September 30, 2015, the Company did not recognize any stock based compensation expense.

### Note 13: Warrants

The Company has warrants outstanding to purchase up to 1,651,666 and 1,685,000 at each of September 30, 2016 and December 31, 2015, respectively.

In connection with the sale of the Company's Series A Convertible Preferred Stock in May 2014, Chardan Capital Markets LLC ("Chardan") acted as sole placement agent in consideration for which Chardan received a cash fee of \$535,000 and a warrant to purchase up to 100,000 shares of the Company's common stock. These warrants are exercisable immediately, have an exercise price of \$6.00 per share, and have a five-year term.

On October 29, 2015, the Company entered into securities purchase agreements with certain accredited investors pursuant to which the Company sold an aggregate of 1,443,334 shares of its common stock, par value \$0.001 per share, and warrants to purchase up to an aggregate of 1,443,334 shares of common stock for a purchase price of \$3.00 per share and the associated warrants for gross proceeds to the Company of \$4,330,000 (the "2015 Private Placement"). The closing of the 2015 Private Placement occurred on November 3, 2015. The warrants are exercisable into shares of common stock for a period of five (5) years from issuance at an initial exercise price of \$3.30 per share, subject to adjustment in the event of stock splits, dividends and recapitalizations. The warrants are exercisable immediately. The Company is prohibited from effecting an exercise of the warrants to the extent that as a result of such exercise, the holder would beneficially own more than 4.99% (subject to increase up to 9.99% upon 61 days' notice) in the aggregate of the issued and outstanding shares of common stock, calculated immediately after giving effect to the issuance of shares of common stock upon exercise of the warrant.

In connection with the sale of the Company's common stock in October 2015, Chardan acted as sole placement agent in consideration for which Chardan received a cash fee of \$300,000 and a warrant to purchase up to 141,667 shares of the Company's common stock. These warrants are exercisable immediately, have an exercise price of \$3.60 per share, and have a five-year term.

The following table summarizes the changes in the Company's outstanding warrants during the nine months ended September 30, 2016:

	Warrants Outstanding Number of Shares	Exercise Price per Share	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price per Share	Aggregate Intrinsic Value
Balance at December 31, 2015	1,685,000	\$ 3.30 – 6.00	4.75 years	\$ 3.48	\$ –
Warrants Granted	–	–	–	–	–
Warrants Exercised	33,334	–	–	–	–
Warrants Expired	–	–	–	–	–
Balance at September 30, 2016	<u>1,651,666</u>	\$ 3.30 – 6.00	4.00 years	\$ 3.48	\$ 4,394,750
Exercisable December 31, 2015	1,685,000	\$ 3.30 – 6.00	4.75 years	\$ 3.48	\$ –
Exercisable September 30, 2016	1,651,666	\$ 3.30 – 6.00	4.00 years	\$ 3.48	\$ 4,394,750

#### Note 14: Income Taxes

The Company accounts for income taxes in accordance with ASC 740 Income Taxes, 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.

ASC 740 provides guidance on the accounting for uncertainty in income taxes recognized in a company's financial statements. ASC 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.

At the adoption date of January 1, 2008, the Company had no unrecognized tax benefit which would affect the effective tax rate if recognized.

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 September 30, 2016 and December 31, 2015, 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.

At September 30, 2016, the Company has net operating loss carry forwards of approximately \$19,186,000 that may be offset against future taxable income from the year 2017 through 2036.

#### Note 15: Employment Agreements

On November 15, 2013, as a closing condition to the Merger, the Company entered into five-year employment agreements with Andrew Heyward, to serve as Chief Executive Officer, and Amy Moynihan Heyward, to serve as President of the Company, for which each was to receive an annual base salary of \$200,000 and \$180,000, respectively. Effective August 28, 2016, Amy Moynihan Heyward resigned from her position as President of the Company but will remain on the Board of Directors.

Effective July 14, 2014, the Company employed Stone Newman in the newly created operating position of President - Worldwide Consumer Products and executed a three-year employment agreement which either party may terminate on the twelfth and twenty-fourth month anniversary upon thirty (30) days' notice. Mr. Newman has oversight over all consumer products, licensing and merchandising sales and rights for the Company's brands and programming as well as certain brands he previously managed prior to his employment by the Company. The agreement provides Mr. Newman with an annual salary of \$275,000 plus an additional participation for certain customers.

Effective April 18, 2016, the Company entered into an employment agreement with Rebecca Hershinger for the position of Chief Financial Officer. Ms. Hershinger will be entitled to be paid a salary at the annual rate of \$175,000 per year, which salary will be increased to \$190,000 per year not later than October 1, 2016. The term of the agreement is one year with a mutual option for an additional one-year period. Ms. Hershinger was reimbursed for certain moving and related expenses associated with her relocation from Park City, Utah to Los Angeles, California. In addition, Ms. Hershinger is entitled to receive a grant of stock options commensurate with those given to the Company's Executive Vice President and an annual discretionary bonus based on her performance.

#### Note 16: Lease Commitments

The Company has no capital leases subject to the Capital Lease guidelines in the FASB Accounting Standards Codification.

Rental expenses incurred for operating leases during the three months ended September 30, 2016 and 2015 were \$35,160 and \$34,136, respectively. Rental expenses incurred for operating leases during the nine months ended September 30, 2016 and 2015 were \$104,985 and \$106,271, respectively.



The Company leased approximately 2,807 square feet of office space at 9401 Wilshire Boulevard, Beverly Hills, California pursuant to a standard office lease dated February 3, 2012. The lease had a term of 3 years, from May 1, 2012 through April 30, 2015. The monthly rent was \$10,807 which was to be adjusted upward 3% each year on the anniversary of the lease. The Company did not renew this lease.

During the first quarter of 2015, the Company entered into an agreement for new office space to which it relocated its operations upon the expiration of its prior lease. Effective May 1, 2015, the Company began leasing approximately 3,251 square feet of general office space at 301 North Canon Drive, Suite 305, Beverly Hills, California 90210 pursuant to a 35-month sub-lease that commenced on May 1, 2015. The Company will pay approximately \$136,542 annually subject to annual escalations of 3%.

The following is a schedule of future minimum lease payments required by the non-cancelable operating lease agreement:

Year	Amount
2016	\$ 35,160
2017	143,451
2018	36,214
	<u>\$ 214,825</u>

#### **Note 17: Commitment and Contingencies**

In the normal course of its business, the Company enters into various agreements which call for the potential future payment of royalties or “profit” participations associated with its individual properties. These profit participations can be for the use of third party intellectual property, such as the case with *Stan Lee and the Mighty 7* and *Llama Llama* 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.

In addition, in the normal course of its business, the Company enters into agreements with various service providers such as animation studios, post-production studios, writers, directors, musicians or other creative talent in which the Company is obligated to share with these service providers net profits of the properties on which they have rendered services, on a certain basis as defined in each respective agreement.

#### **Note 18: Related Party**

On April 21, 2016, the Company entered into a merchandising and licensing agreement with Andy Heyward Animation Art (“AHAA”), whose principal is Andrew 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 Buffet’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 second and third quarters of 2016, the Company earned \$247 and \$0 in royalties from this agreement, respectively.

On July 25, 2016, the Company entered into a consulting agreement with Foothill Entertainment, Inc. (“Foothill”), an entity whose Chairman is Gregory Payne, our corporate secretary. The Company has engaged Foothill Entertainment, Inc. for a term of six months to assist in the distribution and commercial exploitation of its audiovisual content as well as for the preparation and attendance on behalf of the Company at the MIPJR and MIPCOM markets in Cannes. Foothill receives \$12,500 per month for these services.

#### **Note 19: Subsequent Events**

Pursuant to FASB ASC 855, Management has evaluated all events and transactions that occurred from September 30, 2016 through the date of issuance of these financial statements. During this period, we did not have any significant subsequent events, except as disclosed below:

- On October 6, 2016, the Board of Directors of the Company authorized a reverse stock split in preparation for the Company’s anticipated uplisting on the NASDAQ Capital Market.
- On November 4, 2016, the Company filed a certificate of change to the Company’s Articles of Incorporation with the Secretary of State of the State of Nevada to effect a 1-for-3 reverse stock split of the Company’s issued and outstanding common stock. As a result of the reverse stock split, every three shares of the Company’s issued and outstanding common stock were automatically combined and reclassified into one share of the Company’s common stock. The reverse stock split affected all issued and outstanding shares of common stock, as well as common stock underlying stock options and warrants outstanding. No fractional shares will be issued in connection with the reverse stock split. Stockholders who would otherwise hold a fractional share of common stock will receive an increase to their common stock as the common stock will be rounded up to a full share. The total number of authorized shares of common stock was reduced from 700,000,000 to 233,333,334 in conjunction with the reverse stock split. The reverse stock split became effective on November 9, 2016. All disclosures of shares and per share data in these consolidated financial statements and related notes have been retroactively adjusted to reflect the reverse stock split for all periods presented.

## **ITEM 2. 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 unaudited financial statements and related notes for the three and nine months ended September 30, 2016. 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 in the section entitled "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2015, filed on March 30, 2016 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 ("U.S. GAAP"). 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. We base our 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**

We are a global content and brand management company that creates and licenses multimedia content. Led by industry veterans, we distribute our content in all formats as well as a broad range of consumer products based on its 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, including tween music-driven brand *SpacePop*; preschool property debuting on Netflix *Llama Llama*; award-winning *Baby Genius*, re-launched with new entertainment and over 40 new products; adventure comedy *Thomas Edison's Secret Lab*®, available on Netflix, public broadcast stations and our *Kid Genius* channel on Comcast's Xfinity on Demand; Warren Buffett's *Secret Millionaires Club*, created with and starring iconic investor Warren Buffett. We are also co-producing an all-new adult-themed animated series, *Stan Lee's Cosmic Crusaders*, with Stan Lee's Pow! Entertainment and The Hollywood Reporter.

In addition, we act as licensing agent for certain brands, leveraging our existing licensing infrastructure to expand these brands into new product categories, new retailers, and new territories. These include *Llama Llama*; *From Frank*, a humor greeting card and product line; and *Celescence Technologies*, the world's leading microencapsulation company.

On November 4, 2016, the Company filed an amendment to its Articles of Incorporation to affect a reverse split on a 1-for-3 (the "2016 Reverse Split"). The 2016 Reverse Split was effective with FINRA on November 9, 2016. All common stock share and per share information in this Form 10-Q, including the accompanying consolidated financial statements and notes thereto, have been adjusted to reflect retrospective application of the 2016 Reverse Split, unless otherwise indicated. The total number of authorized shares of common stock was reduced from 700,000,000 to 233,333,334 in conjunction with the 2016 Reverse Split.

