

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2022

OR

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

Commission file number: 001-38331

DOLPHIN ENTERTAINMENT, INC.

(Exact name of registrant as specified in its charter)

Florida

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

150 Alhambra Circle, Suite 1200, Coral Gables, FL

(Address of principal executive offices)

86-0787790

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

33134

(Zip Code)

Registrant's telephone number (305) 774-0407

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.015 par value per share	DLPN	The Nasdaq Capital Market

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

None

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging Growth Company

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

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

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, as of the last business day of the registrant's most recently completed second fiscal quarter: \$25,511,503

Number of shares outstanding of the registrant's common stock as of March 23, 2023: 12,619,434

DOCUMENTS INCORPORATED BY REFERENCE

None.

TABLE OF CONTENTS

FORM 10-K

	Page
PART I	
Item 1. BUSINESS	1
Item 1A. RISK FACTORS	7
Item 1B. UNRESOLVED STAFF COMMENTS	14
Item 2. PROPERTIES	14
Item 3. LEGAL PROCEEDINGS	14
Item 4. MINE SAFETY DISCLOSURES	14
PART II	
Item 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	15
Item 6. [RESERVED]	15
Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	15
Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	27
Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	28
Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	28
Item 9A. CONTROLS AND PROCEDURES	28
Item 9B. OTHER INFORMATION	30
Item 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS	30
PART III	
Item 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE	31
Item 11. EXECUTIVE COMPENSATION	31
Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	31
Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	31
Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES	31
PART IV	
Item 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES	32
Item 16. FORM 10-K SUMMARY	33
SIGNATURES	34

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Form 10-K contain “forward-looking statements” and information within the meaning of Section 27A of the Securities Act of 1933, as amended, or the “Securities Act”, and Section 21E of the Securities Exchange Act of 1934, as amended, or the “Exchange Act”, which are subject to the “safe harbor” created by those sections. These forward-looking statements include, but are not limited to, statements about our plans, objectives, representations and intentions and are not historical facts and typically are identified by use of terms such as “may,” “should,” “could,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “continue,” “will,” “would” and similar words, although some forward-looking statements are expressed differently. You should be aware that the forward-looking statements included herein represent management’s current judgment and expectations, but our actual results, events and performance could differ materially from those in the forward-looking statements. Specifically, this Form 10-K contains forward-looking statements regarding:

- the effects of a challenging economy on the demand for our marketing services, on our clients’ financial condition and our business or financial condition;
- the impacts of the novel coronavirus (COVID-19) pandemic and the measures to contain its spread, including social distancing efforts and restrictions on businesses, social activities and travel, any failure to realize anticipated benefits from the rollout of COVID-19 vaccination campaigns and the resulting impact on the economy, our clients and demand for our services, which may precipitate or exacerbate other risks and uncertainties;
- risks associated with assumptions we make in connection with our critical accounting estimates, including changes in assumptions associated with any effects of a weakened economy;
- potential adverse effects if we are required to recognize impairment charges or other adverse accounting-related developments;
- our expectations regarding the potential benefits and synergies we can derive from our acquisitions;
- our expectations to offer clients a broad array of interrelated services, the impact of such strategy on our future profitability and growth and our belief regarding our resulting market position;
- our beliefs regarding our competitive advantages;
- our intention to hire new individuals or teams whose existing books of business and talent rosters can be accretive to revenues and profits of the business and our expectations regarding the impact of such additional hires on the growth of our revenues and profits;
- our beliefs regarding the drivers of growth in the entertainment publicity and marketing segment, the timing of such anticipated growth trend and its resulting impact on the overall revenue;
- our intention to expand into television production in the near future;
- our belief regarding the transferability of 42West, The Door, Shore Fire, Viewpoint, Be Social, Socialyte and B/HI’s skills and experience to related business sectors and our intention to expand our involvement in those areas;
- our intention to selectively pursue complementary acquisitions to enforce our competitive advantages, scale and grow, our belief that such acquisitions will create synergistic opportunities and increased profits and cash flows, and our expectation regarding the timing of such acquisitions;
- our expectations to raise funds through loans, additional sales of our common stock, securities convertible into our common stock, debt securities or a combination of financing alternatives;
- our intention to implement improvements to address material weaknesses in internal control over financial reporting.

These forward-looking statements reflect our current views about future events and are subject to risks, uncertainties and assumptions. We wish to caution readers that certain important factors may have affected and could in the future affect our actual results and could cause actual results to differ significantly from those expressed in any forward-looking statement. The most important factors that could prevent us from achieving our goals, and cause the assumptions underlying forward-looking statements and the actual results to differ materially from those expressed in or implied by those forward-looking statements include, but are not limited to, the following:

- our ability to continue as a going concern;
- our history of net losses and our ability to generate a profit;
- our significant indebtedness and our ability to obtain additional financing or service the existing indebtedness;
- the effect of the COVID-19 outbreak on our business and operations;
- our ability to accurately predict our clients’ acceptance of our differentiated business model that offers interrelated services;
- our ability to successfully identify and complete acquisitions in line with our growth strategy and anticipated timeline, and to realize the anticipated benefits of those acquisitions;
- our ability to maintain compliance with Nasdaq listing requirements;
- adverse events, trends and changes in the entertainment or entertainment marketing industries that could negatively impact our operations and ability to generate revenues;

- loss of a significant number of entertainment publicity and marketing clients;
- the ability of key clients to increase their marketing budgets as anticipated;
- our ability to continue to successfully identify and hire new individuals or teams who will provide growth opportunities;
- uncertainty that our strategy of hiring of new individuals or teams will positively impact our revenues and profits;
- lack of demand for strategic communications services by traditional and non-traditional media clients who are expanding their activities in the content production, branding and consumer products PR sectors;
- economic factors that adversely impact the entertainment industry, as well as advertising, production and distribution revenue in the online and motion picture industries;
- economic factors that adversely impact the food and hospitality industries, such as those economic factors from the global outbreak of COVID-19;
- competition for talent and other resources within the industry and our ability to enter into agreements with talent under favorable terms;
- our ability to attract and/or retain the highly specialized services of the 42West, The Door, Viewpoint, Shore Fire, Be Social, Socialyte and B/Hi executives and employees and our CEO;
- availability of financing from investors under favorable terms;
- our ability to adequately address material weaknesses in internal control over financial reporting; and
- uncertainties regarding the outcome of pending litigation.

The foregoing list of important factors does not include all such factors, nor necessarily present them in order of importance. In addition, you should consult other disclosures made by the Company (such as in our other filings with the SEC or in Company press releases) for other factors that may cause actual results to differ materially from those projected by the Company. Please refer to Part I, Item 1A, Risk Factors of this Form 10-K for additional information regarding factors that could affect the Company's results of operations, financial condition and liquidity. Any forward-looking statements, which we make in this Form 10-K, speak only as of the date of such statement, and we undertake no obligation to update such statements, except as otherwise required by applicable law. We can give no assurance that such forward-looking statements will prove to be correct. An occurrence of, or any material adverse change in, one or more of the risk factors or risks and uncertainties referred to in this report or included in our other periodic reports filed with the SEC could materially and adversely impact our operations and our future financial results. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

Any public statements or disclosures made by us following this report that modify or impact any of the forward-looking statements contained in or accompanying this report will be deemed to modify or supersede such outlook or other forward-looking statements in or accompanying this report.

PART I

Unless the context otherwise requires, all references to “we”, “us”, “our”, “Dolphin” and the “Company” refer to Dolphin Entertainment, Inc., a Florida corporation, and its consolidated subsidiaries.

ITEM 1. BUSINESS

Overview

We are a leading independent entertainment marketing and premium content development company. Through our subsidiaries, 42West LLC (“42West”), The Door Marketing Group LLC (“The Door”), Shore Fire Media, Ltd (“Shore Fire”), Viewpoint Computer Animation, Inc. (“Viewpoint”), Be Social Public Relations, LLC (“Be Social”), B/Hi Communications, Inc. (“B/Hi”) and Socialyte LLC (“Socialyte”) we provide expert strategic marketing and publicity services to many of the top brands, both individual and corporate, in the motion picture, television, music, gaming, culinary, hospitality and lifestyle industries. 42West (Film and Television, Gaming), Shore Fire (Music), and The Door (Culinary, Hospitality, Lifestyle) are each recognized global PR and marketing leaders for the industries they serve. (B/Hi is considered a division of 42West throughout the rest of our discussion.) Viewpoint adds full-service creative branding and production capabilities to our marketing group and Be Social and Socialyte provide influencer marketing capabilities through their roster of highly engaged social media influencers. Dolphin’s legacy content production business, founded by our Emmy-nominated Chief Executive Officer, Bill O’Dowd, has produced multiple feature films and award-winning digital series, primarily aimed at family and young adult markets.

We were first incorporated in the State of Nevada on March 7, 1995 and domesticated in the State of Florida on December 4, 2014. Our common stock trades on The Nasdaq Capital Market under the symbol “DLPN”.

We currently operate in two reportable segments: our entertainment publicity and marketing segment and our content production segment. The entertainment publicity and marketing segment is composed of 42West, Shore Fire, The Door, Viewpoint, Be Social and Socialyte and provides clients with diversified services, including public relations, entertainment content marketing, strategic communications, social media and influencer marketing, creative branding, and the production of promotional video content. The content production segment is composed of Dolphin Films, Inc. (“Dolphin Films”) and a department within Dolphin, which produce and distribute feature films and digital content.

With respect to our entertainment publicity and marketing segment, we currently see a favorable environment for organic growth. The original content budgets of many large studios and streaming services have grown considerably the past few years and are expected to continue to do so for the foreseeable future. Furthermore, we have seen the entrance of large streaming services such as Disney+, Apple TV, Peacock (from NBCUniversal), HBO Max, Paramount+ and Discovery, all to compete with Netflix, Amazon and Hulu. We believe that the foremost differentiating factor for all of these platforms will be original programming and, consequently, it is anticipated that there will be an increase of tens of billions of dollars in programming spent across the market. We also believe that each of these original shows will need substantial public relations and marketing campaigns to drive consumer awareness of both the shows themselves and the respective platforms on which to find them.

Additionally, we have endeavored to create a “marketing super group,” combining marketing, public relations, branding, and digital production, that will serve as a platform for organic growth via the cross-selling of services among our subsidiaries. By way of example, our initial public relations companies (42West, Shore Fire, and The Door) have identified the capability to run influencer marketing campaigns for clients as a “must have” in today’s environment, which requires the ability to drive social media awareness and engagement. Thus, we believe that our subsidiaries, Be Social and Socialyte provide a critical competitive advantage in the acquisition of new clients in the entertainment and lifestyle marketing space and will continue to fuel topline revenue growth as the average revenue per client increases with the cross-selling of influencer marketing services. Furthermore, influencer marketing campaigns are also considered essential to so many consumer products earned media campaigns in today’s online marketplace, creating large cross-selling opportunities between our PR agencies and Be Social’s and Socialyte’s expertise and services.

We believe that our expanding portfolio of public relations and marketing companies will continue to attract future acquisitions. We believe that our “marketing super group” is unique in the industry, as a collection of best-in-class service providers across a variety of entertainment and lifestyle verticals. We further believe that with each new acquisition in this space, our portfolio will increase its breadth and depth of services and, therefore, be able to offer an even more compelling opportunity for other industry leaders to join and enjoy the benefits of cross-selling to a wide variety of existing and potential clients. Thus, we believe we can continue to grow both revenues and profits through future acquisitions into our entertainment publicity and marketing segment.

Finally, we believe our ability to engage a broad consumer base through our best-in-class pop culture assets provides us an opportunity to make investments in products or companies which would benefit from our collective marketing power. We call these investments “Dolphin 2.0” (with “Dolphin 1.0” being the underlying businesses of each of our subsidiaries).

Simply put, we seek to own some of the assets we are marketing. Specifically, we want to own assets where our experience, industry relationships and marketing power will most influence the likelihood of success. This leads us to seek investments in the following categories of assets: 1) Content; 2) Live Events; and 3) Consumer Products.