### **Our Products**

#### Original Content

We own and produce original content for which there 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. The 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 exploited for years to come, with revenue derived from multiple sources and territories. In many cases, a significant portion of our production costs are covered through either pre-sales or financings.

Our portfolio of original content includes:

#### *Content in Production*

*Llama Llama*: We are currently in production on fifteen half-hour animated episodes to premiere on Netflix in 2017. 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 Andrew Heyward. Based on the NY Times #1 best-selling children's books, the animated series centers on young Llama Llama's first steps in growing up and facing childhood milestones. Each episode will be structured around a childhood milestone coupled with a life lesson learned by Llama Llama and his friends, told with a sense of humor, vitality, and understanding. The global licensing program was unveiled in June 2016 at the Licensing Expo.

*SpacePop*: Premiering on YouTube on September 20, 2016, *SpacePop* is music and fashion driven animated property that has garnered over 10 million views and over 31,000 subscribers since its launch. With 108 three-minute webisodes greenlit for production, *SpacePop* has a best-in-class development and production team on board including Steve Banks (head writer and story editor of *Sponge Bob 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. Current promotional partners include with Six Flags, Dippin' Dots, and Camplified. We have collaborated with licensing partners throughout North America, including Taste Beauty (beauty and bath products), Bare Tree Media (emoticons), Canal Toys (craft and activity kits), Yowie Group, Ltd. (confections), Jaya Apparel (apparel), and Sony Pictures Home Entertainment (home entertainment). Additionally, *SpacePop* products ranging from apparel and accessories, to beauty, cosmetics, candy, books, and music will be available at select Claire's and Kohl's starting in October. We will add a program at a third national retailer starting in December 2016 with a dedicated feature space merchandising over 20 *SpacePop* items from our various licensees creating the ultimate *SpacePop* destination in time for holiday 2016.

*Stan Lee's Cosmic Crusaders*: *Stan Lee's Cosmic Crusaders* is a co-production between us, Stan Lee's POW! Entertainment, and The Hollywood Reporter of an adult-themed animated series whose launch coincided with "Stan Lee's 75 Years in Business" salute in The Hollywood Reporter's Comic-Con issue. *Cosmic Crusaders* is based on a concept by Stan Lee and written by *Deadpool* co-creator Fabian Nicieza. With 52 eleven-minute episodes greenlit for production, the first four episodes premiered exclusively on THR.com with one episode airing each day during Comic-Con International 2016. *Stan Lee's Cosmic Crusaders* is the first series to launch on THR.com and will be promoted through THR's YouTube channel, Facebook, Twitter and Instagram pages. The global consumer products program was introduced at Licensing Expo 2016 with national retailer Hot Topic secured as anchor retail partner.

#### *Content in Development*

*Rainbow Rangers*: 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 heroic pixies from Kaleidoscopia, a fantastic land on the other side of the rainbow. The Rangers serve as Earth's guardians and first-responders. When danger arrives, these seven pixie girls ride a rainbow across the sky and land wherever they are needed most in the small human city of Hopewell Junction.

#### *Already Released Content*

*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 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 Buffet's *Secret Millionaire's Club*: With 26 thirty-minute episodes and 26 four-minute webisodes, this animated series features Warren Buffett acts as a mentor to a group of kids who have international adventures in business. *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.

*Baby Genius*: For more than ten years, *Baby Genius* has earned worldwide recognition for creating award-winning products for toddlers. Its catalogue of 500 songs, 125 music videos, and toys feature classic nursery rhymes, learning songs, classical music, holiday favorites and more.

### Licensing Agent

Augmenting our original content, we act as an agent for established brands which maximizes the existing infrastructure while creating incremental sources of revenue for us without additional overhead. These brands include *From Frank*, a popular line of greeting cards and *Celessence*, microencapsulation technology releases fragrance and is used to scent products.

### **Kid Genius Cartoon Channel**

In April 2015, we partnered with Comcast to launch the new Kid Genius Cartoon Channel on Xfinity on Demand. With Xfinity, Kid Genius is currently in over 22 million homes. In November 2016, we partnered with a leading kids app distributor adding Over-The-Top (“OTT”) distribution expanding onto platforms such as Roku, Apple TV, Amazon and Google and adding an additional 20 million homes. Our plans are to continue this roll-out into 2017 adding additional reach with the goal of being in over 80 million homes. Kid Genius Cartoon Channel combines the powerful value of owning a channel in its own right with the ability to promote our brands and products.

### **Recent Events**

#### *Production Financing*

On August 8, 2016, Llama Productions LLC, our wholly-owned subsidiary, closed a \$5,275,000 multiple draw-down, non-recourse, secured, non-revolving credit facility (the “Facility”) with Bank Leumi USA to produce our animated series *Llama Llama* (the “Series”). The Series is configured as fifteen half-hour episodes comprised of thirty 11 minute programs to be delivered to Netflix in fall 2017. The Facility is secured by the license fees we will receive from Netflix for the delivery of the Series as well as our copyright in the Series. The Facility has a term of 40 months and has an interest rate of 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 for the production of the series.

#### *Distribution agreement with Sony Pictures Home Entertainment Inc.*

On February 18, 2016, we entered into a distribution agreement with Sony Pictures Home Entertainment Inc. (“Sony”), pursuant to which we agreed to grant Sony certain rights for the marketing and distribution of our animated feature-length motion pictures and animated television series in the United States and in Canada, and potentially additional countries. In consideration for such rights, and subject to certain conditions, Sony has paid us an advance in the amount of \$2,000,000 against future royalties.

### **Results of Operations**

#### *Comparison of Results of Operations for the three months ended September 30, 2016 and 2015*

#### **Revenue.**

	Three months ended			
	9/30/2016	9/30/2015	Change	% Change
Licensing & Royalties	\$ 85,660	\$ 98,035	\$ (12,375)	-13%
Television & Home Entertainment	34,826	182,715	(147,889)	-81%
Product Sales	—	—	—	N/A
Total Revenue	<u>\$ 120,486</u>	<u>\$ 280,750</u>	<u>\$ (160,264)</u>	<u>-57%</u>

Licensing and royalty revenue includes 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 three months ended September 30, 2016 compared to September 30, 2015, this category decreased modestly by \$12,375 (13%) due the transition from one distribution partner to another.

Television & Home Entertainment revenue is generated from distribution of our properties for broadcast on television, VOD, or SVOD in domestic and foreign markets and the sale of DVDs for home entertainment. During the three months ended September 30, 2016, Television & Home Entertainment revenue decreased \$147,889 (81%) compared to the three months ended September 30, 2015, representing the commencement of deliveries of *Thomas Edison's Secret Lab* in the third quarter of 2015 with fewer deliveries in the current quarter.

**Cost of Sales and Operating Costs.**

	Three months ended			
	9/30/2016	9/30/2015	Change	% Change
Cost of Sales	\$ 21,209	\$ 23,127	\$ (1,918)	-8%
Amortization of Film & TV Costs	23,011	42,642	(19,631)	-46%
General and Administrative	1,389,360	878,347	511,013	58%
Marketing and Sales	220,627	91,258	129,369	142%
Other (Gains)/Losses	-	-	-	N/A
Total Costs and Operating Expenses	<u>\$ 1,654,207</u>	<u>\$ 1,035,374</u>	<u>\$ 618,833</u>	<u>60%</u>

Cost of Sales decreased \$1,918 during the three months ended September 30, 2016 compared to the same period of 2015. The decrease was primarily the result of certain non-capitalizable expenses associated with the release of *Thomas Edison's Secret Lab*. Similarly, amortization of Film and TV costs decreased during the three months ended September 30, 2016 compared to the prior period as a result of the amortization of film costs commensurate with decreased revenue associated with *Thomas Edison's Secret Lab*.

General and Administrative expenses consist primarily of salaries, employee benefits, as well as other expenses associated with finance, legal, facilities, marketing, rent, other professional services, and depreciation and amortization. General and administrative costs for the three months ended September 30, 2016 increased \$511,013 (58%) compared to the same period in 2015. Of this increase, \$358,919 was attributable to stock based compensation for options granted to officers, directors, employees, and consultants in the fourth quarter of 2015.

Marketing and sales expenses increased \$129,369 for the three months ended September 30, 2016 compared to the three months ended September 30, 2015 primarily due to expenses related to out promotional efforts for our *SpacePop* property.

**Other Income / (Expense).**

	Three months ended			
	9/30/2016	9/30/2015	Change	% Change
Other Income	\$ 3,238	\$ 11,421	\$ (8,183)	-72%
Interest Expense	(417)	(723)	306	-42%
Gain (Loss) on Distribution Contracts	-	(47,650)	47,650	100%
Interest Expense - Related Parties	-	(6,224)	6,224	100%
Unrealized Gain (Loss) on Foreign Currency Translation	-	(20)	20	100%
Net Other Income (Expense)	<u>\$ 2,821</u>	<u>\$ (43,196)</u>	<u>\$ 46,017</u>	<u>107%</u>

Other income (expense) represents non-operating income and expense such as interest expense and the gain or loss on certain transactions as well as unrealized foreign currency translation adjustments related to certain contracts denominated in foreign currency. For the three months ended September 30, 2016, other income totaled \$2,821 compared to a loss of \$43,196 in the prior period. This \$46,017 improvement related to the lack of a loss on distribution contracts in the current period.

*Comparison of Results of Operations for the nine months ended September 30, 2016 and 2015*

**Revenue.**

	Nine months ended			
	9/30/2016	9/30/2015	Change	% Change
Licensing & Royalties	\$ 347,128	\$ 372,022	\$ (24,894)	-7%
Television & Home Entertainment	285,433	323,804	(38,371)	-12%
Product Sales	16,150	15,173	977	6%
Total Revenue	<u>\$ 648,711</u>	<u>\$ 710,999</u>	<u>\$ (62,288)</u>	<u>-9%</u>

Licensing and royalty revenue includes 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 nine months ended September 30, 2016 compared to September 30, 2015, this category decreased modestly by \$24,894 (7%) due the transition from one distribution partner to another.



Television & Home Entertainment revenue is generated from distribution of our properties for broadcast on television, VOD, or SVOD in domestic and foreign markets and the sale of DVDs for home entertainment. During the nine months ended September 30, 2016, Television & Home Entertainment revenue decreased 38,371 (12%) compared to the nine months ended September 30, 2015, representing the commencement of deliveries of *Thomas Edison's Secret Lab* in the third quarter of 2015.

Product sales represent physical products, including DVDs and CDs, in which we hold intellectual property rights such as trademarks and copyrights to the characters and which are manufactured and sold by us either directly at wholesale to retail stores or online retailers. During the nine months ended September 30, 2016, product sales increased by \$977 (6%) compared to the nine months ended September 30, 2015 due to direct product sales of Warren Buffet's *Secret Millionaires Club* at the Berkshire Hathaway annual shareholders' meeting offset by diminishing direct sales in the first quarter due to the exit from the direct sales business.

#### **Cost of Sales and Operating Costs.**

	Nine months ended			
	9/30/2016	9/30/2015	Change	% Change
Cost of Sales	\$ 94,520	\$ 45,699	\$ 48,821	107%
Amortization of Film & TV Costs	158,168	42,642	115,526	271%
General and Administrative	4,323,853	2,747,766	1,576,087	57%
Marketing and Sales	686,577	342,318	344,259	101%
Other (Gains)/Losses	1,850	7,500	(5,650)	-75%
Total Costs and Operating Expenses	<u>\$ 5,264,968</u>	<u>\$ 3,185,925</u>	<u>\$ 2,079,043</u>	<u>65%</u>

Cost of Sales increased \$48,821 during the nine months ended September 30, 2016 compared to the same period of 2015. The increase was primarily the result of certain non-capitalizable expenses associated with the release of *Thomas Edison's Secret Lab* as well as costs related to direct sales of Warren Buffet's *Secret Millionaires Club* at the Berkshire Hathaway Annual Shareholders' meeting. Similarly, amortization of Film and TV costs increased during the nine months ended September 30, 2016 compared to the prior period as a result of the amortization of film costs associated with the release of *Thomas Edison's Secret Lab* in the third quarter of 2015.

General and Administrative expenses consist primarily of salaries, employee benefits, as well as other expenses associated with finance, legal, facilities, marketing, rent, other professional services, and depreciation and amortization. General and administrative costs for the nine months ended September 30, 2016 increased \$1,576,087 (57%) compared to the same period in 2015. Of this increase, \$1,236,880 was attributable to stock based compensation for options granted to officers, directors, employees, and consultants in the fourth quarter of 2015.

Marketing and sales expenses increased \$344,259 (101%) for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 primarily due to promotional efforts for our *SpacePop* and fees paid to external sales consultants for certain key agreements.

#### **Other Income / (Expense).**

	Nine months ended			
	9/30/2016	9/30/2015	Change	% Change
Other Income	\$ 3,298	\$ 16,965	\$ (13,667)	-81%
Interest Expense	(2,570)	(2,212)	(358)	-16%
Interest Expense - Related Parties	(6,141)	(18,544)	12,403	67%
Gain (Loss) on Distribution Contracts	258,103	102,350	155,753	152%
Gain/(Loss) on Deferred Financing Costs	-	(9,313)	9,313	100%
Unrealized Gain (Loss) on Foreign Currency Translation	-	(36,258)	36,258	100%
Net Other Income (Expense)	<u>\$ 252,690</u>	<u>\$ 52,988</u>	<u>\$ 199,702</u>	<u>377%</u>

Other income (expense) represents non-operating income and expense such as interest expense and the gain or loss on certain transactions as well as unrealized foreign currency translation adjustments related to certain contracts denominated in foreign currency. For the nine months ended September 30, 2016, other loss totaled \$252,690 compared to \$52,988 in the prior period. This \$199,702 increase was primarily due to the \$275,000 settlement of a distribution agreement with limited comparable activity in the prior period.

## Liquidity and Capital Resources

### Working Capital

At September 30, 2016, we had current assets of \$4,167,708, including cash of \$3,642,667 and current liabilities of \$3,554,617, including certain trade payables of \$925,000 to which we dispute the claim, resulting in working capital of \$613,091 representing a decrease of \$2,212,260 from working capital of \$2,825,351 as of December 31, 2015. During the nine months ended September 30, 2016, we received gross proceeds of \$2,000,000 pursuant to our distribution agreement with Sony Pictures Home Entertainment and \$275,000 for the settlement of a distribution agreement. Additionally, we issued to our Chief Executive Officer, Andrew Heyward, 79,561 shares of common stock valued at \$5.16 per share in satisfaction of \$410,535 in short term advances.

### Credit Facility

On August 8, 2016, Llama Productions LLC, our wholly-owned subsidiary, closed a \$5,275,000 multiple draw-down, secured, non-recourse, non-revolving credit facility (the "Facility") with Bank Leumi USA for the production of our animated series *Llama Llama* (the "Series"). The Series is configured as fifteen half-hour episodes comprised of thirty 11 minute programs to be delivered to Netflix in fall 2017. The Facility is secured by the license fees we will receive from Netflix for the delivery of the Series as well as our 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 for the production of the series.

### Comparison of Cash Flows for the Nine Months Ended September 30, 2016 and 2015

Cash totaled \$3,642,667 at September 30, 2016 and \$2,147,931 at September 30, 2015. The change in cash during the nine month periods ended September 30, 2016 and 2015 is as follows:

	9/30/2016	9/30/2015	Change
Cash provided (used) by operations	\$ (1,885,328)	\$ (2,611,607)	\$ 726,279
Cash provided (used) in investing activities	(7,192)	(292,074)	284,882
Cash provided (used) in financing activities	347,567	750,513	(402,946)
Increase (decrease) in cash	\$ (1,544,953)	\$ (2,153,168)	\$ 608,215

During the nine months ended September 30, 2016, our primary source of cash was financing activity proceeds from the exercise of warrants as well as proceeds from the *Llama* production facility. During the comparable period in 2015, our primary source of cash was financing activity including the collection of the second payment related to a long-term, exclusive supply chain services contract. During both periods, these funds were primarily used to fund operations.

### Operating Activities

Cash used in operating activities in the nine months ended September 30, 2016 was \$1,885,328 as compared to a use of \$2,611,607 during the prior period, representing an improvement in the cash used by operating activities of \$726,279 based on the operating results discussed above as well as the receipt of the advance from Sony offset by film and television costs related to the development and production of *SpacePop*, *Llama Llama*, *Rainbow Rangers*, and *Stan Lee's Cosmic Crusaders*.

### Investing Activities

Cash used in investing activities for the nine months ended September 30, 2016 was \$7,192 as compared to a use of \$292,074 for the comparable period in 2015, representing a decrease in cash used in investing activities of \$284,882. This decrease is primarily the result of approximately \$180,000 spent on leasehold improvements in our leased office space in the first quarter of 2015 and as well as the development expenditures for certain intangible assets without comparable activity in 2016.

### Financing Activities

Cash generated from financing activities during the nine months ended September 30, 2016 was \$347,267 as compared to \$750,513 generated in the comparable period in 2015 representing a decrease of \$402,946. During the first quarter of 2014, we entered into a long-term, exclusive supply chain services agreement in which we will order a minimum level of disc replication, packaging and distribution services for our content across all physical media. As consideration for these minimum order levels, we received a total of \$1,500,000, \$750,000 during the first quarter of 2014 and \$750,000 during the first quarter of 2015. During the nine months ended September 30, 2016, cash generated from financing activities related to \$110,000 received from the exercise of certain outstanding warrants as well as draw-downs on the *Llama* production facility.

## ***Capital Expenditures***

As of September 30, 2016, we do not have any material commitments for capital expenditures.

## **Critical Accounting Policies**

Our accounting policies are described in the notes to the 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 our financial statements.

### *Principles of Consolidation*

Our consolidated financial statements include the accounts of Genius Brands International, Inc., our wholly-owned subsidiaries A Squared Entertainment, LLC and Llama Productions LLC as well as our interest in Stan Lee Comics, LLC. All significant inter-company balances and transactions have been eliminated in consolidation.

### *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 ASC Topic 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 during the fourth quarter. To test for goodwill impairment, we are required to estimate the fair market value of each of our reporting units. While we may use a variety of methods to estimate fair value for impairment testing, our primary methods are discounted cash flows. We estimate future cash flows and allocations of certain assets using estimates for future growth rates and our judgment regarding the applicable discount rates. Changes to our judgments and estimates could result in a significantly different estimate of the fair market value of the reporting units, which could result in an impairment of goodwill.

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 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 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 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 limits recorded amounts by their ability to recover such costs through expected future sales.

Additionally, we develop new videos, music, books and digital applications in addition to adding content, improved animation and bonus songs/features to our existing product catalog. 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.

### *Revenue Recognition*

We recognize revenue in accordance with ASC 926-605 Entertainment-Films - Revenue Recognition. Accordingly, we recognize revenue when (i) persuasive evidence of a sale with a customer exists, (ii) the film is complete and has been delivered or is available for delivery, (iii) the license period of the arrangement has begun and the customer can begin its exploitation, exhibition, or sale, (iv) the arrangement fee is fixed or determinable, and (v) collection of the arrangement fee is reasonably assured.

Our licensing and royalty revenue represents revenue generated from license agreements that are held in conjunction with third parties that are responsible for collecting fees due and remitting to us its share after expenses. Revenue from licensed products is recognized when realized or realizable based on royalty reporting received from licensees. Licensing income we recognize as an agent is in accordance with ASC 605-45 Revenue Recognition - Principal Agent. Accordingly, our revenue is our gross billings to our customers less the amounts we pay to suppliers for their products and services.

We recognize revenue related to product sales when (i) the seller's price is substantially fixed, (ii) shipment has occurred causing the buyer to be obligated to pay for product, (iii) the buyer has economic substance apart from the seller, and (iv) there is no significant obligation for future performance to directly bring about the resale of the product by the buyer as required by ASC 605 Revenue Recognition.

#### *Other Estimates*

The preparation of financial statements in conformity with 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.

#### **Off Balance Sheet Arrangements**

We have no off-balance sheet arrangements.

#### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Not applicable.

#### **ITEM 4. CONTROLS AND PROCEDURES.**

##### **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 are effective for the period ended September 30, 2016, 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 quarter ended September 30, 2016, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

##### **Inherent Limitations over Internal Controls**

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations, including the possibility of human error and circumvention by collusion or overriding of controls. Accordingly, even an effective internal control system may not prevent or detect material misstatements on a timely basis. Also, 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.

## ***PART II - OTHER INFORMATION***

### **ITEM 1. LEGAL PROCEEDINGS.**

As of September 30, 2016, there were no material pending legal proceedings to which we are a party or as to which any of its property is subject, and no such proceedings are known to us to be threatened or contemplated against us.