The first of our 2.0 investments was in the new world of NFTs (Non-Fungible Tokens). Initially, we had seen a large opportunity in this sector. Even without broad consumer adoption, the NFT market grew dramatically in 2021, from an estimated \$250 million in 2020 to over \$40 billion in 2021, according to Bloomberg. We had believed the NFT market would continue to grow at a rapid pace for years to come, driven by the combination of 1) the ability of consumers to purchase using a credit card (and not just with cryptocurrencies); 2) consumer-friendly pricing options (previously not readily available due to large “gas fees” charged by both sellers and buyers of NFTs to offset the energy consumption required to “mint” the NFT for sale); and 3) popular entertainment and pop culture collectibles being offered.

In March 2021, we announced our intentions to enter into the production and marketing of NFTs. In August, 2021, we announced we would develop and launch NFT collections across all major entertainment industry verticals (film, television, music, gaming, etc.). In October, 2021, we announced the hiring of Anthony Francisco, former Senior Visual Development Artist at Marvel Studios, and designer of many iconic characters in the Marvel Cinematic Universe, to be Creative Director of our NFT studios. And in December, 2021, we unveiled our first collection, entitled “Creature Chronicles: Exiled Aliens,” a generative art collection of 10,000 unique avatars created by Mr. Francisco. On October 2, 2022, the Company minted and offered for sale a collection of 7,777 *Creature Chronicles: Exiled Aliens* NFTs. The collection generated approximately 13,175 Solana (“SOL”) equivalent to approximately \$429,000 on the date of the sale, of which we netted approximately \$300,000.

Despite the success of a “sold out” collection (in approximately 90 minutes on a Sunday afternoon), we no longer have immediate plans to design and sell additional NFT collections, due to the tremendously uncertain macro environment surrounding cryptocurrencies in general (still the primary payment form for NFTs), and NFTs in particular.

Our second Dolphin 2.0 investment was made in October, 2021, when we acquired an ownership stake in Midnight Theatre, a state-of-the-art contemporary variety theater and restaurant in the heart of Manhattan. An anchor of Brookfield Properties’ recently opened \$4.5 billion Manhattan West development, the Midnight Theatre held its soft opening in September 2022 and is expected to be fully operating by fourth quarter of 2023. The Midnight Theatre will feature three distinct experiences for guests: the theatre itself; a separate pan-Asian restaurant, Hidden Leaf; and a ground-level café. We manage all aspects of publicity and marketing for the venue (both theatre and restaurant), as well as facilitate talent and commercial relationships within the entertainment and culinary industries.

The Midnight Theatre will have a weekly schedule of performances and immersive experiences across music, comedy, Broadway, and narrative magic shows programmed at the 160-seat venue. The contemporary variety theatre integrates state-of-the-art 270 degree projection mapped visuals into live performances, allowing for unprecedented intimacy between performers and guests. The Midnight Theatre also has built in live-stream capabilities, allowing for events inside the theatre to expand beyond into other theaters, people’s homes and corporate offices. The theatre will be available to host live streamed podcasts, comedy specials, music events, Broadway cabarets, corporate keynote events and more.

Hidden Leaf, the modern pan-Asian restaurant concept on the second floor of The Midnight Theatre space, led by acclaimed restaurateur Josh Cohen, commenced operations on July 2022. The restaurant features a 75-seat dining room, 20-seat private dining room and a 40-seat lounge/bar area. Hidden Leaf will be open for both lunch and dinner and will incorporate world-class food with interactive elements such as table-side prep, wine consignments, and memberships.

Our third Dolphin 2.0 investment was made in December, 2021, when we acquired an ownership stake in Craffhouse Cocktails, a pioneering brand of ready-to-drink, all-natural classic cocktails created by world renowned mixologist, Charles Joly and esteemed restaurateur, Matt Lindner. Founded in 2013, Craffhouse Cocktails is an award-winning pioneer in the premium ready-to-drink cocktail category, with eight different, made-from-scratch cocktails, using all-natural ingredients and premium craft spirits, available in more than 2,000 retail locations nationally. We will manage all aspects of publicity and marketing for the brand through our network of agencies and will facilitate talent and commercial relationships within the entertainment and culinary industries.

Lastly our fourth Dolphin 2.0 investment was made in June, 2022, when we entered into a multi-year deal with IMAX to jointly finance the development and production of a slate of feature-length documentaries for the global market. The first project under this deal is for “The Blue Angels,” co-produced by legendary Hollywood filmmaker J.J. Abrams and his Bad Robot Productions. “The Blue Angels” follows the newest class of the storied Navy and Marine Corps flight squadron through intense training and into their first season of heart-stopping aerial artistry, while also sharing the emotional stories of the veterans on the team who, this year, will take their final flights. It will mark the first time the iconic blue and yellow F/A-18 Super Hornets will be featured in IMAX. The film is expected to be released in IMAX theaters in the second half of 2023.

Growth Opportunities and Strategies

For Dolphin 1.0, we are focused on driving growth through the following efforts:

Expand and grow 42West to serve more clients with a broad array of interrelated services. We believe that the launch and growth of a large number of streaming services over the last three years represents tremendous organic growth opportunities for 42West, due to the increase in potential new clients and a larger number of individual projects to promote.

Enhanced by Dolphin's acquisitions of Be Social, Socialyte and Viewpoint, 42West has the ability to both structure influencer marketing campaigns and create promotional and marketing content for clients, which are critical services for entertainment content marketers in today's digital world.

Through our acquisition of B/HI in January, 2021 (considered a division of 42West), 42West has entered into the "sister" entertainment verticals of video gaming and e-sports. We believe these industries represent a tremendous growth opportunity for 42West.

Furthermore, the growing involvement in non-entertainment businesses by many of our existing entertainment clients has allowed 42West to establish a presence and develop expertise outside its traditional footprint. Using this as a foundation, we are now working to expand our involvement in these new areas, including consumer products "fronted" by recognizable celebrities or "branded" with recognizable intellectual property.

Expand and grow Shore Fire Media to serve more clients in more genres of music and in more markets. For over 30 years, Shore Fire has been a leader in providing public relations and marketing services to a broad array of songwriters, recording artists, publishers and others within the music industry, all from its headquarters in Brooklyn. We plan to significantly expand Shore Fire's presence in other major music markets, including Los Angeles, Nashville and Miami, which we believe will provide access to potential clients across a wide array of popular musical genres, including pop, country and Latin.

Expand and grow The Door through the expansion of its Consumer Products PR business. The Door's market-leading position in both the food and hospitality verticals, with many clients that have consumer-facing products and the need for attendant marketing campaigns, has provided the Company with the requisite experience for a successful entry into the high-margin consumer products PR business with potential clients both inside and outside of the food and hospitality verticals. We plan to significantly increase the number of consumer products PR accounts at The Door. Such accounts often generate higher monthly fees and longer-term engagements than any other of our customer verticals.

Diversify Viewpoint's Client Base. Viewpoint is a leading creative branding agency and promotional video content producer for the television industry, with long-term clients such as HBO, Discovery Networks, Showtime and AMC. Through 42West, The Door and Shore Fire, Viewpoint can offer its best-in-class services to several new verticals, including motion picture production and distribution companies, video game publishers, musical artists, restaurant groups, the hospitality and travel industry and the marketers of consumer products. The ability for Viewpoint to reach clients of 42West, The Door and Shore Fire provides Viewpoint with the opportunity to diversify its client base, while allowing 42West, The Door and Shore Fire to increase their service offerings to, existing and future clients, potentially driving increased revenues.

Diversify Be Social's and Socialyte's Client Bases. Be Social and Socialyte are leading influencer marketing agencies, with a specialization in the beauty, fashion and wellness industries. Through 42West, The Door and Shore Fire, Be Social and Socialyte can offer their services to several new verticals, including motion picture and television content, podcasts, musical artists and labels, restaurant groups, hotels and resorts, the travel industry, the gaming and e-sports industry, and the marketers of broader consumer products. The ability for Be Social and Socialyte to reach clients of 42West, The Door and Shore Fire provides Be Social and Socialyte with the opportunity to diversify their client bases, while allowing 42West, The Door and Shore Fire to increase their service offerings to, existing and future clients, potentially driving increased revenues.

Cross-Sell Be Social's and Socialyte's Expertise Across Both Paid and Organic Influencer Campaigns. Be Social has a well-regarded brand marketing division specializing in organic influencer campaigns (i.e. wherein brands supply free product to influencers to sample, but do not pay the influencers for guaranteed posts). Socialyte has a well-regarded brand marketing division specializing in paid influencer campaigns (i.e. wherein brands pay influencers to promote their products, whether or not free products are distributed to the influencer). Brands often run both types of campaigns, organic and paid, during the same campaign cycle. By being able to offer both services to brands, we anticipate a strong "cross-selling" business between the brand divisions of Be Social and Socialyte, increasing the "wallet share" from each of the brand clients of the respective companies.

Opportunistically grow through complementary acquisitions. We plan to selectively pursue acquisitions to further enhance our competitive advantages, scale our revenues, and increase our profitability. Our acquisition strategy is based on identifying and acquiring companies that complement our existing entertainment publicity services businesses. We believe that complementary businesses, such as live event production companies and PR firms in other entertainment verticals, can create synergistic opportunities that may increase profits and operating cash flow.

For Dolphin 2.0, we are focused on driving growth through the following efforts:

Build a portfolio of premium film, television and digital content. We intend to grow and diversify our portfolio of film, television and digital content by capitalizing on demand for high quality digital media and film content throughout the world marketplace. We plan to balance our financial risks against the probability of commercial success for each project. We believe that our strategic focus on content and creation of innovative content distribution strategies will enhance our competitive position in the industry, ensure optimal use of our capital, build a diversified foundation for future growth and generate long-term value for our shareholders. Finally, we believe that marketing strategies that will be developed by our best-in-class entertainment PR and marketing companies will drive our creative content, thus creating greater potential for profitability.

Promotion of Midnight Theatre. As noted above, Midnight Theatre is currently scheduled to fully open with seven days a week of programming, by the end of the fourth quarter of this year. All Dolphin PR and Marketing subsidiaries will support the promotional campaigns for the opening of Midnight Theatre. We will also seek to support the programming slate of the theatre itself, through our relationships across music, Broadway and other forms of entertainment.

Assist Crafthouse Cocktails on its expansion. We believe Crafthouse Cocktails is a fantastic product, poised for growth. We will seek to create and execute PR and marketing campaigns to assist Crafthouse in growing its retail presence, both in states where the brand currently is available, as well as new states across the country.

Entertainment Publicity and Marketing

42West

Through 42West, an entertainment public relations agency, we offer talent publicity, entertainment (motion picture and television) marketing, video game and eSports marketing, and strategic communications services. Prior to its acquisition, 42West grew to become one of the largest independently-owned public relations firms in the entertainment industry, and in March 2022 (the most recent year of such rankings), 42West was ranked #2 in the annual rankings of the nation's Power 50 PR firms by the New York Observer, the highest position held by an entertainment PR firm. As such, we believe that 42West has served, and will continue to serve, as an "acquisition magnet" for us to acquire new members of our marketing "super group," which has the ability to provide synergistic new members with the opportunity to grow revenues and profits through 42West's access, relationships and experience in the entertainment industry.

Marketing professionals at 42West develop and execute marketing and publicity strategies for dozens of movies and television shows annually, as well as for individual actors, filmmakers, recording artists, video game publishers, and authors. Through 42West, we provide services in the following areas:

Entertainment Marketing

We provide marketing direction, public relations counsel and media strategy for productions (including theatrical films, DVD and VOD releases, television programs, and online series) as well as content producers, ranging from individual filmmakers and creative artists to production companies, film financiers, DVD distributors, and other entities. Our capabilities include worldwide studio releases, independent films, television programming and web productions. We provide entertainment marketing services in connection with film festivals, awards campaigns, event publicity and red-carpet management.