### **ITEM 1A. RISK FACTORS.**

There have been no changes to the Risk Factors set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

On July 19, 2016, the Company issued 2,500 shares of common stock valued at \$6.00 per share, the day's closing stock price, to a vendor for services rendered.

The securities referenced above were issued solely to "accredited investors" in reliance on the exemption from registration afforded by Section 4(a)(2) of the Securities Act, as amended.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

There were no reportable events under this Item 3 during the three months ended September 30, 2016.

### **ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

### **ITEM 5. OTHER INFORMATION.**

None.

### **ITEM 6. EXHIBITS.**

<b>Exhibit No.</b>	<b>Description</b>
3.1 *	Article of Incorporation, as amended, of Genius Brands International, Inc., a Nevada corporation.
10.1	Employment Agreement, dated as of April 18, 2016, by and between Genius Brands International, Inc. and Rebecca Hershinger (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 20, 2016.)
10.2	Loan Satisfaction Agreement between Genius Brands International, Inc. and Andrew Heyward dated May 5, 2016 (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 16, 2016.)
31.1*	Section 302 Certification of Chief Executive Officer.
31.2*	Section 302 Certification of Chief Financial Officer.
32.1**	Section 906 Certification of Chief Executive Officer.
32.2**	Section 906 Certification of Chief Financial Officer.
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

\*\* Furnished herewith

**SIGNATURES**

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

**GENIUS BRANDS INTERNATIONAL, INC.**

Date: November 14, 2016

By: /s/ Andrew Heyward  
Andrew Heyward, Chief Executive Officer  
(Principal Executive Officer)

Date: November 14, 2016

By: /s/ Rebecca D. Hershinger  
Rebecca D. Hershinger, Chief Financial Officer  
(Principal Financial and Accounting Officer)



**ROSS MILLER**  
 Secretary of State  
 204 North Carson Street, Suite 4  
 Carson City, Nevada 89701-4520  
 (775) 684-5708  
 Website: [www.nvsos.gov](http://www.nvsos.gov)

**Articles of Incorporation**  
 (PURSUANT TO NRS CHAPTER 78)

Filed in the office of  Ross Miller Secretary of State State of Nevada	Document Number <b>20110672665-16</b>
	Filing Date and Time <b>09/16/2011 11:32 AM</b>
Entity Number <b>E0515682011-9</b>	

(This document was filed electronically.)

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<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		
	Street Address	City	Nevada Zip Code
Mailing Address (if different from street address)		City	Nevada 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 Street Address	SAN DIEGO City	CA 92121 State Zip Code
	2) KLAUS MOELLER Name		
	5820 OBERLIN DR, STE 203 Street Address	SAN DIEGO City	CA 92121 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 Name		<input checked="" type="checkbox"/> MICHAEL G MEADER Incorporator Signature
	5820 OBERLIN DR, STE 203 Address	SAN DIEGO City	CA 92121 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 Authorized Signature of Registered Agent or On Behalf of Registered Agent Entity		9/16/2011 Date

This form must be accompanied by appropriate fees.

Nevada Secretary of State NRS 78 Articles  
 Revised: 4-10-09

# 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  
 202 North Carson Street  
 Carson City, Nevada 89701-4201  
 (775) 684-5708  
 Website: www.nvsos.gov



\*181102\*

**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.asp?page=141>

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 as Agent

(complete only one)

- 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 Office 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* **Juan Grajeda**  
 Assistant Secretary

Authorized 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

**(PROFIT) INITIAL LIST OF OFFICERS, DIRECTORS AND REGISTERED AGENT AND STATE BUSINESS LICENSE APPLICATION OF:**

GENIUS BRANDS INTERNATIONAL INC.

FILE NUMBER

E0515682011-9

NAME OF CORPORATION

FOR THE FILING PERIOD OF 9/2011 TO 9/2012



\*100101\*

**\*\*YOU MAY FILE THIS FORM ONLINE AT [www.nvsos.gov](http://www.nvsos.gov)\*\***

The entity's duly appointed registered agent in the State of Nevada upon whom process can be served is:

THE CORPORATION TRUST COMPANY OF NEVADA (Commercial Registered Agent)  
311 S DIVISION ST  
CARSON CITY, NV 89703 USA

A FORM TO CHANGE REGISTERED AGENT INFORMATION IS FOUND AT: [www.nvsos.gov](http://www.nvsos.gov)

Filed in the office of  Ross Miller Secretary of State State of Nevada	Document Number	20110672785-69
	Filing Date and Time	09/16/2011 11:51 AM
	Entity Number	E0515682011-9
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Return one file stamped copy. (If filing not accompanied by order instructions, file stamped copy will be sent to registered agent.)

**IMPORTANT:** Read instructions before completing and returning this form.

- Print or type names and addresses, either residence or business, for all officers and directors. A President, Secretary, Treasurer, or equivalent of and all Directors must be named. There must be at least one director. An Officer must sign the form. **FORM WILL BE RETURNED IF UNSIGNED.**
- If there are additional officers, attach a list of them to this form.
- Initial list fee is \$125.00. A \$75.00 penalty must be added for failure to file this form by the last day of the first month following the incorporation/initial registration with this office.
- State business license fee is \$200.00. Effective 2/1/2010, \$100.00 must be added for failure to file form by deadline.
- Make your check payable to the Secretary of State.
- Ordering Copies:** If requested above, one file stamped copy will be returned at no additional charge. To receive a certified copy, enclose an additional \$30.00 per certification. A copy fee of \$2.00 per page is required for each additional copy generated when ordering 2 or more file stamped or certified copies. Appropriate instructions must accompany your order.
- Return the completed form to: Secretary of State, 202 North Carson Street, Carson City, Nevada 89701-4201, (775) 684-5708.
- Form must be in the possession of the Secretary of State on or before the last day of the first month following the initial registration date. (Postmark date is not accepted as receipt date.) Forms received after due date will be returned for additional fees and penalties. Failure to include initial list and business license fees will result in rejection of filing.

INITIAL LIST FILING FEE: \$125.00 LATE PENALTY: \$75.00 BUSINESS LICENSE FEE: \$200.00 LATE PENALTY: \$100.00

CHECK ONLY IF APPLICABLE		Section 7(2) Exemption Codes	
<input type="checkbox"/>	Pursuant to NRS, this corporation is exempt from the business license fee. Exemption code: _____	001 - Governmental Entity	
<input type="checkbox"/>	Month and year your State Business License expires: _____ 20 _____	002 - 501(c) Nonprofit Entity	
<input type="checkbox"/>	This corporation is a publicly traded corporation. The Central Index Key number is: _____	003 - Home-based Business	
<input type="checkbox"/>	This publicly traded corporation is not required to have a Central Index Key number.	004 - Natural Person with 4 or less rental dwelling units	
		005 - Motion Picture Company	
		006 - NRS 680B.020 Insurance Co.	

NAME	TITLE(S)
MICHAEL G MEADER	PRESIDENT (OR EQUIVALENT OF)
ADDRESS	CITY STATE ZIP CODE
5820 OBERLIN DR, STE 203 , USA	SAN DIEGO CA 92121
NAME	TITLE(S)
LARRY A BALABAN	SECRETARY (OR EQUIVALENT OF)
ADDRESS	CITY STATE ZIP CODE
5820 OBERLIN DR, STE 203 , USA	SAN DIEGO CA 92121
NAME	TITLE(S)
JEANENE G MORGAN	TREASURER (OR EQUIVALENT OF)
ADDRESS	CITY STATE ZIP CODE
5820 OBERLIN DR, STE 203 , USA	SAN DIEGO CA 92121
NAME	TITLE(S)
KLAUS MOELLER	DIRECTOR
ADDRESS	CITY STATE ZIP CODE
5820 OBERLIN DR, STE 203 , USA	SAN DIEGO CA 92121

I declare, to the best of my knowledge under penalty of perjury, that the above mentioned entity has complied with the provisions of sections 6 to 18 of AB 146 of the 2009 session of the Nevada Legislature and acknowledge that pursuant to NRS 239.330, it is a category C felony to knowingly offer any false or forged instrument for filing in the Office of the Secretary of State.

X JEANENE G MORGAN

Title: CHIEF FINANCIAL OFFICER Date: 9/16/2011 11:49:02 AM

Signature of Officer

Nevada Secretary of State Initial List Profit  
Revised: 8-5-09






\*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

Jurisdiction

Corporation

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

Jurisdiction

Corporation

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



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Secretary of State  
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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

Name of merging entity, if applicable

Name of merging entity, if applicable

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



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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

Name of **merging** entity, if applicable

Name of **merging** entity, if applicable

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



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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

Name of merging entity, if applicable

Name of merging entity, if applicable

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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Secretary of State  
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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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 Secretary of State  
 204 North Carson Street, Suite 1  
 Carson City, Nevada 89701-4520  
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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 liability 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]*  
 Signature

President  
 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]*  
 Signature

President  
 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.

**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, Ste 1  
 Carson City, Nevada 89701-4299  
 (775) 684 8708  
 Website: www.nvsos.gov

**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 	Document Number <b>20110852886-01</b>
Ross Miller Secretary of State State of Nevada	Filing Date and Time <b>12/02/2011 12:30 PM</b>
	Entity Number <b>E0515682011-9</b>

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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)

1. The name of the entity for which correction is being made:  
 GENIUS BRANDS INTERNATIONAL, INC.

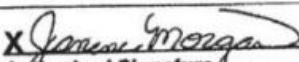
2. Description of the original document for which correction is being made:  
 Articles of Incorporation

3. Filing date of the original document for which correction is being made: September 16, 2011

4. 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.

5. 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.

6. 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

**(PROFIT) ANNUAL LIST OF OFFICERS, DIRECTORS AND REGISTERED AGENT AND STATE BUSINESS LICENSE APPLICATION OF:**

FILE NUMBER

GENIUS BRANDS INTERNATIONAL, INC.

E0515682011-9

NAME OF CORPORATION

FOR THE FILING PERIOD OF 9/2012 TO 9/2013

**\*\*YOU MAY FILE THIS FORM ONLINE AT [www.nvsos.gov](http://www.nvsos.gov)\*\***

The entity's duly appointed registered agent in the State of Nevada upon whom process can be served is:

THE CORPORATION TRUST COMPANY OF NEVADA (Commercial Registered Agent)  
311 S DIVISION ST  
CARSON CITY, NV 89703 USA

A FORM TO CHANGE REGISTERED AGENT INFORMATION IS FOUND AT: [www.nvsos.gov](http://www.nvsos.gov)



\*110101\*

Filed in the office of  Ross Miller Secretary of State State of Nevada	Document Number <b>20120700615-44</b> Filing Date and Time <b>10/15/2012 9:17 AM</b> Entity Number <b>E0515682011-9</b>
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Return one file stamped copy. (If filing not accompanied by order instructions, file stamped copy will be sent to registered agent.)