Talent Publicity

We focus on creating and implementing strategic communication campaigns for performers and entertainers, including film, television and Broadway stars. Our talent roster includes multiple Oscar-, Emmy- and Tony-winning actors. Our services in this area include ongoing strategic counsel, media relations, studio, network, charity, corporate liaison and event support.

Video Game and eSports Publicity

We provide marketing direction, public relations counsel and media strategy for video game publishers as well as eSports leagues, and other entities in the gaming industry. Our capabilities include global game releases (web, console and mobile), independent releases, eSports tournament and league publicity, and various gaming events.

Strategic Communications

Our strategic communications team advises brands and non-profits seeking to utilize entertainment and pop culture in their marketing campaigns. We also help companies define objectives, develop messaging, create brand identities, and construct long-term strategies to achieve specific goals, as well as manage functions such as media relations or internal communications on a day-to-day basis. Our clients include major studios and production companies, record labels, media conglomerates, technology companies, philanthropic organizations, talent guilds, and trade associations, as well as a wide variety of high-profile individuals, ranging from major movie and pop stars to top executives and entrepreneurs.

Shore Fire

Through Shore Fire, we represent musical artists and culture makers at the top of their fields. Shore Fire's dedicated teams in New York, Los Angeles, and Nashville wield extensive, varied expertise to strategically amplify narratives and shape reputations for career-advancing effect. We believe Shore Fire is the largest public relations agency in the music business, representing top recording artists in multiple genres, songwriters, music producers, record labels, music industry businesses, venues, trade organizations, authors, comedians, social media personalities and cultural institutions.

The Door

Through The Door, a hospitality, lifestyle and consumer products public relations agency, we offer traditional public relations services, as well as social media marketing, creative branding, and strategic counsel. Prior to its acquisition, The Door was widely considered the leading independent public relations firm in the hospitality and lifestyle industries. Among other benefits, The Door acquisition has expanded our entertainment verticals through the addition of celebrity chefs and their restaurants, as well as with live events, such as some of the most prestigious and well-attended food and wine festivals in the United States. Our public relations and marketing professionals at The Door develop and execute marketing and publicity strategies for dozens of restaurant and hotel groups annually, as well as for individual chefs, live events, and consumer-facing corporations.

Be Social and Socialyte

Through Be Social and Socialyte, our influencer marketing agencies, we offer brand marketing services (both paid and organic influencer marketing campaigns) and management for individual influencers. Be Social is a recognized leader in its field, especially within the beauty, fitness and wellness industries. Socialyte is an influencer marketing powerhouse, with teams in New York, Los Angeles, Miami and Nashville representing some of the most sought-after creators, from digital-only to celebrity-level talent. Combined, Be Social and Socialyte have a client roster of more than 200 market-leading influencers. Lytehouse, Socialyte's sister agency, represents some of the world's most iconic brands, providing a full suite of services for paid influencer campaigns, from strategy and casting, through execution and delivery, with in-depth analytics and reporting.

Viewpoint

Viewpoint is a full-service, boutique creative branding and production agency that has earned a reputation as one of the top producers of promotional brand-support videos for a wide variety of leading cable networks in the television industry. Viewpoint's capabilities run the full range of creative branding and production, from concept creation to final delivery, and include: brand strategy, concept and creative development, design & art direction, script & copywriting, live action production & photography, digital development, video editing & composite, animation, audio mixing & engineering, project management and technical support.

Content Production

Dolphin Films and Dolphin Digital Studios

Dolphin Films is a content producer of motion pictures. We own the rights to several scripts that we intend to produce at a future date. Dolphin Digital Studios creates original content to premiere online. We own several concepts and scripts that we intend to further develop and produce at a future date.

In June, 2022, we entered into a multi-year deal with IMAX Corporation to jointly finance the development and production of a slate of feature-length documentaries for the global market. The first project under this deal is for "The Blue Angels," co-produced by legendary Hollywood filmmaker J.J. Abrams and his Bad Robot Productions. We agreed to finance up to \$2 million of the production budget, and as of December 31, 2022, we have invested approximately \$1.5 million, of The Blue Angels that is expected to be released in the second half of 2023.

Competition

The businesses in which we engage are highly competitive. Through 42West, Shore Fire and The Door, we compete against other public relations and marketing communications companies, as well as independent and niche agencies to win new clients and maintain existing client relationships. Through Viewpoint, Be Social and Socialyte, we compete against other creative branding and influencer marketing agencies as well as in-house teams at many of our clients. Our content production business faces competition from companies within the entertainment business and from alternative forms of leisure entertainment, such as travel, sporting events, video games and computer-related activities. We are subject to competition from other digital media and motion production companies, as well as from large, well-established companies within the entertainment industry that have significantly greater development, production, distribution and capital resources than us. We compete for the acquisition of literary properties and for the services of producers, directors, actors and other artists as well as creative and technical personnel and production financing, all of which are essential to the success of our business. In addition, our productions compete for audience acceptance and advertising dollars.

We believe that we compete on the basis of the following competitive strengths:

- *Market Reputations of 42West, Shore Fire and The Door* — 42West, Shore Fire and The Door consistently rank among the most prestigious and powerful public relations firms in the United States (each ranking in the Top 50 Most Powerful PR Firms in recent rankings, as published by the New York Observer), which is a significant competitive advantage given the nature of the entertainment marketing and public relations industry, in which “perception is power;”
- *An Exceptional Management Team*—our CEO, Mr. O’Dowd, has a 25-year history of producing and delivering high-quality family entertainment. In addition, 42West’s CEO, Amanda Lundberg, The Door’s CEO, Charlie Dougiello, and President, Lois O’Neill, and Shore Fire’s President Marilyn Laverty are all longtime PR practitioners, with decades of experience, and are widely recognized as among the top communications strategists in the entertainment, hospitality and music industries, as evidenced by the market reputation of their companies; and
- *Our Ability to Offer Interrelated Services*—we believe that our ability to offer influencer marketing expertise and creative branding opportunities for our 42West, The Door and Shore Fire clients, primarily through the services of Be Social, Socialyte and Viewpoint, will allow us to expand and grow our relationships with existing clients and also attract new ones.
- *Our Ability to Offer Services Across Multiple Verticals of Entertainment* – we believe that our ability to offer relationship access and marketing reach across all of the film, television, podcast, music, celebrity chef, hospitality, gaming and e-sports industries will be attractive to marketers of consumer products who desire a broad campaign across pop culture, which will allow us to expand our client base and grow the size of our campaigns.

Human Capital Management

Our People and Culture

Because our business is predominantly service-based, the quality of the personnel we employ is crucial to our success and growth. Our employees and contractors are our most valuable assets. We believe our relationship with our employees is great, and we also utilize consultants in the ordinary course of our business and hire additional employees on a project-by-project basis in connection with the production of digital media projects or motion pictures. We conduct training and development in our subsidiaries to ensure our employees maintain the quality for which we are known.

As of March 10, 2023, we had 244 full-time employees, all of which are located within the United States.

Diversity and Inclusion

Dolphin and our subsidiaries are committed to diversity and inclusion, and our culture reinforce these values on a day-to-day basis, beginning with our leadership team. Our leadership team, which includes our Chief Executive Officer, Chief Financial and Operating Officer and the leaders of our subsidiaries, is composed 70% of women. Likewise, the Board of Directors is composed 29% of women.

Other Compensation and Benefits

The Company offers competitive compensation and benefits packages that meet the needs of its employees, including equity incentive awards, retirement plans, health, dental, and vision benefits, basic life insurance and short and long-term disability coverage, among other benefits. The Company analyzes market trends and monitors its own compensation practices to attract, retain, and promote employees and reduce turnover and associated costs.

Regulatory Matters

We are subject to state and federal work and safety laws and disclosure obligations, under the jurisdiction of the U.S. Occupational Safety and Health Administration and similar state organizations.

As a public company, we are subject to the reporting requirements under Section 13(a) and Section 15(d) of the Exchange Act.

Corporate Offices

Our corporate headquarters is located at 150 Alhambra Circle, Suite 1200, Coral Gables, Florida 33134. Our telephone number is (305) 774-0407. We also have offices located at:

- 600 3rd Avenue, 23rd Floor, New York, New York 10016,
- 37 West 17th Street, 5th Floor, New York, New York, 10011;
- 1840 Century Park East, Suite 200, Los Angeles, California 90067; and
- 12 Court Street, Suite 1800, Brooklyn, New York 11201;

Available Information

The Company's Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are available free of charge through the "Investor Relations" section of the Company's website, www.dolphinentertainment.com, as soon as reasonably practical after they are filed with the Securities and Exchange Commission ("SEC"). The SEC maintains a website, www.sec.gov, which contains reports, proxy and information statements, and other information filed electronically with the SEC by the Company. In addition, you may automatically receive email alerts and other information when you enroll your email address by visiting the "Investor Relations" section of our website. The content of any website referred to in this document is not incorporated by reference into this document.

ITEM 1A. RISK FACTORS

Risks Related to our Business and Financial Condition

Our results of operations are highly susceptible to unfavorable economic conditions.

We are exposed to risks associated with weak or uncertain regional economic conditions and disruptions in the financial markets. Following the severe downturn in most markets following the outbreak of the COVID-19 pandemic, the global economy continues to be challenging. Economic downturns or uncertainty about the strength of the global economy in general, or economic conditions in certain regions or market sectors, and caution on the part of marketers, can have an effect on the demand for advertising and marketing communication services. In addition, market conditions can be and have been adversely affected by natural and human disruptions, such as natural disasters, public health crises, severe weather events, military conflict or civil unrest. Our industry can be affected more severely than other sectors by an economic downturn and can recover more slowly than the economy in general. In the past, including in connection with the outbreak of the COVID-19 pandemic, some clients have responded to weak economic and financial conditions by reducing their marketing budgets, which include discretionary components that are easier to reduce in the short term than other operating expenses. This pattern may recur in the future. Furthermore, unexpected revenue shortfalls can result in misalignments of costs and revenues, resulting in a negative impact to our operating margins. If our business is significantly adversely affected by unfavorable economic conditions or other market disruptions that adversely affect client spending, the negative impact on our revenue could pose a challenge to our operating income and cash generation from operations.

We have a history of net losses and may continue to incur net losses.

We have a history of net losses and may be unable to generate sufficient revenue to achieve profitability in the future. For the fiscal years ended December 31, 2022 and 2021, respectively, our net loss was \$4,780,135 and \$6,462,303. Our accumulated deficit was \$109,214,479 and \$104,434,344 at December 31, 2022 and 2021, respectively. Our ability to generate net profit in the future will depend on our ability to realize the financial benefits from the operations of 42West, The Door, Shore Fire, Viewpoint, Be Social and Socialyte and the success of our Dolphin 2.0 initiatives, as no single project is likely to generate sufficient revenue to cover our operating expenses. If we are unable to generate net profit at some point, we will not be able to meet our debt service or working capital requirements. As a result, we may need to (i) issue additional equity, which could substantially dilute the value of your share holdings, (ii) sell a portion or all of our assets, including any project rights which might have otherwise generated revenue, or (iii) cease operations.

We currently have substantial indebtedness which may adversely affect our cash flow and business operations and may affect our ability to continue to operate as a going concern.

The table below sets forth our total principal amount of debt as of December 31, 2022 and 2021.

	December 31,	
	2022	2021
Related party debt (noncurrent)	\$ 1,107,873	\$ 1,107,873
Notes payable (current and noncurrent)	\$ 1,368,960	\$ 1,176,644
Convertible notes payable (current and noncurrent)	\$ 5,050,000	\$ 3,400,000
Convertible notes payable – fair value option	\$ 343,556	\$ 998,135
Term loan (current and noncurrent)	\$ 2,867,592	\$ —
Non-convertible promissory note – Socialyte (current)	\$ 3,000,000	\$ —

Our indebtedness could have important negative consequences, including:

- our ability to obtain additional financing for working capital, capital expenditures, future productions or other purposes may be impaired or such financing may not be available on favorable terms or at all;
- we may have to pay higher interest rates upon obtaining future financing, thereby reducing our cash flows; and
- we may need a substantial portion of our cash flow from operations to make principal and interest payments on our indebtedness, reducing the funds that would otherwise be available for operations and future business opportunities.

Our ability to service our indebtedness will depend upon, among other things, our future financial and operating performance and our ability to obtain additional financing, which will be affected by prevailing economic conditions, the profitability of our content production and entertainment publicity and marketing businesses and other factors contained in these *Risk Factors*, some of which are beyond our control.

If we are not able to generate sufficient cash to service our current or future indebtedness, we will be forced to take actions such as reducing or delaying digital or film productions, delaying or abandoning potential acquisitions, delaying Dolphin 2.0 initiatives, selling assets, restructuring or refinancing our indebtedness or seeking additional debt or equity capital or bankruptcy protection. We may not be able to effect any of these remedies on satisfactory terms or at all and our indebtedness may affect our ability to continue to operate as a going concern.

Our stock price has recently been volatile and may be volatile in the future, and as a result, investors in our common stock could incur substantial losses.

Our stock price has recently been volatile and may be volatile in the future. We may incur rapid and substantial increases or decreases in our stock price in the foreseeable future that may or may not coincide in timing with the disclosure of news or developments by us. The stock market in general, and the market for entertainment companies in particular, has experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, investors may experience losses on their investment in our common stock. The market price for our common stock may be influenced by many factors, including the following:

- announcements of state-of-the-art means of content production and entertainment publicity and marketing, or those of companies that are perceived to be similar to us;
- announcements related to any delays in production or rollout of entertainment content;
- our ability to meet or exceed the rapidly-changing expectations of our clients;
- news that audience acceptance of and interest in our digital media productions, and therefore the commercial success of our content production business, is lower or higher than we expected;
- our ability to adapt to rapid change in technology, forms of delivery, storage, and consumer preferences related to digital content;
- announcements of significant acquisitions, strategic partnerships, joint ventures or capital commitments by us, our strategic collaboration partners or our competitors;
- variations in our financial results or those of companies that are perceived to be similar to us;
- trading volume of our common stock;
- developments concerning our collaborations or partners;
- the impact of any local or global pandemic and its effect on us;

- the perception of the entertainment publicity and marketing or digital content production by the public, legislatures, regulators and the investment community;
- developments or disputes concerning intellectual property rights;
- significant lawsuits, including patent or stockholder litigation;
- our ability or inability to raise additional capital and the terms on which we raise it;
- sales of our common stock by us or our stockholders;
- declines in the market prices of stocks generally or of companies that are perceived to be similar to us; and
- general economic, industry and market conditions.

Our management has determined that our disclosure controls and procedures and our internal controls over financial reporting are not effective as we have identified material weaknesses in our internal controls.

As disclosed in Part II, Item 9A. Controls and Procedures of this Annual Report on Form 10-K, management concluded that for the years ended December 31, 2022 and 2021, our internal control over financial reporting was not effective and we identified several material weaknesses. Our management concluded that our disclosure controls and procedures were not effective due to material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

We have commenced our remediation efforts as discussed in Part II, 9A. Controls and Procedures of this Annual Report on Form 10-K to address the material weaknesses in internal control over financial reporting and ineffective disclosure controls and procedures. If our remedial measures are insufficient, or if additional material weaknesses or significant deficiencies in our internal controls occur in the future, we could be required to restate our financial results, which could materially and adversely affect our business, results of operations and financial condition, restrict our ability to access the capital markets, require us to expend significant resources to correct the weakness or deficiencies, harm our reputation and otherwise cause a decline in investor confidence. In addition, we could be subject to, among other things, regulatory or enforcement actions by the Securities and Exchange Commission, (the “SEC” or the “Commission”).

We rely on information technology systems that are susceptible to cybersecurity risks. In the event of a cybersecurity incident, we could experience operational interruptions, incur substantial additional costs, become subject to legal or regulatory proceedings or suffer damage to our reputation.

We rely on information technologies and infrastructure to manage our businesses, including digital storage of marketing strategies and client information, films and digital programming and delivery of digital marketing services for our businesses. Data maintained in digital form is subject to the risk of intrusion, tampering and theft. The incidence of malicious technology-related events, such as cyberattacks, computer hacking, computer viruses, worms or other destructive or disruptive software, denial of service attacks or other malicious activities is on the rise worldwide. Power outages, equipment failure, natural disasters (including extreme weather), terrorist activities or human error may also affect our systems and result in disruption of our services or loss or improper disclosure of personal data, business information or other confidential information.

Likewise, data privacy breaches, as well as improper use of social media, by employees and others may pose a risk that sensitive data, such as personally identifiable information, strategic plans and trade secrets, could be exposed to third parties or to the general public. We also utilize third parties, including third-party “cloud” computing services, to store, transfer or process data, and system failures or network disruptions or breaches in the systems of such third parties could adversely affect our reputation or business. Any such breaches or breakdowns could lead to business interruption, exposure of our or our clients’ proprietary or confidential information, data corruption, damage to our reputation, exposure to legal and regulatory proceedings and other costs. Such events could have a material adverse impact on our financial condition, results of operations and cash flows. In addition, we could be adversely affected if any of our significant customers or suppliers experience any similar events that disrupt their business operations or damage their reputation. Efforts to develop, implement and maintain security measures are costly, may not be successful in preventing these events from occurring and require ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated. Although we maintain monitoring practices and protections of our information technology to reduce these risks, there can be no assurance that our efforts will prevent the risk of a security breach of our databases or systems that could adversely affect our business.

We will require additional financing, and we may not be able to raise funds on favorable terms or at all.

We had negative working capital of \$1,423,825 as of December 31, 2022. With our current cash on hand, expected revenues, and based on our current average monthly expenses, we anticipate we will need additional funding in order to continue our operations at their current levels, and to pay the costs associated with being a public company, for the next 12 months. To the extent we acquire additional businesses, we will also require additional funding in the future to support our operations.

The most likely source of future funds presently available to us will be through the sale of equity capital. Any sale of share capital will result in dilution to existing stockholders. Furthermore, we may incur debt in the future, and may not have sufficient funds to repay our future indebtedness or may default on our future debts, jeopardizing our business viability.

The profitability of our investments is uncertain.

During 2021, we acquired an ownership stake in Midnight Theatre, a contemporary variety theater and restaurant in Manhattan and in Craffhouse Cocktails, a brand of ready-to-drink, all-natural classic cocktails. During the year ended December 31, 2022, we incurred losses related to our investment in Midnight Theatre and Craffhouse Cocktails in the amount of \$246,789. We also started an NFT studio to produce and market NFTs. On October 2, 2022, the Company minted and offered for sale a collection of 7,777 NFTs, titled *Creature Chronicles: Exiled Aliens*. The collection generated approximately 13,175 Solana (“SOL”) equivalent to approximately \$429,000 on the date of the sale. Investments in these new ventures entail risks those businesses will fail to perform in accordance with expectations. In undertaking these investments, we will incur certain risks, including the expenditure of funds on, and the devotion of management’s time to, synergies that may not come to fruition. Additional risks inherent in these investments include risks that the ventures will not achieve anticipated success and that estimates of the costs of bringing these ventures to profitability may prove inaccurate. Expenses may also be greater than anticipated.

Risks Related to Our Entertainment Publicity and Marketing Business

Our business could be adversely affected if we fail to retain the principal sellers, and other key employees of 42West, The Door, Viewpoint, Shore Fire, Be Social and Socialyte and the clients they serve.

The success of our entertainment publicity and marketing business operated by 42West, The Door, Viewpoint, Shore Fire, Be Social and Socialyte, our marketing subsidiaries, substantially depends on our ability to retain the services of their former owners and certain key employees. If we lose the services of one or more of these individuals, our ability to successfully implement our business plan with respect to our entertainment publicity and marketing business and the value of our common stock could be materially adversely affected. Although we entered into employment agreements with each of the principal sellers, there can be no assurance that they will serve the terms of their respective employment agreements or choose to remain with us following the expiration of such terms. In addition, the employees of our marketing subsidiaries, and their skills and relationships with clients, are among our most valuable assets. An important aspect of the business’ competitiveness is its ability to retain such key employees. If our marketing subsidiaries fail to hire and retain a sufficient number of these key employees, it may have a material adverse effect on our overall business and results of operations.

Our marketing subsidiaries’ talent rosters currently include some of the best known and most highly respected members of the entertainment, hospitality, and musical communities. These include major studios and networks, corporations, well-known consumer brands, celebrity chefs, leading restaurant and hotel brands, recording artists and social media influencers. These clients often form highly loyal relationships with certain public relations and marketing professionals rather than with a particular firm. The employment agreements with the principal sellers currently contain non-competition provisions that prohibit the principal sellers from continuing to provide services to such clients should they leave our company, however, clients are free to engage other public relations and marketing professionals and there can be no assurance that they will choose to remain with our company. The success of our marketing subsidiaries, therefore, depend on our ability to continue to successfully maintain such client relationships should the principal sellers or other key employees leave our company. If we are unable to retain the current marketing subsidiaries’ current clients or attract new clients, then we could suffer a material adverse effect on our business and results of operations.

We operate in a highly competitive industry.

The entertainment publicity and marketing business is highly competitive. Through our marketing subsidiaries, we must compete with other agencies, and with other providers of marketing and publicity services, in order to maintain existing client relationships and to win new clients. Through Viewpoint, we compete against other creative branding agencies, as well as in-house creative teams at many of our clients. The client’s perception of the quality of an agency’s creative work and the agency’s reputation are critical factors in determining its competitive position.

The success of our entertainment publicity and marketing business depends on its ability to consistently and effectively deliver marketing and public relations services to its clients.

Our marketing subsidiaries' success depends on its ability to effectively and consistently staff and execute client engagements to achieve the clients' unique personal or professional goals. Our marketing subsidiaries work to design customized communications or publicity campaigns tailored to the particular needs and objectives of particular projects. In some of their engagements, our marketing subsidiaries rely on other third parties to provide some of the services to its clients, and we cannot guarantee that these third parties will effectively deliver their services or that we will have adequate recourse against these third parties in the event they fail to effectively deliver their services. Other contingencies and events outside of our control may also impact our marketing subsidiaries' ability to provide its services. Our marketing subsidiaries' failure to effectively and timely staff, coordinate and execute its client engagements may adversely impact existing client relationships, the amount or timing of payments from clients, its reputation in the marketplace and ability to secure additional business and our resulting financial performance. In addition, our contractual arrangements with our clients may not provide us with sufficient protections against claims for lost profits or other claims for damages.

If we are unable to adapt to changing client demands, social and cultural trends or emerging technologies, we may not remain competitive and our business, revenues and operating results could suffer.

We operate in an industry characterized by rapidly changing client expectations, marketing technologies, and social mores and cultural trends that impact our target audiences. The entertainment industry continues to undergo significant developments as advances in technologies and new methods of message delivery and consumption emerge. These developments drive changes in our target audiences' behavior to which we must adapt in order to reach our target audiences. In addition, our success depends on our ability to anticipate and respond to changing social mores and cultural trends that impact the entertainment industry and our target audiences. We must adapt our business to these trends, as well as shifting patterns of content consumption and changing behaviors and preferences of our target audiences, through the adoption and exploitation of new technologies. If we cannot successfully exploit emerging technologies or if the marketing strategies we choose misinterpret cultural or social trends and prove to be incorrect or ineffective, any of these could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

A significant labor dispute in our clients' industries could have a material adverse effect on our business.