**IMPORTANT:** Read instructions before completing and returning this form.

- Print or type names and addresses, either residence or business, for all officers and directors. A President, Secretary, Treasurer, or equivalent of and all Directors must be named. There must be at least one director. An Officer must sign the form. **FORM WILL BE RETURNED IF UNSIGNED.**
- If there are additional officers, attach a list of them to this form.
- Return the complete form with the filing fee. Annual list fee is based upon the current total authorized stock as explained in the Annual List Fee Schedule For Profit Corporations. A \$75.00 penalty must be added for failure to file this form by the deadline. An annual list received more than 90 days before its due date shall be deemed an amended list for the previous year.
- State business license fee is \$200.00. Effective 2/1/2010, \$100.00 must be added for failure to file form by deadline.
- Make your check payable to the Secretary of State.
- Ordering Copies:** If requested above, one file stamped copy will be returned at no additional charge. To receive a certified copy, enclose an additional \$30.00 per certification. A copy fee of \$2.00 per page is required for each additional copy generated when ordering 2 or more file stamped or certified copies. Appropriate instructions must accompany your order.
- Return the completed form to: Secretary of State, 202 North Carson Street, Carson City, Nevada 89701-4201, (775) 684-5708.
- Form must be in the possession of the Secretary of State on or before the last day of the month in which it is due. (Postmark date is not accepted as receipt date.) Forms received after due date will be returned for additional fees and penalties. Failure to include annual list and business license fees will result in rejection of filing.

CHECK ONLY IF APPLICABLE		Section 7(2) Exemption Codes
<input type="checkbox"/>	Pursuant to NRS, this corporation is exempt from the business license fee. Exemption code: _____	001 - Governmental Entity
<input type="checkbox"/>	Month and year your State Business License expires: _____ 20____	002 - 501(c) Nonprofit Entity
<input checked="" type="checkbox"/>	This corporation is a publicly traded corporation. The Central Index Key number is: 0001355848	003 - Home-based Business
<input type="checkbox"/>	This publicly traded corporation is not required to have a Central Index Key number.	004 - Natural Person with 4 or less rental dwelling units
		005 - Motion Picture Company
		006 - NRS 680B.020 Insurance Co.

NAME MICHAEL G MEADER	TITLE(S) PRESIDENT (OR EQUIVALENT OF)
ADDRESS 5820 OBERLIN DR, STE 203 , USA	CITY STATE ZIP CODE SAN DIEGO CA 92121
NAME LARRY A BALABAN	TITLE(S) SECRETARY (OR EQUIVALENT OF)
ADDRESS 5820 OBERLIN DR, STE 203 , USA	CITY STATE ZIP CODE SAN DIEGO CA 92121
NAME JEANENE G MORGAN	TITLE(S) TREASURER (OR EQUIVALENT OF)
ADDRESS 5820 OBERLIN DR, STE 203 , USA	CITY STATE ZIP CODE SAN DIEGO CA 92121
NAME HOWARD A BALABAN	TITLE(S) DIRECTOR
ADDRESS 5820 OBERLIN DR, STE 203 , USA	CITY STATE ZIP CODE SAN DIEGO CA 92121

I declare, to the best of my knowledge under penalty of perjury, that the above mentioned entity has complied with the provisions of sections 6 to 18 of AB 146 of the 2009 session of the Nevada Legislature and acknowledge that pursuant to NRS 239.330, it is a category C felony to knowingly offer any false or forged instrument for filing in the Office of the Secretary of State.

JEANENE G MORGAN

**X**  
Signature of Officer

Title  
CHIEF FINANCIAL OFFICER

Date  
10/15/2012 9:13:18 AM

Nevada Secretary of State Annual List Profit  
Revised: 8-5-08



**(PROFIT) ANNUAL LIST OF OFFICERS, DIRECTORS AND REGISTERED AGENT AND STATE BUSINESS LICENSE APPLICATION OF:**

FILE NUMBER

GENIUS BRANDS INTERNATIONAL, INC.

E0515682011-9

NAME OF CORPORATION

FOR THE FILING PERIOD OF SEP, 2013 TO SEP, 2014



\*110105\*

**\*\*YOU MAY FILE THIS FORM ONLINE AT [www.nvsos.gov](http://www.nvsos.gov)\*\***

The entity's duly appointed registered agent in the State of Nevada upon whom process can be served is:

THE CORPORATION TRUST COMPANY OF NEVADA  
311 S DIVISION ST  
CARSON CITY, NV 89703

A FORM TO CHANGE REGISTERED AGENT INFORMATION IS FOUND AT: [www.nvsos.gov](http://www.nvsos.gov)

Filed in the office of  Ross Miller Secretary of State State of Nevada	Document Number <b>20130608410-35</b> Filing Date and Time <b>09/18/2013 6:41 AM</b> Entity Number <b>E0515682011-9</b>
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Return one file stamped copy. (If filing not accompanied by order instructions, file stamped copy will be sent to registered agent.)

**IMPORTANT:** Read instructions before completing and returning this form.

- Print or type names and addresses, either residence or business, for all officers and directors. A President, Secretary, Treasurer, or equivalent of and all Directors must be named. There must be at least one director. An **Officer** must sign the form. **FORM WILL BE RETURNED IF UNSIGNED.**
- If there are additional officers, attach a list of them to this form.
- Return the completed form with the filing fee. Annual list fee is based upon the current total authorized stock as explained in the Annual List Fee Schedule For Profit Corporation. A \$75.00 penalty must be added for failure to file this form by the deadline. An annual list received more than 90 days before its due date shall be deemed an amended list for the previous year.
- State business license fee is \$200.00. Effective 2/1/2010, \$100.00 must be added for failure to file form by deadline.
- Make your check payable to the Secretary of State.
- Ordering Copies:** If requested above, one file stamped copy will be returned at no additional charge. To receive a certified copy, enclose an additional \$30.00 per certification. A copy fee of \$2.00 per page is required for each additional copy generated when ordering 2 or more file stamped or certified copies. Appropriate instructions must accompany your order.
- Return the completed form to: Secretary of State, 202 North Carson Street, Carson City, Nevada 89701-4201, (775) 684-5708.
- Form must be in the possession of the Secretary of State on or before the last day of the month in which it is due. (Postmark date is not accepted as receipt date.) Forms received after due date will be returned for additional fees and penalties. Failure to include annual list and business license fees will result in rejection of filing.

**CHECK ONLY IF APPLICABLE AND ENTER EXEMPTION CODE IN BOX BELOW**

- Pursuant to NRS Chapter 76, this entity is exempt from the business license fee. Exemption code:  **NRS 76.020 Exemption Codes**  
**NOTE: If claiming an exemption, a notarized Declaration of Eligibility form must be attached. Failure to attach the Declaration of Eligibility form will result in rejection, which could result in late fees.**  
001 - Governmental Entity  
005 - Motion Picture Company  
006 - NRS 680B.020 Insurance Co.
- This corporation is a publicly traded corporation. The Central Index Key number is:
- This publicly traded corporation is not required to have a Central Index Key number.

NAME KLAUS MOELLER	TITLE(S) PRESIDENT (OR EQUIVALENT OF)		
ADDRESS 3111 CAMINO DEL RIO NORTH SUITE 400 , USA	CITY SAN DIEGO	STATE CA	ZIP CODE 92108
NAME LARRY A BALABAN	TITLE(S) SECRETARY (OR EQUIVALENT OF)		
ADDRESS 3111 CAMINO DEL RIO NORTH SUITE 400 , USA	CITY SAN DIEGO	STATE CA	ZIP CODE 92108
NAME JEANENE G MORGAN	TITLE(S) TREASURER (OR EQUIVALENT OF)		
ADDRESS 3111 CAMINO DEL RIO NORTH SUITE 400 , USA	CITY SAN DIEGO	STATE CA	ZIP CODE 92108
NAME MICHAEL G MEADER	TITLE(S) DIRECTOR		
ADDRESS 3111 CAMINO DEL RIO NORTH SUITE 400 , USA	CITY SAN DIEGO	STATE CA	ZIP CODE 92108

I declare, to the best of my knowledge under penalty of perjury, that the above mentioned entity has complied with the provisions of NRS Chapter 76 and acknowledge that pursuant to NRS 239.330, it is a category C felony to knowingly offer any false or forged instrument for filing in the Office of the Secretary of State.

JEANENE MORGAN

**X**  
Signature of Officer

Title  
CHIEF FINANCIAL OFFICER

Date  
9/18/2013 6:41:38 AM

Nevada Secretary of State Annual List Profit  
Revised 3-9-12







ROSS MILLER  
 Secretary of State  
 204 North Carson Street, Suite 1  
 Carson City, Nevada 89701-4520  
 (775) 684 5708  
 Website: [www.nvsos.gov](http://www.nvsos.gov)

Filed in the office of  Ross Miller Secretary of State State of Nevada	Document Number
	20130676443-56
	Filing Date and Time
	10/16/2013 11:35 AM
Entity Number	
E0515682011-9	

**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 Amend 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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**(PROFIT) INITIAL/ANNUAL LIST OF OFFICERS, DIRECTORS AND STATE BUSINESS LICENSE APPLICATION OF:**

ENTITY NUMBER

GENIUS BRANDS INTERNATIONAL, INC.

E0515682011-9

NAME OF CORPORATION

FOR THE FILING PERIOD OF SEP, 2013 TO SEP, 2014



\*100101\*

USE BLACK INK ONLY - DO NOT HIGHLIGHT

**\*\*YOU MAY FILE THIS FORM ONLINE AT [www.nvslverflume.gov](http://www.nvslverflume.gov)\*\***

Return one file stamped copy. (If filing not accompanied by order instructions, file stamped copy will be sent to registered agent.)

**IMPORTANT:** Read instructions before completing and returning this form.

1. Print or type names and addresses, either residence or business, for all officers and directors. A President, Secretary, Treasurer, or equivalent of all Directors must be named. There must be at least one director. An Officer must sign the form. **FORM WILL BE RETURNED IF UNSIGNED.**

2. If there are additional officers, attach a list of them to this form.

3. Return the completed form with the filing fee. Annual list fee is based upon the current total authorized stock as explained in the Annual List Fee Schedule For Profit Corporations. A \$75.00 penalty must be added for failure to file this form by the deadline. An annual list received more than 30 days before its due date shall be deemed an amended list for the previous year.