An industry-wide strike or other job action by or affecting the Writers Guild, Screen Actors Guild or other major entertainment industry union could reduce the supply of original entertainment content, which would in turn reduce the demand for our talent and entertainment marketing services. An extensive work stoppage would affect feature film production as well as television and commercial production and could have a material adverse effect on our clients and the motion picture production industry in general. Contracts between entertainment industry unions and the Alliance of Motion Picture and Television Producers, which we refer to as AMPTP, expire from time to time. The failure to finalize and ratify a new agreement with the AMPTP or the failure to enter into new commercial contracts upon expiration of the current contracts could lead to a strike or other job action. Any such severe or prolonged work stoppage could have an adverse effect on the television and/or motion picture production industries and could severely impair our clients' prospects. Any resulting decrease in demand for our talent and entertainment marketing and other public relations services would have a material adverse effect on our cash flows and results of operations.

Clients may terminate or reduce their relationships with us on short notice.

As is customary in the industry, our marketing subsidiaries' agreements with their respective clients generally provide for termination by either party on relatively short notice, usually 30 days. Consequently, these clients may choose to reduce or terminate their relationships with us, on a relatively short time frame and for any reason. If a significant number of the marketing subsidiaries' clients were to reduce the volume of business they conduct with us or terminate their relationships with us completely, this could have a material adverse effect upon our business and results of operations. Viewpoint's revenue is derived on a project-by-project basis. Clients may decide to use other creative branding and production companies for their projects which would have an adverse effect upon our business and results of operations.

Revenues from our Entertainment Publicity and Marketing segment are susceptible to declines as a result of unfavorable economic conditions.

Economic downturns often severely affect the marketing services industry. Some of our corporate clients may respond to weak economic performance by reducing their marketing budgets, which are generally discretionary in nature and easier to reduce in the short-term than other expenses related to operations. In addition, economic downturns could lead to reduced public demand for varying forms of entertainment for which we are engaged to provide public relations and media strategy and promotional services. Such reduced demand for our services could have a material adverse effect on our revenues and results of operations.

If our clients experience financial distress, or seek to change or delay payment terms, it could negatively affect our own financial position and results.

We have a large and diverse client base, and at any given time, one or more of our clients may experience financial difficulty, file for bankruptcy protection or go out of business. Unfavorable economic and financial conditions, such as the events surrounding the COVID-19 global outbreak, could result in an increase in client financial difficulties that affect us. The direct impact on us included reduced revenues, write-offs of accounts receivable and expenditures billable to clients, and negatively impacted our operating cash flow.

Risks Related to Acquisitions

We are subject to risks associated with acquisitions and we may not realize the anticipated benefits of such acquisitions.

We regularly undertake acquisitions that we believe will enhance our service offering to our clients. These transactions can involve significant challenges and risks, including that the transaction does not advance our business strategy or fails to produce a satisfactory return on our investment. Our customary business, legal and financial due diligence with the goal of identifying and evaluating the material risks involved may be unsuccessful in ascertaining or evaluating all such risks. Though we typically structure our acquisitions to provide for future contingent purchase payments that are based on the future performance of the acquired entity, our forecasts of the investment's future performance also factor into the initial consideration. When actual financial results differ, our returns on the investment could be adversely affected. Identifying suitable acquisition candidates can be difficult, time-consuming and costly, and we may not be able to identify suitable candidates or complete acquisitions in a timely manner, on a cost-effective basis or at all.

Even if we complete an acquisition, we may not realize the anticipated benefits of such transaction. Our recent acquisitions have required, and any similar future transactions may also require, significant efforts and expenditures, including with respect to integrating the acquired business with our historical business. We may encounter unexpected difficulties, or incur unexpected costs, in connection with acquisition activities and integration efforts, including, without limitation:

- diversion of management attention from managing our historical core business;
- potential disruption of our historical core business or of the acquired business;
- the strain on, and need to continue to expand, our existing operational, technical, financial and administrative infrastructure;
- inability to achieve synergies as planned;
- challenges in controlling additional costs and expenses in connection with and as a result of the acquisition;
- dilution to existing shareholders from the issuance of equity securities;
- becoming subject to adverse tax consequences or substantial depreciation;
- difficulties in assimilating employees and corporate cultures or in integrating systems and controls;
- difficulties in anticipating and responding to actions that may be taken by competitors;
- difficulties in realizing the anticipated benefits of the transaction;
- inability to generate sufficient revenue from acquisitions to offset the associated acquisition costs;
- potential loss of key employees, key clients or other partners of the acquired business as a result of the change of ownership; and
- the assumption of and exposure to unknown or contingent liabilities of the acquired businesses.

If any of our acquisitions do not perform as anticipated for any of the reasons noted above or otherwise, there could be a negative impact on our results of operations and financial condition.

Losses incurred by us subsequent to completion of an acquisition may not be indemnifiable by the seller or may exceed the seller's indemnification obligations.

As discussed above, there may be liabilities assumed in any acquisition that we did not discover or that we underestimated in the course of performing our due diligence. Although a seller generally will have indemnification obligations to us under an acquisition agreement, these obligations are usually subject to financial limitations, such as general deductibles and maximum recovery amounts, as well as time limitations. We cannot assure you that our right to indemnification from any seller will be enforceable, collectible or sufficient in amount, scope or duration to fully offset the amount of any losses that we incur with respect to a particular acquisition. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business, financial condition and operating results.

Risks Related to our Common Stock and Preferred Stock

We have recently issued, and may in the future issue, a significant amount of equity securities and, as a result, your ownership interest in our company has been, and may in the future be, substantially diluted and your investment in our common stock could suffer a material decline in value.

From January 1, 2021 to December 31, 2022, the number of shares of our common stock issued and outstanding has increased from 6,690,579 to 12,340,664 shares. During this period, we issued approximately (i) 2.7 million aggregate shares of our common stock as consideration or earnout consideration for 42West, The Door, Shore Fire, Viewpoint, Be Social, B/Hi and Socialyte acquisitions; (ii) 1.2 million to certain holders of convertible notes and warrants that exercised their right to convert all or a portion of their convertible notes or warrants; (iii) 1.7 million to Lincoln Park Capital Fund LLC related to our purchase agreement with them and (iv) 43,000 as stock compensation to certain employees. As of December 31, 2022, we had outstanding convertible notes payable that as of the date of this report are still outstanding in the aggregate principal amount of \$5.1 million, which are convertible using a 90-day trading average stock price. As a result of these past issuances and potential future issuances, your ownership interest in the Company has been, and may in the future be, substantially diluted.

The market price for our common stock has been volatile, and these issuances could cause the price of our common stock to continue to fluctuate substantially. Once restricted stock issued in either private placements or to the sellers of the companies we acquired becomes freely tradable, these shareholders may decide to sell their shares of common stock and, if our stock is thinly traded, this could have a material adverse effect on its market price.

We may need to raise additional capital and may seek to do so by conducting one or more private placements of equity securities, securities convertible into equity securities or debt securities, or through a combination of one or more of such financing alternatives. Such issuances of additional securities would further dilute the equity interests of our existing shareholders, perhaps substantially, and may further exacerbate any or all of the above risks.

The Series C Convertible Preferred Stock has super voting rights that may adversely affect our shareholders.

The Series C Convertible Preferred Stock is held by Dolphin Entertainment LLC, an entity owned by Mr. O'Dowd. Except as required by law, holders of Series C Convertible Preferred Stock will only have voting rights once the independent directors of the Board determine that an optional conversion threshold (as defined in the Series C Certificate of Designation) has occurred. On November 12, 2020, such determination by the Board was made, and the holder of Series C Convertible Preferred Stock (indirectly Mr. O'Dowd) is entitled to super voting rights of three votes for each share of common stock into which such holder's shares of Series C Convertible Preferred Stock could then be converted. As of December 31, 2022 and 2021, the Series C Preferred Stock could be converted into 4,738,940 shares of our common stock and the holder was entitled to 14,216,819 votes, which is approximately 55% of our voting securities. The holder of Series C Convertible Preferred Stock is entitled to vote together as a single class on all matters upon which common stockholders are entitled to vote. Your voting rights will be diluted as a result of these super voting rights. On November 12, 2020, we entered into a stock restriction agreement with Mr. O'Dowd that prohibits the conversion of Series C Convertible Preferred Stock into common stock unless the majority of the independent directors of the board of directors vote to remove the restriction. The stock restriction agreement will be immediately terminated upon a change of control as defined in the agreement.

If we are unable to maintain compliance with Nasdaq listing requirements, our stock could be delisted, and the trading price, volume and marketability of our stock could be adversely affected.

Our common stock is listed on the Nasdaq Capital Market. We cannot assure you, that we will be able to maintain compliance with Nasdaq's current listing standards, or that Nasdaq will not implement additional listing standards with which we will be unable to comply. During 2022, we received deficiency notices from Nasdaq informing us that because we had not filed our Form 10-K for the year ended December 31, 2021 and our Form 10-Q for the quarter ended March 31, 2022, we were no longer compliant with Nasdaq Listing Rule 5250(c)(1), which requires listed companies to timely file all required periodic financial reports with the Securities and Exchange Committee. On July 19, 2022, after filing both the Form 10-K for the year ended December 31, 2021 and the Form 10-Q for the quarter ended March 31, 2022, Nasdaq notified us that we were in compliance with the Nasdaq listing requirements.

Failure to maintain compliance with Nasdaq listing requirements could result in the delisting of our shares from Nasdaq, which could have a material adverse effect on the trading price, volume and marketability of our common stock. Furthermore, a delisting could adversely affect our ability to issue additional securities and obtain additional financing in the future or result in a loss of confidence by investors or employees.

The sale or issuance of our common stock to Lincoln Park may cause dilution and the sale of the shares of common stock acquired by Lincoln Park, or the perception that such sales may occur, could cause the price of our common stock to fall.

On August 10, 2022, the Company entered into a new purchase agreement (the “LP 2022 Purchase Agreement”) with Lincoln Park, pursuant to which Lincoln Park committed to purchase up to \$25 million of our common stock. Concurrently with the execution of the LP 2022 Purchase Agreement, we issued 57,313 shares of common stock to Lincoln Park as a commitment fee.

The purchase shares sold pursuant to the Purchase Agreement may be sold by us to Lincoln Park at our discretion from time to time over a 36-month period. The purchase price for shares that we may sell to Lincoln Park under the Purchase Agreement will fluctuate based on the price of our common stock. Depending on market liquidity at the time, sales of such shares may cause the trading price of our common stock to fall.

We have the right to control the timing and amount of any sales of our shares to Lincoln Park in our sole discretion, subject to certain limits on the number of shares that can be sold on a given date. Sales of shares of our common stock, if any, to Lincoln Park will depend upon market conditions and other factors to be determined by us. Therefore, Lincoln Park may ultimately purchase all, some or none of the shares of our common stock that may be sold pursuant to the Purchase Agreement and, after it has acquired shares, Lincoln Park may sell all, some or none of those shares. Sales to Lincoln Park by us could result in substantial dilution to the interests of other holders of our common stock. Additionally, the sale of a substantial number of shares of our common stock to Lincoln Park, or the anticipation of such sales, could make it more difficult for us to sell equity or equity-related securities in the future at a time and at a price that we might otherwise wish to effect sales, which could have a materially adverse effect on our business and operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of the date of this report, we do not own any real property. For our headquarters and content production business, we lease 3,024 square feet of office space in Coral Gables, Florida. For our entertainment publicity and marketing business, we lease three office spaces in New York City, New York and one office space in Los Angeles, California.

We believe that our properties are sufficient to meet our current and projected business needs. We periodically review our facility requirements and may acquire new facilities, or modify, update, consolidate, dispose of or sublet existing facilities, based on evolving business needs.

ITEM 3. LEGAL PROCEEDINGS

We currently do not have any material legal proceedings, including those relating to claims arising in the ordinary course of business.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information and Holders of our Common Stock

Our common stock trades on The Nasdaq Capital Market under the symbol "DLPN."

As of March 23, 2023, there were approximately 302 shareholders of record, of our issued and outstanding shares of common stock based on information provided by our transfer agent.

Recent Sales of Unregistered Securities

None.

Company Purchases of Equity Securities

None.

ITEM 6. [Reserved].

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The objectives of our Management's Discussion and Analysis of Financial Condition and Results of Operations are to provide users of our consolidated financial statements with a narrative explanation from the perspective of management of our financial condition, results of operations, cash flows, liquidity and certain other factors that may affect future results. This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our Consolidated Financial Statements and related Notes included elsewhere in this Annual Report on Form 10-K. This Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our industry, business and future financial results. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed in other sections of this Annual Report on Form 10-K. See "Special Note Regarding Forward-Looking Statements" for additional factors relating to such statements and see "Risk Factors" included in Item 1A of this Annual Report on Form 10-K. Our past operating results are not necessarily indicative of operating results in any future periods.

Overview

We are a leading independent entertainment marketing and premium content development company. We were first incorporated in the State of Nevada on March 7, 1995 and domesticated in the State of Florida on December 4, 2014. Our common stock trades on The Nasdaq Capital Market under the symbol "DLPN."

On November 14, 2022 (the "Closing Date"), we acquired all of the issued and outstanding membership interest of Socialyte LLC, a NY and Los Angeles-based creative agency specializing in social media influencer marketing campaigns for brands. The fair value of the total consideration on the acquisition date, amounted to \$14.3 million, plus the potential to earn up to an additional \$5.0 million upon meeting certain financial targets in 2022. As of December 31, 2022, such financial targets were not met. On the Closing Date, we paid \$5.0 million cash, issued NSL Ventures, LLC (the "Seller") 1,346,257 shares of our common stock and a \$3.0 million unsecured promissory note, which is to be repaid in two equal installments on June 30, 2023 and September 30, 2023. In addition, we issued the Seller 685,234 shares of our common stock in satisfaction of the Closing Date working capital adjustment. We partially financed the cash portion of the consideration with a \$3.0 million five-year secured loan from Bank Prov with Socialyte as co-borrowers, which carries a fixed rate of 7.37% and a five-year term.

Through our subsidiaries 42West, Shore Fire and The Door, we provide expert strategic marketing and publicity services to many of the top brands, both individual and corporate, in the entertainment and hospitality industries. 42West, Shore Fire and The Door are each recognized global leaders in PR services for the respective industries they serve. Viewpoint adds full-service creative branding and production capabilities to our marketing group and Be Social and Socialyte provide influencer marketing capabilities through its roster of highly engaged social media influencers. Dolphin's legacy content production business, founded by Emmy-nominated Chief Executive Officer, Bill O'Dowd, has produced multiple feature films and award-winning digital series, primarily aimed at family and young adult markets.

We have established an acquisition strategy based on identifying and acquiring companies that complement our existing entertainment publicity and marketing services and content production businesses. We believe that complementary businesses, such as live event production, can create synergistic opportunities and bolster profits and cash flow. We have identified potential acquisition targets and are in various stages of discussion with such targets. We completed the Socialyte acquisition during 2022 and intend to complete at least one acquisition during 2023, but there is no assurance that we will be successful in doing so, whether in 2023 or at all.

We have also established an investment strategy, “Dolphin 2.0,” based upon identifying opportunities to develop internally owned assets, or acquire ownership stakes in others’ assets, in the categories of entertainment content, live events and consumer products. We believe these categories represent the types of assets wherein our expertise and relationships in entertainment marketing most influences the likelihood of success. We are in various stages of internal development and outside conversations on a wide range of opportunities within Dolphin 2.0. We intend to enter into additional investments during 2023, but there is no assurance that we will be successful in doing so, whether in 2023 or at all.

Socialyte Acquisition

On November 14, 2022, (the “Closing Date”), we acquired all of the issued and outstanding membership interest of Socialyte for a total fair value of consideration amounting to \$14.3 million. This includes: (1) a working capital adjustment of \$2.1 million that was settled by issuing 685,234 shares of our common stock; (2) \$5.1 million cash; (3) issued the Seller 1,346,257 shares of our Common Stock with a fair value of \$4.1 million; and (4) issued the Seller the Socialyte Promissory Note in the amount of \$3 million, which is to be repaid in two equal installments on June 30, 2023 and September 30, 2023. The Socialyte purchase agreement also included the potential to earn up to an additional \$5.0 million upon meeting certain financial targets in 2022, that were not met.

We partially financed the cash portion of the consideration with a secured loan from BankProv with Socialyte and Social Midco as co-borrowers, which we guaranteed. This loan amounted to \$3.0 million, carries a fixed rate of 7.37% and has a five year term.

For more information on the Socialyte Acquisition, refer to Note 5 to our consolidated financial statements.

HOW WE ASSESS THE PERFORMANCE OF OUR BUSINESS

In assessing the performance of our business, we consider a variety of performance and financial measures. The key indicators of the financial condition and operating performance of our business are revenues, direct costs, payroll and benefits, selling, general and administrative expenses, legal and professional expenses, other income/expense and net income. Other income/expense consists mainly of interest expense, non-cash changes in fair value of liabilities, costs directly relating to our acquisitions, and gains or losses on extinguishment of debt and disposal of fixed assets.

We operate in two reportable segments: our entertainment publicity and marketing segment and our content production segment. The entertainment publicity and marketing segment is composed of 42West, The Door, Shore Fire, Viewpoint, Be Social, B/Hi and Socialyte and provides clients with diversified services, including public relations, entertainment content marketing, strategic communications, social media marketing, creative branding, and the production of promotional video content. The content production segment is composed of Dolphin Films, Inc. (“Dolphin Films”) and Dolphin Digital Studios, which produce and distribute feature films and digital content.

Revenues

For the years ended December 31, 2022 and 2021, we derived substantially all of our revenues from our entertainment publicity and marketing segment. The entertainment publicity and marketing segment derives its revenues from providing public relations services for celebrities and musicians, as well as for entertainment and targeted content marketing for film and television series, strategic communications services for corporations and public relations, marketing services and brand strategies for hotels and restaurants. Additionally, for the year ended December 31, 2021, we derived revenues from the content production segment from the domestic distribution of our feature film Believe. We expect to generate income in our content production segment in the second half of 2023 with the release of “The Blue Angels” documentary motion picture, discussed in the “Project Development and Related Services”.

The table below sets forth the percentage of total revenue derived from our two segments for the years ended December 31, 2022 and 2021:

	December 31,	
	2022	2021
Revenues:		
Entertainment publicity and marketing	98.9%	99.9%
Content production	1.1%	0.1%
Total revenue	<u>100.0%</u>	<u>100.0%</u>

Entertainment Publicity and Marketing (“EPM”)

Our revenue is directly impacted by the retention and spending levels of existing clients and by our ability to win new clients. We believe that we have a stable client base, and we have continued to grow organically through referrals and by actively soliciting new business. We earn revenues primarily from the following sources: (i) celebrity talent services; (ii) content marketing services under multiyear master service agreements in exchange for fixed project-based fees; (iii) individual engagements for entertainment content marketing services for durations of generally between three and six months; (iv) strategic communications services; (v) engagements for marketing of special events such as food and wine festivals; (vi) engagement for marketing of brands; (vii) arranging strategic marketing agreements between brands and social media influencers and (viii) content production of marketing materials on a project contract basis. For these revenue streams, we collect fees through either fixed fee monthly retainer agreements, fees based on a percentage of contracts or project-based fees.

We earn entertainment publicity and marketing revenues primarily through the following:

- Talent – We earn fees from creating and implementing strategic communication campaigns for performers and entertainers, including Oscar, Tony and Emmy winning film, theater and television stars, directors, producers, celebrity chefs and Grammy winning recording artists. Our services in this area include ongoing strategic counsel, media relations, studio and/or network liaison work, and event and tour support. We believe that the proliferation of content, both traditional and on social media, will lead to an increasing number of individuals seeking such services, which will drive growth and revenue in our Talent departments for several years to come.
- Entertainment Marketing and Brand Strategy – We earn fees from providing marketing direction, public relations counsel and media strategy for entertainment content (including theatrical films, television programs, DVD and VOD releases, and online series) from virtually all the major studios and streaming services, as well as content producers ranging from individual filmmakers and creative artists to production companies, film financiers, DVD distributors, and other entities. In addition, we provide entertainment marketing services in connection with film festivals, food and wine festivals, awards campaigns, event publicity and red-carpet management. As part of our services, we offer marketing and publicity services tailored to reach diverse audiences. We also provide marketing direction targeted to the ideal consumer through a creative public relations and creative brand strategy for hotel and restaurant groups. We expect that increased digital streaming marketing budgets at several large key clients will drive growth of revenue and profit in 42West’s Entertainment Marketing division over the next several years.
- Strategic Communications – We earn fees by advising companies looking to create, raise or reposition their public profiles, primarily in the entertainment industry. We also help studios and filmmakers deal with controversial movies, as well as high-profile individuals address sensitive situations. We believe that growth in the Strategic Communications division will be driven by increasing demand for these varied services by traditional and non-traditional media clients who are expanding their activities in the content production, branding, and consumer products PR sectors.
- Creative Branding and Production – We offer clients creative branding and production services from concept creation to final delivery. Our services include brand strategy, concept and creative development, design and art direction, script and copywriting, live action production and photography, digital development, video editing and composite, animation, audio mixing and engineering, project management and technical support. We expect that our ability to offer these services to our existing clients in the entertainment and consumer products industries will be accretive to our revenue.
- Digital Media Influencer Marketing Campaigns – We arrange strategic marketing agreements between brands and social media influencers, for both organic and paid campaigns. We also offer services for social media activations at events. Our services extend beyond our own captive influencer network, and we manage custom campaigns targeting specific demographics and locations, from ideation to delivery of results reports. We expect that our relationship with social media influencers will provide us the ability to offer these services to our existing clients in the entertainment and consumer products industries and will be accretive to our revenue.

Content Production (“CPD”)

Project Development and Related Services

We have a team that dedicates a portion of its time to identifying scripts, story treatments and novels for acquisition, development and production. The scripts can be for either digital, television or motion picture productions. We have acquired the rights to certain scripts that we intend to produce and release in the future, subject to obtaining financing. We have not yet determined if these projects would be produced for digital, television or theatrical distribution.

We have completed development of several feature films, which means that we have completed the script and can begin pre-production once financing is obtained. We are planning to fund these projects through third-party financing arrangements, domestic distribution advances, pre-sales, and location-based tax credits, and if necessary, sales of our common stock, securities convertible into our common stock, debt securities or a combination of such financing alternatives; however, there is no assurance that we will be able to obtain the financing necessary to produce any of these feature films.

In October 2022, we minted and offered for sale a collection of 7,777 non-fungible tokens (“NFT’s) titled *Creature Chronicles: Exiled Aliens*. The collection generated gross sales of approximately \$429,000. We entered into an agreement with a third party to market the collection and mint the NFT’s for a fixed fee of \$50,000 and 30% of the value of the sale of the NFT collection.

In June 2022, we entered into an agreement with IMAX Corporation (“IMAX”) to co-produce and co-finance a documentary motion picture on the flight demonstration squadron of the United States Navy called the Blue Angels. IMAX and Dolphin have each agreed to fund 50% of the production budget which is estimated at approximately \$4 million.

Expenses

Our expenses consist primarily of:

- (1) Direct costs – includes certain costs of services, as well as certain production costs, related to our entertainment publicity and marketing business. Included within direct costs are immaterial impairments for any of our content production projects.
- (2) Payroll and benefits expenses – includes wages, stock-based compensation, payroll taxes and employee benefits.
- (3) Selling, general and administrative expenses – includes all overhead costs except for payroll, depreciation and amortization and legal and professional fees that are reported as a separate expense item.
- (4) Acquisition costs include professional fees incurred as part of the acquisition of our subsidiaries.
- (5) Depreciation and amortization – includes the depreciation of our property and equipment and amortization of intangible assets and leasehold improvements.
- (6) Change in fair value of contingent consideration – includes changes in the fair value of the contingent earn-out payment obligations for the Company’ acquisitions. The fair value of the related contingent consideration is measured at every balance sheet date and any changes recorded on our consolidated statements of operations.
- (7) Legal and professional fees – includes fees paid to our attorneys, fees for investor relations consultants, audit and accounting fees and fees for general business consultants.