4. State business license fee is \$200.00. Effective 2/1/2010, \$100.00 must be added for failure to file form by deadline.

5. Make your check payable to the Secretary of State.

6. **Ordering Copies:** If requested above, one file stamped copy will be returned at no additional charge. To receive a certified copy, enclose an additional \$30.00 per certification. A copy fee of \$2.00 per page is required for each additional copy generated when ordering 2 or more file stamped or certified copies. Appropriate instructions must accompany your order.

7. Return the completed form to: Secretary of State, 202 North Carson Street, Carson City, Nevada 89701-4201, (775) 684-5700.

8. Form must be in the possession of the Secretary of State on or before the last day of the month in which it is due. (Postmark date is not accepted as receipt date.) Forms received after due date will be returned for additional fees and penalties. Failure to include annual list and business license fees will result in rejection of filing.

Filed in the office of  Ross Miller Secretary of State State of Nevada	Document Number
	20130807096-36
	Filing Date and Time
	12/10/2013 3:28 PM
Entity Number	
E0515682011-9	

(This document was filed electronically.)  
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**CHECK ONLY IF APPLICABLE AND ENTER EXEMPTION CODE IN BOX BELOW**

- Pursuant to NRS Chapter 76, this entity is exempt from the business license fee. Exemption code:  **NRS 76.020 Exemption Codes**  
 NOTE: If claiming an exemption, a notarized Declaration of Eligibility form must be attached. Failure to attach the Declaration of Eligibility form will result in rejection, which could result in late fees.  
 001 - Governmental Entity  
 005 - Motion Picture Company  
 006 - NRS 680B.020 Insurance Co.
- This corporation is a publicly traded corporation. The Central Index Key number is:
- This publicly traded corporation is not required to have a Central Index Key number.

NAME AMY M HEYWARD	TITLE(S) PRESIDENT (OR EQUIVALENT OF)
ADDRESS 9401 WILSHIRE BLVD SUITE 608 , USA	CITY STATE ZIP CODE BEVERLY HILLS CA 90212
NAME GREGORY PAYNE	TITLE(S) SECRETARY (OR EQUIVALENT OF)
ADDRESS 9401 WILSHIRE BLVD SUITE 608 , USA	CITY STATE ZIP CODE BEVERLY HILLS CA 90212
NAME JEANENE G MORGAN	TITLE(S) TREASURER (OR EQUIVALENT OF)
ADDRESS 3111 CAMINO DEL RIO NORTH SUITE 400 , USA	CITY STATE ZIP CODE SAN DIEGO CA 92108
NAME KLAUS MOELLER	TITLE(S) DIRECTOR
ADDRESS 9401 WILSHIRE BLVD SUITE 608 , USA	CITY STATE ZIP CODE BEVERLY HILLS CA 90212

None of the officers or directors identified in the list of officers has been identified with the fraudulent intent of concealing the identity of any person or persons exercising the power or authority of an officer or director in furtherance of any unlawful conduct.

I declare, to the best of my knowledge under penalty of perjury, that the information contained herein is correct and acknowledge that pursuant to NRS 239.330, it is a category C felony to knowingly offer any false or forged instrument for filing in the Office of the Secretary of State.

**X** JEANENE MORGAN  
 \_\_\_\_\_  
 Signature of Officer or  
 Other Authorized Signature

Title Date  
 CHIEF FINANCIAL OFFICER 12/10/2013 3:28:45 PM

Nevada Secretary of State List Profit  
 Revised 7-31-13

**(PROFIT) ANNUAL LIST OF OFFICERS, DIRECTORS AND REGISTERED AGENT OF**

FILE NUMBER

GENIUS BRANDS INTERNATIONAL, INC.

EO515682011-9

NAME		TITLE(S)	
ANDREW HEYWARD		DIRECTOR	
ADDRESS	CITY	ST	ZIP
9401 WILSHIRE BLVD SUITE 608 , USA	BEVERLY HILLS	CA	90212
NAME		TITLE(S)	
LYNNE SEAGALL		DIRECTOR	
ADDRESS	CITY	ST	ZIP
9401 WILSHIRE BLVD SUITE 608 , USA	BEVERLY HILLS	CA	90212
NAME		TITLE(S)	
JEFFREY WEISS		DIRECTOR	
ADDRESS	CITY	ST	ZIP
9401 WILSHIRE BLVD SUITE 608 , USA	BEVERLY HILLS	CA	90212
NAME		TITLE(S)	
JOSEPH DAVIS		DIRECTOR	
ADDRESS	CITY	ST	ZIP
9401 WILSHIRE BLVD SUITE 608 , USA	BEVERLY HILLS	CA	90212
NAME		TITLE(S)	
WILLIAM MCDONOUGH		DIRECTOR	
ADDRESS	CITY	ST	ZIP
9401 WILSHIRE BLVD SUITE 608 , USA	BEVERLY HILLS	CA	90212
NAME		TITLE(S)	
BERNARD CAHILL		DIRECTOR	
ADDRESS	CITY	ST	ZIP
9401 WILSHIRE BLVD SUITE 608 , USA	BEVERLY HILLS	CA	90212
NAME		TITLE(S)	
ADDRESS	CITY	ST	ZIP
NAME		TITLE(S)	
ADDRESS	CITY	ST	ZIP
NAME		TITLE(S)	
ADDRESS	CITY	ST	ZIP
NAME		TITLE(S)	
ADDRESS	CITY	ST	ZIP



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>20140249726-47</b> Filing Date and Time <b>04/02/2014 2:33 PM</b> Entity Number <b>E0515682011-9</b>
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**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.

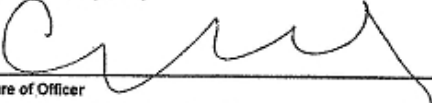
2. The articles have been amended as follows: (provide article numbers, if available)

Article IV 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: 54.62%

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 After 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.

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ROSS MILLER  
 Secretary of State  
 204 North Carson Street, Suite 1  
 Carson City, Nevada 89701-4520  
 (775) 684-5708  
 Website: www.nvsos.gov



\*150101\*

Filed in the office of  Ross Miller Secretary of State State of Nevada	Document Number <b>20140356163-01</b>
	Filing Date and Time <b>05/14/2014 2:49 PM</b>
	Entity Number <b>E0515682011-9</b>

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

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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 "**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.

( i i ) 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 Authorized 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.

1 5 . 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.

1 6 . 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.

( c c ) **"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.

( d d ) **"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.

( f f ) **"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).

(g) "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 25 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:

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



\*181003\*

**Statement of Change of  
 Registered Agent  
 by Represented Entity**  
 (PURSUANT TO NRS 77.340)

Filed in the office of <i>[Signature]</i> Ross Miller Secretary of State State of Nevada	Document Number <b>20140393631-52</b> Filing Date and Time <b>05/29/2014 5:59 AM</b> Entity Number <b>E0515682011-9</b>
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This form may be submitted by: the Represented Entity to appoint a new Registered Agent or amend own service of process info. For more information please visit <http://www.nvsos.gov/index.aspx?page=141>

USE BLACK INK ONLY - DO NOT HIGHLIGHT

ABOVE SPACE IS FOR OFFICE USE ONLY

1. Name of Represented Entity:

GENIUS BRANDS INTERNATIONAL, INC.

2. Entity File Number: E0515682011-9

3. This statement of change will have the following effect: (check only one)

- Appoints a new agent for service of process (complete 4a or 4b)
- Updates contact information of the Represented Entity acting as own agent (complete 4c)

4. Information in effect upon the filing of this statement: (complete only one section)

a) Commercial Registered Agent:  
 Paracorp Incorporated  
 Name

b) Noncommercial Registered Agent:  
 Name  
 Street Address City Nevada Zip Code  
 Mailing Address (if different from street address) City Nevada Zip Code

c) Title of Office or Other Position within Represented Entity:  
 Name of Title or Position  
 Street Address City Nevada Zip Code  
 Mailing Address (if different from street address) City Nevada Zip Code

5. Signature of Represented Entity (required)  
 *[Signature]* \_\_\_\_\_ Date 5/28/2014

6. Registered Agent Acceptance: (required)  
 I hereby accept appointment as Registered Agent for the above named Entity.  
 \_\_\_\_\_ For Paracorp Incorporated Date 5/29/2014  
 Authorized Signature of Registered Agent or On Behalf of Registered Agent Entity

**FEE: \$60.00**  
 This form must be accompanied by appropriate fees.

**(PROFIT) INITIAL/ANNUAL LIST OF OFFICERS, DIRECTORS AND STATE BUSINESS LICENSE APPLICATION OF:**

ENTITY NUMBER

GENIUS BRANDS INTERNATIONAL, INC.

E0515682011-9

NAME OF CORPORATION

FOR THE FILING PERIOD OF **SEP, 2014** TO **SEP, 2015**



\*100101\*

USE BLACK INK ONLY - DO NOT HIGHLIGHT

**\*\*YOU MAY FILE THIS FORM ONLINE AT [www.nvsliverflume.gov](http://www.nvsliverflume.gov)\*\***

Return one file stamped copy. (If filing not accompanied by order instructions, file stamped copy will be sent to registered agent.)

**IMPORTANT:** Read instructions before completing and returning this form.

- Print or type names and addresses, either residence or business, for all officers and directors. A President, Secretary, Treasurer, or equivalent of and all Directors must be named. There must be at least one director. An **Officer** must sign the form. **FORM WILL BE RETURNED IF UNSIGNED.**
- If there are additional officers, attach a list of them to this form.
- Return the completed form with the filing fee. Annual list fee is based upon the current total authorized stock as explained in the Annual List Fee Schedule For Profit Corporations. A \$75.00 penalty must be added for failure to file this form by the deadline. An annual list received more than 90 days before its due date shall be deemed an amended list for the previous year.
- State business license fee is \$200.00. Effective 2/1/2010, \$100.00 must be added for failure to file form by deadline.
- Make your check payable to the Secretary of State.
- Ordering Copies:** If requested above, one file stamped copy will be returned at no additional charge. To receive a certified copy, enclose an additional \$30.00 per certification. A **copy fee of \$2.00 per page** is required for **each additional copy** generated when ordering 2 or more file stamped or certified copies. Appropriate instructions must accompany your order.
- Return the completed form to: Secretary of State, 202 North Carson Street, Carson City, Nevada 89701-4201, (775) 684-5708.
- Form must be in the possession of the Secretary of State on or before the last day of the month in which it is due. (Postmark date is not accepted as receipt date.) Forms received after due date will be returned for additional fees and penalties. Failure to include annual list and business license fees will result in rejection of filing.