Other Income and Expenses

For the years ended December 31, 2022 and 2021, other income and expenses consisted primarily of: (1) gain on extinguishment of debt; (2) changes in the fair values of (i) put rights, (ii) warrants, and (iii) convertible notes; (3) acquisition costs; and (4) interest expense.

RESULTS OF OPERATIONS

Year ended December 31, 2022 as compared to year ended December 31, 2021

Revenues

For the years ended December 31, 2022 and 2021, our revenues were as follows:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Revenues:		
Entertainment publicity and marketing	\$ 40,058,880	\$ 35,705,305
Content production	446,678	21,894
Total revenue	<u>\$ 40,505,558</u>	<u>\$ 35,727,199</u>

Revenues from entertainment publicity and marketing increased by approximately \$4.4 million, or 12%, for the year ended December 31, 2022 as compared to the year ended December 31, 2021. The increase is primarily driven by increased revenues across most of our subsidiaries, as cross-selling across our subsidiaries has provided additional customers as well as increased demand for the services our subsidiaries provide.

For the year ended December 31, 2022, the content production segment revenue was derived from the sale of our NFT collection and from the domestic distribution of *Believe*, a feature film that was released in 2013, as we have not distributed any other projects. During the year ended December 31, 2021, the revenues in the content production segment were from the domestic distribution of *Believe*. We expect to begin generating income in our content production segment in the fourth quarter of 2023 with the release of the Blue Angels documentary film.

Expenses

For the years ended December 31, 2022 and 2021, our operating expenses were as follows:

	December 31,	
	2022	2021
Expenses:		
Direct costs	\$ 3,566,336	\$ 3,879,409
Payroll and benefits	28,947,730	23,819,327
Selling, general and administrative	6,572,020	5,836,235
Acquisition costs	480,939	22,907
Impairment of goodwill	906,337	—
Change in fair value of contingent consideration	(47,285)	3,754,221
Depreciation and amortization	1,751,211	1,905,354
Legal and professional	2,903,412	2,013,436
Total expenses	<u>\$ 45,080,700</u>	<u>\$ 41,230,889</u>

Direct costs are mainly attributable to the EPM segment and decreased by approximately \$0.3 million for the year ended December 31, 2022, as compared to the year ended December 31, 2021. The decrease in direct costs is mainly driven by an increase of \$0.5 million related to NFT production and marketing costs for the year ended December 31, 2022, that were not present in the same period in 2021, offset by approximately \$1.0 million decrease in direct costs primarily attributable to a decrease in Viewpoint's revenue as compared to the year ended December 31, 2021.

Payroll and benefits expenses increased by approximately \$5.0 million for the year ended December 31, 2022, as compared to the year ended December 31, 2021, primarily due to additional headcount in 2022 to support the growth of our business, salary increases to our employees, stock compensation issued to our employees under the 2017 Plan in the amount of approximately \$0.2 million and inclusion of Socialyte payroll for the period between November 14, 2022 and December 31, 2022 in the amount of approximately \$0.6 million, which were not present in the year ended December 31, 2021.

Selling, general and administrative expenses increased by approximately \$0.7 million for the year ended December 31, 2022, as compared to the year ended December 31, 2021.

The increase is primarily related to:

- \$0.5 million increases in travel, meals and entertainment expense;
- \$0.1 million of additional computer expenses;
- \$0.2 million fair value of the commitment shares issued as consideration for the Lincoln Park agreement; and
- \$0.1 million impairment of an ROU asset.

These increases were partially offset by:

- \$0.2 million reduction in rent expense primarily due to subleasing several of our offices and leases that expired.

Acquisition costs for the year ended December 31, 2022 were \$0.5 million, primarily related to our acquisition of the membership interest of Socialyte LLC on November 14, 2022. Acquisition costs for the year ended December 31, 2021 were not significant, as the Company did not have any significant acquisition activity during 2021.

During the fourth quarter of 2022, we bypassed the optional qualitative assessment and performed a quantitative assessment of goodwill. We concluded that, except as it relates to Viewpoint, it is more likely than not that the fair value of the reporting unit was not less than its carrying amount. For the goodwill value assigned to Viewpoint, we concluded the fair value of that reporting unit's goodwill was below its carrying amount. As a result, an impairment charge of \$0.9 million was recorded during the year ended December 31, 2022. No impairment charges were recorded during the year ended December 31, 2021.

Change in fair value of the contingent consideration was approximately a \$47,000 gain for the years ended December 31, 2022, compared a \$3.7 million loss for the years ended December 31, 2021. The main components of the change in fair value of contingent consideration were the following:

- **The Door:** this contingent consideration was settled during 2022. The Company did not record any changes in the fair value of contingent consideration pertaining to The Door as it determined the fixed number of shares needed to settle the contingent consideration and reclassified the liability to equity. During the year ended December 31, 2021, a \$2.0 million loss was recorded related to The Door's contingent consideration.
- **B/Hi:** this contingent consideration was settled in June 2022. The Company recorded a \$76,100 gain and \$1.2 million loss for the year ended December 31, 2022 and 2021, respectively.
- **Be Social:** The Company recorded a \$28,200 and \$0.6 million loss for the year ended December 31, 2022 and 2021, respectively.

Depreciation and amortization had a small decrease of \$0.1 million for the year ended December 31, 2022, as compared to the year ended December 31, 2021 primarily due to certain of the intangible assets from our acquisitions that became fully amortized.

Legal and professional fees increased by approximately \$0.9 million for the year ended December 31, 2022 as compared to the year ended December 31, 2021, primarily to due primarily to: (1) entering into the 2022 Lincoln Park agreement and related filing of the Registration Statement on Form S-1 during the third quarter of 2022 and (2) legal, consulting and audit fees related to our restatement of the September 30, 2021 Form 10-Q, revisions of the Forms 10-Q for March 31, 2021 and June 30, 2021 included in our Form 10-K filed on May 26, 2022, and fees associated with our change of auditors.

Other Income and (Expenses)

	December 31,	
	2022	2021
Other Income and (expenses):		
Gain on extinguishment of debt	\$ —	\$ 2,988,779
Change in fair value of convertible notes	654,579	(570,844)
Change in fair value of warrants	120,000	(2,482,877)
Change in fair value of put rights	—	(71,106)
Interest expense	(555,802)	(785,209)
Total	\$ 218,777	\$ (921,257)

We did not record any gain or loss on extinguishment of debt for the year ended December 31, 2022. During the year ended December 31, 2021, we recorded a gain on extinguishment of debt of approximately \$3.0 million in connection with forgiveness of the PPP Loans of 42West, Dolphin, Viewpoint, Shore Fire and The Door. The year ended December 31, 2021 was offset by a loss on extinguishment of debt of \$57,400 related to the exchange of certain put rights for shares of our common stock.

We elected the fair value option for certain convertible notes issued in 2020. The embedded conversion feature of a convertible note issued in 2019 met the criteria for a derivative. The fair value of these convertible notes and embedded conversion feature are remeasured at every balance sheet date and any changes are recorded on our consolidated statements of operations. For the year ended December 31, 2022 we recorded a change in the fair value of the convertible notes issued in 2020 in the amount of a gain of \$0.7 million. For the year ended December 31, 2021 we recorded a change in the fair value of the convertible notes issued in 2020 in the amount of a loss of \$0.7 million. None of the decrease in the value of the convertible notes was attributable to instrument specific credit risk.

Warrants issued with convertible notes payable issued in 2020, were initially measured at fair value at the time of issuance and subsequently remeasured at estimated fair value on a recurring basis at each reporting period date, with changes in estimated fair value of each respective warrant liability recognized as other income or expense. During the year ended December 31, 2022, the fair value of the 2020 warrants that were not exercised decreased by approximately \$0.1 million; therefore, we recorded a gain in the change in the fair value of the warrants for the year ended December 31, 2022 for those amounts, on our consolidated statements of operations. In March 2021, one of the warrant holders exercised 146,027 warrants via a cashless exercise formula. The price of our common stock on the exercise date was \$19.16 per share and we recorded a change in fair value of the exercised warrants of approximately \$2.5 million on our consolidated statement of operations.

The fair value of put rights related to the 42West acquisition were recorded on our consolidated balance sheet on the date of the acquisition. The fair value of the put rights are measured at every balance sheet date and any changes are recorded on our consolidated statements of operations. The fair value of the put rights increased by approximately \$71,100 for the year ended December 31, 2021. The final put rights were settled in March of 2021; as a result, we did not have a liability related to the put rights as of December 31, 2021 and did not record any fair value of put rights during the year ended December 31, 2022.

Interest expense decreased by \$0.2 million for the year ended December 31, 2022 as compared to the year ended December 31, 2021, primarily due to lower principal amount of convertible and nonconvertible notes outstanding during most of 2022, as compared to the year ended December 31, 2021.

Equity in losses of unconsolidated affiliates

Equity in earnings or losses of unconsolidated affiliates includes our share of income or losses from equity investees.

For the year ended December 31, 2022, we recorded losses of \$0.2 million, \$0.1 million from each of our equity investments in Midnight Theater and Crafthouse Cocktails, respectively. No equity gains or losses have been recorded for the year ended December 31, 2021.

Income Tax Benefit

We had an income tax expense of \$0.2 million for the year ended December 31, 2022, compared to an expense of \$37.4 thousand for year ended December 31, 2021. The income tax expense for years ended December 31, 2022 reflect the accrual of a valuation allowance in connection with the limitations of our indefinite lived tax assets to offset our indefinite lived tax liabilities. To the extent the tax assets are unable to offset the tax liabilities, we have recorded a deferred expense for the tax liability (a “naked credit”).

As of December 31, 2022, we have approximately \$49.1 million of pre-tax net operating loss carryforwards for U.S. federal income tax purposes that begin to expire in 2028; federal net operating losses generated after December 31, 2017 have an indefinite life and do not expire. Additionally, we have state net operating loss carryforwards amounting to \$52.9 million that begin to expire in 2029. A portion of the carryforwards may expire before being applied to reduce future income tax liabilities.

In assessing the ability to realize the deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of the deferred tax asset is dependent upon the generation of future taxable income during the periods in which these temporary differences become deductible. We believe it is more likely than not that the deferred tax asset will not be realized and we have accordingly recorded a full valuation allowance as of both December 31, 2022 and 2021.

Net Loss

Net loss was approximately \$4.8 million or \$0.49 per share based on 9,799,021 weighted average shares outstanding for basic loss per share and \$0.56 per share based on 9,926,926 weighted average shares outstanding on a fully diluted basis for the year ended December 31, 2022.

Net loss was approximately \$6.5 million or \$0.85 per share based on 7,614,774 weighted average shares outstanding on a basic and on a fully diluted basis for the year ended December 31, 2021.

Net loss for the years ended December 31, 2022 and 2021, respectively, were related to the factors discussed above.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

	<u>Year Ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Statement of Cash Flows Data:		
Net cash used in operating activities	\$ (4,027,227)	\$ (1,318,717)
Net cash used in investing activities	(7,919,355)	(3,025,856)
Net cash provided by financing activities	10,913,806	3,937,823
Net decrease in cash and cash equivalents and restricted cash	<u>(1,032,776)</u>	<u>(406,750)</u>
Cash and cash equivalents and restricted cash, beginning of period	8,230,626	8,637,376
Cash and cash equivalents and restricted cash, end of period	<u>\$ 7,197,849</u>	<u>\$ 8,230,626</u>

Operating Activities

Net cash used in operating activities was \$4.0 million for the year ended December 31, 2022, an increase of \$2.7 million from cash used in operating activities of \$1.3 million for the year ended December 31, 2021.