Filed in the office of  Ross Miller Secretary of State State of Nevada	Document Number <b>20140587941-11</b> Filing Date and Time <b>08/14/2014 5:04 PM</b> Entity Number <b>E0515682011-9</b>
--	--

(This document was filed electronically.)  
ABOVE SPACE IS FOR OFFICE USE ONLY

**CHECK ONLY IF APPLICABLE AND ENTER EXEMPTION CODE IN BOX BELOW**

- Pursuant to NRS Chapter 76, this entity is exempt from the business license fee. Exemption code:  **NRS 76.020 Exemption Codes**  
 NOTE: If claiming an exemption, a notarized Declaration of Eligibility form must be attached. Failure to attach the Declaration of Eligibility form will result in rejection, which could result in late fees.  
 This corporation is a publicly traded corporation. The Central Index Key number is:  **001 - Governmental Entity**  
 This publicly traded corporation is not required to have a Central Index Key number. **005 - Motion Picture Company**  
**006 - NRS 680B.020 Insurance Co.**

NAME <b>AMY M HEYWARD</b>	TITLE(S) <b>PRESIDENT (OR EQUIVALENT OF)</b>
ADDRESS <b>9401 WILSHIRE BLVD SUITE 608 , USA</b>	CITY STATE ZIP CODE <b>BEVERLY HILLS CA 90212</b>
NAME <b>GREGORY PAYNE</b>	TITLE(S) <b>SECRETARY (OR EQUIVALENT OF)</b>
ADDRESS <b>9401 WILSHIRE BLVD SUITE 608 , USA</b>	CITY STATE ZIP CODE <b>BEVERLY HILLS CA 90212</b>
NAME <b>RICHARD STAVES</b>	TITLE(S) <b>TREASURER (OR EQUIVALENT OF)</b>
ADDRESS <b>9401 WILSHIRE BLVD. #608 , USA</b>	CITY STATE ZIP CODE <b>BEVERLY HILLS CA 90212</b>
NAME <b>BERNARD CAHILL</b>	TITLE(S) <b>DIRECTOR</b>
ADDRESS <b>9401 WILSHIRE BLVD SUITE 608 , USA</b>	CITY STATE ZIP CODE <b>BEVERLY HILLS CA 90212</b>

None of the officers or directors identified in the list of officers has been identified with the fraudulent intent of concealing the identity of any person or persons exercising the power or authority of an officer or director in furtherance of any unlawful conduct.

I declare, to the best of my knowledge under penalty of perjury, that the information contained herein is correct and acknowledge that pursuant to NRS 239.330, it is a category C felony to knowingly offer any false or forged instrument for filing in the Office of the Secretary of State.

**GREGORY B PAYNE**  
**Signature of Officer or Other Authorized Signature**

Title Date

Novada Secretary of State List Profit  
Revised 7-31-13

**(PROFIT) ANNUAL LIST OF OFFICERS, DIRECTORS AND REGISTERED AGENT OF**

FILE NUMBER

GENIUS BRANDS INTERNATIONAL, INC.

E0515682011-9

NAME		TITLE(S)	
ANDY HEYWARD		PRESIDENT	
ADDRESS	CITY	ST	ZIP
9401 WILSHIRE BLVD SUITE 608 , USA	BEVERLY HILLS	CA	90212
NAME		TITLE(S)	
JOSEPH DAVIS		DIRECTOR	
ADDRESS	CITY	ST	ZIP
9401 WILSHIRE BLVD SUITE 608 , USA	BEVERLY HILLS	CA	90212
NAME		TITLE(S)	
ANDREW HEYWARD		DIRECTOR	
ADDRESS	CITY	ST	ZIP
9401 WILSHIRE BLVD SUITE 608 , USA	BEVERLY HILLS	CA	90212
NAME		TITLE(S)	
LYNNE SEAGALL		DIRECTOR	
ADDRESS	CITY	ST	ZIP
9401 WILSHIRE BLVD SUITE 608 , USA	BEVERLY HILLS	CA	90212
NAME		TITLE(S)	
JEFFREY WEISS		DIRECTOR	
ADDRESS	CITY	ST	ZIP
9401 WILSHIRE BLVD SUITE 608 , USA	BEVERLY HILLS	CA	90212
NAME		TITLE(S)	
P. CLARK HALLREN		DIRECTOR	
ADDRESS	CITY	ST	ZIP
9401 WILSHIRE BLVD SUITE 608 , USA	BEVERLY HILLS	CA	90212
NAME		TITLE(S)	
ANTHONY THOMOPOULOS		DIRECTOR	
ADDRESS	CITY	ST	ZIP
9401 WILSHIRE BLVD SUITE 608 , USA	BEVERLY HILLS	CA	90212
NAME		TITLE(S)	
AMY M HEYWARD		DIRECTOR	
ADDRESS	CITY	ST	ZIP
9401 WILSHIRE BLVD SUITE 608 , USA	BEVERLY HILLS	CA	90212
NAME		TITLE(S)	
ADDRESS	CITY	ST	ZIP
NAME		TITLE(S)	
ADDRESS	CITY	ST	ZIP

**(PROFIT) INITIAL/ANNUAL LIST OF OFFICERS, DIRECTORS AND STATE BUSINESS LICENSE APPLICATION OF:**

ENTITY NUMBER

GENIUS BRANDS INTERNATIONAL, INC.  
NAME OF CORPORATION

E0515682011-9

FOR THE FILING PERIOD OF SEP, 2015 TO SEP, 2016



\*100103\*

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Filed in the office of <i>Barbara K. Cegavske</i> Barbara K. Cegavske Secretary of State State of Nevada	Document Number	20150324610-74
	Filing Date and Time	07/16/2015 11:59 AM
	Entity Number	E0515682011-9
	(This document was filed electronically.) <b>ABOVE SPACE IS FOR OFFICE USE ONLY</b>	

**IMPORTANT:** Read instructions before completing and returning this form.

- Print or type names and addresses, either residence or business, for all officers and directors. A President, Secretary, Treasurer, or equivalent of and all Directors must be named. There must be at least one director. An Officer must sign the form. **FORM WILL BE RETURNED IF UNSIGNED.**
- If there are additional officers, attach a list of them to this form.
- Return the completed form with the filing fee. Annual list fee is based upon the current total authorized stock as explained in the Annual List Fee Schedule For Profit Corporations. A \$75.00 penalty must be added for failure to file this form by the deadline. An annual list received more than 90 days before its due date shall be deemed an amended list for the previous year.
- State business license fee is \$500.00/\$200.00 for Professional Corporations filed pursuant to NRS Chapter 89. Effective 2/1/2010, \$100.00 must be added for failure to file form by deadline.
- Make your check payable to the Secretary of State.
- Ordering Copies:** If requested above, one file stamped copy will be returned at no additional charge. To receive a certified copy, enclose an additional \$30.00 per certification. A copy fee of \$2.00 per page is required for each additional copy generated when ordering 2 or more file stamped or certified copies. Appropriate instructions must accompany your order.
- Return the completed form to: Secretary of State, 202 North Carson Street, Carson City, Nevada 89701-4201, (775) 684-5708.
- Form must be in the possession of the Secretary of State on or before the last day of the month in which it is due. (Postmark date is not accepted as receipt date.) Forms received after due date will be returned for additional fees and penalties. Failure to include annual list and business license fees will result in rejection of filing.

**CHECK ONLY IF APPLICABLE AND ENTER EXEMPTION CODE IN BOX BELOW**

Pursuant to NRS Chapter 76, this entity is exempt from the business license fee. Exemption code:  **NRS 76.020 Exemption Codes**  
**NOTE: If claiming an exemption, a notarized Declaration of Eligibility form must be attached. Failure to attach the Declaration of Eligibility form will result in rejection, which could result in late fees.**  
 This corporation is a publicly traded corporation. The Central Index Key number is:   
 This publicly traded corporation is not required to have a Central Index Key number.

NAME AMY M HEYWARD	TITLE(S) PRESIDENT (OR EQUIVALENT OF)
ADDRESS 301 N. CANON DRIVE, SUITE 305 , USA	CITY STATE ZIP CODE BEVERLY HILLS CA 90210
NAME GREGORY B PAYNE	TITLE(S) SECRETARY (OR EQUIVALENT OF)
ADDRESS 301 N. CANON DRIVE, SUITE 305 , USA	CITY STATE ZIP CODE BEVERLY HILLS CA 90210
NAME MICHAEL D HANDELMAN	TITLE(S) TREASURER (OR EQUIVALENT OF)
ADDRESS 301 N. CANON DRIVE, SUITE 305 , USA	CITY STATE ZIP CODE BEVERLY HILLS CA 90210
NAME BERNARD CAHILL	TITLE(S) DIRECTOR
ADDRESS 301 N. CANON DRIVE, SUITE 305 , USA	CITY STATE ZIP CODE BEVERLY HILLS CA 90210

None of the officers or directors identified in the list of officers has been identified with the fraudulent intent of concealing the identity of any person or persons exercising the power or authority of an officer or director in furtherance of any unlawful conduct.

I declare, to the best of my knowledge under penalty of perjury, that the information contained herein is correct and acknowledge that pursuant to NRS 239.330, it is a category C felony to knowingly offer any false or forged instrument for filing in the Office of the Secretary of State.

**X** GREGORY B PAYNE  
Signature of Officer or  
Other Authorized Signature

Title: SECRETARY Date: 7/16/2015 11:59:14 AM

Nevada Secretary of State List Profit  
Revised: 7-1-15

**(PROFIT) INITIAL/ANNUAL LIST OF OFFICERS AND DIRECTORS OF:**

ENTITY NUMBER

GENIUS BRANDS INTERNATIONAL, INC.

E0515682011-9

NAME ANDREW HEYWARD	TITLE(S) PRESIDENT		
ADDRESS 301 N. CANON DRIVE, SUITE 305 , USA	CITY BEVERLY HILLS	STATE CA	ZIP CODE 90210
NAME JOSEPH DAVIS	TITLE(S) DIRECTOR		
ADDRESS 301 N. CANON DRIVE, SUITE 305 , USA	CITY BEVERLY HILLS	STATE CA	ZIP CODE 90210
NAME P. CLARK HALLREN	TITLE(S) DIRECTOR		
ADDRESS 301 N. CANON DRIVE, SUITE 305 , USA	CITY BEVERLY HILLS	STATE CA	ZIP CODE 90210
NAME AMY M HEYWARD	TITLE(S) DIRECTOR		
ADDRESS 301 N. CANON DRIVE, SUITE 305 , USA	CITY BEVERLY HILLS	STATE CA	ZIP CODE 90210
NAME ANDREW HEYWARD	TITLE(S) DIRECTOR		
ADDRESS 301 N. CANON DRIVE, SUITE 305 , USA	CITY BEVERLY HILLS	STATE CA	ZIP CODE 90210
NAME LYNNE SEAGALL	TITLE(S) DIRECTOR		
ADDRESS 301 N. CANON DRIVE, SUITE 305 , USA	CITY BEVERLY HILLS	STATE CA	ZIP CODE 90210
NAME ANTHONY THOMOPOULOS	TITLE(S) DIRECTOR		
ADDRESS 301 N. CANON DRIVE, SUITE 305 , USA	CITY BEVERLY HILLS	STATE CA	ZIP CODE 90210
NAME MARGARET LOESCH	TITLE(S) DIRECTOR		
ADDRESS 301 N. CANON DRIVE, SUITE 305 , USA	CITY BEVERLY HILLS	STATE CA	ZIP CODE 90210
NAME	TITLE(S)		
ADDRESS	CITY	STATE	ZIP CODE
NAME	TITLE(S)		
ADDRESS	CITY	STATE	ZIP CODE



**(PROFIT) INITIAL/ANNUAL LIST OF OFFICERS, DIRECTORS AND STATE BUSINESS LICENSE APPLICATION OF:**

ENTITY NUMBER

GENIUS BRANDS INTERNATIONAL, INC.

E0515682011-9

NAME OF CORPORATION



FOR THE FILING PERIOD OF SEP, 2016 TO SEP, 2017

\*100103\*

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Return one file stamped copy. (If filing not accompanied by order instructions, file stamped copy will be sent to registered agent.)

**IMPORTANT:** Read instructions before completing and returning this form.

1. Print or type names and addresses, either residence or business, for all officers and directors. A President, Secretary, Treasurer, or equivalent of and all Directors must be named. There must be at least one director. An Officer must sign the form. FORM WILL BE RETURNED IF UNSIGNED.

2. If there are additional officers, attach a list of them to this form.

3. Return the completed form with the filing fee. Annual list fee is based upon the current total authorized stock as explained in the Annual List Fee Schedule For Profit Corporations. A \$75.00 penalty must be added for failure to file this form by the deadline. An annual list received more than 90 days before its due date shall be deemed an amended list for the previous year.

4. State business license fee is \$500.00/\$200.00 for Professional Corporations filed pursuant to NRS Chapter 69. Effective 2/1/2010, \$100.00 must be added for failure to file form by deadline.

5. Make your check payable to the Secretary of State.

6. **Ordering Copies:** If requested above, one file stamped copy will be returned at no additional charge. To receive a certified copy, enclose an additional \$30.00 per certification. A copy fee of \$2.00 per page is required for each additional copy generated when ordering 2 or more file stamped or certified copies. Appropriate instructions must accompany your order.

7. Return the completed form to: Secretary of State, 202 North Carson Street, Carson City, Nevada 89701-4201, (775) 684-5700.

8. Form must be in the possession of the Secretary of State on or before the last day of the month in which it is due. (Postmark date is not accepted as receipt date.) Forms received after due date will be returned for additional fees and penalties. Failure to include annual list and business license fees will result in rejection of filing.

Filed in the office of <i>Barbara K. Cegavske</i> Barbara K. Cegavske Secretary of State State of Nevada	Document Number	20160387153-76
	Filing Date and Time	08/31/2016 9:51 AM
	Entity Number	E0515682011-9
	(This document was filed electronically.)	

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**CHECK ONLY IF APPLICABLE AND ENTER EXEMPTION CODE IN BOX BELOW**

Pursuant to NRS Chapter 76, this entity is exempt from the business license fee. Exemption code:

**NRS 76.020 Exemption Codes**

**NOTE:** If claiming an exemption, a notarized Declaration of Eligibility form must be attached. Failure to attach the Declaration of Eligibility form will result in rejection, which could result in late fees.

001 - Governmental Entity  
005 - Motion Picture Company  
006 - NRS 680B.020 Insurance Co

This corporation is a publicly traded corporation. The Central Index Key number is:

This publicly traded corporation is not required to have a Central Index Key number.

NAME ANDREW HEYWARD	TITLE(S) PRESIDENT (OR EQUIVALENT OF)
ADDRESS 301 N. CANON DRIVE, SUITE 305 , USA	CITY STATE ZIP CODE BEVERLY HILLS CA 90210
NAME GREGORY B PAYNE	TITLE(S) SECRETARY (OR EQUIVALENT OF)
ADDRESS 301 N. CANON DRIVE, SUITE 305 , USA	CITY STATE ZIP CODE BEVERLY HILLS CA 90210
NAME REBECCA HERSHINGER	TITLE(S) TREASURER (OR EQUIVALENT OF)
ADDRESS 301 N. CANON DRIVE, SUITE 305 , USA	CITY STATE ZIP CODE BEVERLY HILLS CA 90210
NAME BERNARD CAHILL	TITLE(S) DIRECTOR
ADDRESS 301 N. CANON DRIVE, SUITE 305 , USA	CITY STATE ZIP CODE BEVERLY HILLS CA 90210

None of the officers or directors identified in the list of officers has been identified with the fraudulent intent of concealing the identity of any person or persons exercising the power or authority of an officer or director in furtherance of any unlawful conduct.

I declare, to the best of my knowledge under penalty of perjury, that the information contained herein is correct and acknowledge that pursuant to NRS 239.330, it is a category C felony to knowingly offer any false or forged instrument for filing in the Office of the Secretary of State.

**X** GREGORY B PAYNE  
Signature of Officer or  
Other Authorized Signature

Title Date  
SECRETARY 8/31/2016 9:51:33 AM

Nevada Secretary of State List Profit  
Revised: 7-1-15

**(PROFIT) INITIAL/ANNUAL LIST OF OFFICERS AND DIRECTORS OF:**

GENIUS BRANDS INTERNATIONAL, INC.

ENTITY NUMBER

E0515682011-9

NAME JOSEPH DAVIS	TITLE(S) DIRECTOR			
ADDRESS 301 N. CANON DRIVE, SUITE 305 , USA	CITY BEVERLY HILLS	STATE CA	ZIP CODE 90210	
NAME P. CLARK HALLREN	TITLE(S) DIRECTOR			
ADDRESS 301 N. CANON DRIVE, SUITE 305 , USA	CITY BEVERLY HILLS	STATE CA	ZIP CODE 90210	
NAME AMY M HEYWARD	TITLE(S) DIRECTOR			
ADDRESS 301 N. CANON DRIVE, SUITE 305 , USA	CITY BEVERLY HILLS	STATE CA	ZIP CODE 90210	
NAME ANDREW HEYWARD	TITLE(S) DIRECTOR			
ADDRESS 301 N. CANON DRIVE, SUITE 305 , USA	CITY BEVERLY HILLS	STATE CA	ZIP CODE 90210	
NAME MARGARET LOESCH	TITLE(S) DIRECTOR			
ADDRESS 301 N. CANON DRIVE, SUITE 305 , USA	CITY BEVERLY HILLS	STATE CA	ZIP CODE 90210	
NAME LYNNE SEAGALL	TITLE(S) DIRECTOR			
ADDRESS 301 N. CANON DRIVE, SUITE 305 , USA	CITY BEVERLY HILLS	STATE CA	ZIP CODE 90210	
NAME ANTHONY THOMOPOULOS	TITLE(S) DIRECTOR			
ADDRESS 301 N. CANON DRIVE, SUITE 305 , USA	CITY BEVERLY HILLS	STATE CA	ZIP CODE 90210	
NAME	TITLE(S)			
ADDRESS	CITY	STATE	ZIP CODE	
NAME	TITLE(S)			
ADDRESS	CITY	STATE	ZIP CODE	
NAME	TITLE(S)			
ADDRESS	CITY	STATE	ZIP CODE	

BARBARA K. CEGAUSKE  
Secretary of State  
204 North Carson Street, Suite 4  
Carson City, Nevada 89701-4520  
(775) 684-5706  
Website: www.nvsos.gov

**Certificate of Change Pursuant  
to NRS 78.209**

Filed in the office of	Document Number
/s/ Barbara K. Cegavske	20160486430-34
Barbara K. Cegavske	Filing Date and Time
Secretary of State	11/04/2016 8:00 AM
State of Nevada	Entity Number
	E00515685011-9

**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:

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.

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

233,333,334 authorized shares of Common Stock, par value \$0.001 per share.

100,000,000 authorized 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 shares 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.

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:

All fractional shares of Common Stock will be rounded up to the nearest whole share.

7. Effective date and time of filing: (optional)      Date: 11/07/16      Time: 5:00 PM

8. Signature:

/s/ Gregory B. Payne  
Signature of Officer

Corporate Secretary  
Title

---

CERTIFICATION

I, Andrew Heyward, certify that:

- 1 I have reviewed this 10-Q 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: November 14, 2016

/s/ Andrew Heyward  
Andrew Heyward, Chief Executive Officer  
(Principal Executive Officer)

CERTIFICATION

I, Rebecca D. Hershinger, certify that:

1. I have reviewed this 10-Q 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: November 14, 2016

/s/ Rebecca D. Hershinger  
Rebecca D. Hershinger, Chief Financial Officer  
(Principal Financial and Accounting Officer)

**EXHIBIT 32.1**

**CERTIFICATION  
PERSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT  
OF 2002 (18 U.S.C. 1350)**

I, Andrew Heyward, Chief Executive Officer of Genius Brands International, Inc., (the “Company”), do hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to the best of my knowledge:

1. the Quarterly Report on Form 10-Q, of the Company for the fiscal quarter ended September 30, 2016 (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: November 14, 2016

/s/ Andrew Heyward  
Andrew Heyward, Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION  
PERSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT  
OF 2002 (18 U.S.C. 1350)**

I, Rebecca D. Hershinger, Chief Financial Officer of Genius Brands International, Inc., (the "Company"), do hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to the best of my knowledge:

1. the Quarterly Report on Form 10-Q, of the Company for the fiscal quarter ended September 30, 2016 (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: November 14, 2016

/s/ Rebecca D. Hershinger  
Rebecca D. Hershinger, Chief Financial Officer  
(Principal Financial and Accounting Officer)