Our net loss of \$4.8 million for the year ended December 31, 2022 was adjusted for the following items to arrive at cash used in operating activities:

- \$0.9 million of goodwill impairment;
- \$0.5 million of share-based payments for compensation and Lincoln Park Capital commitment shares;
- \$0.4 million of non-cash items such as bad debt expense and other non-cash losses;
- \$0.1 million of non-cash lease expense;
- \$1.9 million of depreciation and amortization and other items such as impairments of fixed assets, ROU asset and capitalized production costs; and
- \$0.2 million of equity in losses on unconsolidated affiliates.

The above were offset by:

- \$0.8 million of non-cash changes in the fair value of liabilities;
- \$2.6 million of changes in operating assets and liabilities.

Our net loss of \$6.5 million for the year ended December 31, 2021 was adjusted for the following items to arrive at cash provided by operating activities:

- \$6.9 million of non-cash changes in the fair value of liabilities;
- \$0.5 million of non-cash items such as impairments, bad debt expense and other non-cash losses;
- \$2.0 million of non-cash lease expense; and
- \$2.2 million of depreciation and amortization and other items such as impairments of fixed assets and capitalized production costs.

The above were offset by:

- \$3.1 million of a gain on extinguishment of debt, primarily related to the forgiveness of PPP Loans; and
- \$3.3 million of changes in operating assets and liabilities.

Investing Activities

Net cash used in investing activities for the year ended December 31, 2022 was \$7.9 million, which related primarily to:

Outflows:

- \$3.1 million of issuance of notes receivable;
- \$4.7 million payment related to the acquisition of Socialyte, net of cash acquired; and
- \$72,200 purchases of fixed assets.

Net cash used in investing activities for the year ended December 31, 2021 was \$3.0 million, which related to:

Outflows:

- \$1.5 million issuance of convertible notes receivables;
- \$1.0 million investment in Midnight Theatre; and
- \$0.5 million payment related to the acquisition of B/HI, net of cash acquired.

Financing Activities

Net cash provided by financing activities was \$10.9 million for the year ended December 31, 2022, an increase of \$7.0 million from net cash provided by financing activities of \$3.9 million for the year ended December 31, 2021.

Net cash provided by financing activities for the year ended December 31, 2022 mainly related to:

Inflows:

- \$5.8 million of proceeds from the Lincoln Park equity line of credit described below;
- \$3.1 million proceeds from convertible and non-convertible notes payable and
- \$2.9 million proceeds from the term loan related to the Socialyte acquisition;

Outflows:

- \$0.3 of repayment of notes payable; and
- \$0.6 payment of B/HI contingent consideration;

Net cash provided by financing activities for the year ended December 31, 2021 mainly related to:

Inflows:

- \$6.0 million of proceeds from convertible notes payable

Outflows:

- \$1.0 million from the exercise of put rights;
- \$0.9 million of repayment of the term loan; and
- \$0.1 million of repayment of notes payable.

Debt and Financing Arrangements

As described below in further detail, we have taken measures to position the Company with a stronger balance sheet position, extending current loans to longer term maturities and reducing our overall debt position. Total debt amounted to \$13.7 million as of December 31, 2022 compared to \$6.2 million as of December 31, 2021, an increase of \$7.5 million or 220.9%. The increase related primarily to \$3.0 million and \$2.9 million of a promissory note and term loan, respectively, both in connection with the acquisition of Socialyte.

Our debt obligations in the next twelve months from December 31, 2022 increased from the obligations as of December 31, 2021. The current portion of the debt increased to \$4.3 million from \$0.3 million, mainly driven by \$3.0 million of promissory notes and \$0.4 million of current portion of term loan, both related to the Socialyte acquisition. We expect our current cash position, cash expected to be generated from our operations and other availability of funds, as detailed below, to be sufficient to meet our debt requirements.

2022 Lincoln Park Transaction

On August 10, 2022, the Company entered into a new purchase agreement (the “LP 2022 Purchase Agreement”) and a registration rights agreement (the “LP 2022 Registration Rights Agreement”) with Lincoln Park Capital Fund, LLC (“Lincoln Park”), pursuant to which the Company could sell and issue to Lincoln Park, and Lincoln Park was obligated to purchase, up to \$25,000,000 in value of its shares of common stock from time to time over a 36-month period. Pursuant to the terms of the LP 2022 Registration Rights Agreement, the issuance of shares pursuant to the LP 2022 Purchase Agreement have been registered pursuant to our effective registration statement on Form S-1, and the related prospectus dated September 15, 2022.

The Company may direct Lincoln Park, at its sole discretion, and subject to certain conditions, to purchase up to 50,000 shares of common stock on any business day (a “Regular Purchase”). The amount of a Regular Purchase may be increased under certain circumstances up to 75,000 shares if the closing price is not below \$7.50 and up to 100,000 shares if the closing price is not below \$10.00, provided that Lincoln Park’s committed obligation for Regular Purchases on any business day shall not exceed \$2,000,000. The purchase price for Regular Purchases (the “Purchase Price”) shall be equal to 98.75% of the lesser of: (i) the lowest sale price of the Common Stock during the Purchase Date, or (ii) the average of the three (3) lowest closing sale prices of the Common Stock during the ten (10) business days prior to the Purchase Date. In the event we purchase the full amount allowed for a Regular Purchase on any given business day, we may also direct Lincoln Park to purchase additional amounts as accelerated and additional accelerated purchases. The purchase price for the accelerated and additional accelerated purchases shall be equal to the lesser of 96% of (i) the closing sale price on the accelerated purchase date, or (ii) such date’s volume weighted average price.

Pursuant to the terms of the LP 2022 Purchase Agreement, at the time the Company signed the LP 2022 Purchase Agreement and the LP 2022 Registration Rights Agreement, the Company issued 57,313 shares of common stock to Lincoln Park as consideration for its commitment (“LP 2022 commitment shares”) to purchase shares of our common stock under the LP 2022 Purchase Agreement. The commitment shares were recorded as a period expense and included within selling, general and administrative expenses in the consolidated statements of operations.

Under applicable rules of the NASDAQ Capital Market, we could not issue or sell more than 19.99% of the shares of our common stock outstanding immediately prior to the execution of the LP 2022 Purchase Agreement to Lincoln Park under the LP 2022 Purchase Agreement without stockholder approval. At a meeting held on September 27, 2022, our stockholders approved the issuance of up to \$25 million of shares of our common stock pursuant to the LP 2022 Purchase Agreement.

During the year ended December 31, 2022, excluding the additional commitment shares disclosed above, the Company sold 548,000 shares of common stock at prices ranging between \$1.92 and \$3.72 pursuant to the LP 2022 Purchase Agreement and received proceeds of \$1,436,259. Subsequent to December 31, 2022, the Company sold 250,000 shares of common stock at prices ranging between \$1.88 and \$2.27 pursuant to the LP 2022 Purchase Agreement and received proceeds of \$529,450.

The Company evaluated the contract that includes the right to require Lincoln Park to purchase shares of common stock in the future (“put right”) considering the guidance in ASC 815-40, “Derivatives and Hedging — Contracts on an Entity’s Own Equity” (“ASC 815-40”) and concluded that it is an equity-linked contract that does not qualify for equity classification, and therefore requires fair value accounting. The Company has analyzed the terms of the freestanding put right and has concluded that it has an insignificant value as of December 31, 2022.

2021 Lincoln Park Transaction

On December 29, 2021, we entered into a purchase agreement (the “LP 2021 Purchase Agreement”) and a registration rights agreement (the “LP 2021 Registration Rights Agreement”) with Lincoln Park. Pursuant to the terms of the LP 2021 Purchase Agreement, Lincoln Park has agreed to purchase from us up to \$25,000,000 of our common stock (subject to certain limitations) from time to time during the term of the LP 2021 Purchase Agreement. The purchase price for the shares was the lowest of (1) lowest sale price on the date of the purchase or (2) the average of the lowest three closing prices on the last 10 business days, with a floor of \$1.00. Pursuant to the terms of the LP 2021 Registration Rights Agreement, the issuance of shares pursuant to the LP 2021 Purchase Agreement were registered pursuant to our effective shelf registration statement on Form S-3, and the related base prospectus included in the registration statement, as supplemented by a prospectus supplement filed on January 21, 2022.

Pursuant to the terms of the LP 2021 Purchase Agreement, at the time we signed the LP 2021 Purchase Agreement and the LP 2021 Registration Rights Agreement, we issued 51,827 shares of common stock to Lincoln Park as consideration for its commitment (“commitment shares”) to purchase shares of our common stock under the LP 2021 Purchase Agreement. Pursuant to the LP 2021 Purchase Agreement, we issued an additional 37,019 commitment shares on March 7, 2022.

During the year ended December 31, 2022, excluding the additional commitment shares disclosed above, we sold 1,035,000 shares of common stock at prices ranging between \$3.47 and \$5.15, pursuant to the LP 2021 Purchase Agreement and received proceeds of \$4,367,640. The LP 2021 Purchase Agreement was terminated effective August 12, 2022 and the Company did not sell any shares pursuant to this agreement subsequent to that date.

During the year ended December 31, 2021, excluding the commitment shares mentioned above, the Company did not sell any shares of common stock under the LP 2021 Purchase Agreement.

Convertible Notes Payable

During the year ended December 31, 2022, the Company issued seven convertible promissory notes to four noteholders in the aggregate amount of \$2.7 million. The convertible promissory notes bear interest at a rate of 10% per annum. Five of the convertible promissory notes mature on the second anniversary of their respective issuances and two of the convertible promissory notes mature on the fourth anniversary of their respective issuances. The balance of each convertible promissory note and any accrued interest may be converted at the noteholder’s option at any time at a conversion price based on a 90-day average closing market price per share of the common stock. Three of the convertible notes may not be converted at a price less than \$2.50 per share and four of the convertible notes may not be converted at a price less than \$2.00 per share.

During the year ended December 31, 2022, the holder of one convertible note issued during 2021 converted the principal balance of \$0.5 million into 125,604 shares of common stock at a conversion price of \$3.98 per share. At the moment of conversion, accrued interest related to this note amounted to \$5.3 thousand and was paid in cash.

As of December 31, 2022, the aggregate principal balance of the convertible promissory notes of \$5.1 million was recorded in noncurrent liabilities under the caption convertible promissory notes on the Company's consolidated balance sheets.

It is our experience that convertible notes, including their accrued interest are converted into shares of the Company's common stock and not settled through payment of cash. Although we are unable to predict the noteholder's intentions, we do not expect any change from our past experience.

Subsequent to December 31, 2022, on January 9, 2023 and January 13, 2023, the Company issued two convertible promissory notes in the aggregate amount of \$0.8 million. The convertible promissory notes bear interest at 10% per annum, mature on the second anniversary of their issuance and can be converted into shares of common stock, at the noteholder's option at any time, at a purchase price based on a 90-day average closing market price per share of the common stock. The convertible notes may not be converted at a price less than \$2.00 per share.

Convertible Notes Payable at Fair Value

As of December 31, 2022, we have convertible promissory notes outstanding with aggregate principal amounts of \$0.5 million for which we elected the fair value option. As such, the estimated fair value of the note was recorded on its issue date. At each balance sheet date, we record the fair value of the convertible promissory note with any changes in the fair value recorded in the consolidated statements of operations. The convertible promissory note at fair value matures on March 4, 2030 and as of December 31, 2022, we had a balance of \$0.3 million in noncurrent liabilities related to this convertible promissory note measured at fair value.

Similar to the Convertible notes discussed above, our historical experience has been that these convertible notes are converted into shares of the Company's common stock prior to their maturity date and not settled through payment of cash.

Nonconvertible Promissory Notes

As of December 30, 2022, we have outstanding unsecured nonconvertible promissory notes in the aggregate amount of \$1.4 million which bear interest at a rate of 10% per annum and mature between June 2023 and November 2024. For these nonconvertible promissory notes, \$0.9 million was recorded as current liabilities and \$0.5 million was recorded as noncurrent liabilities as of December 31, 2022.

Subsequent to December 31, 2022, on February 22, 2023, we entered into a nonconvertible promissory note in the amount of \$2.2 million. The note bears interest at a rate of 10% per annum and matures on March 31, 2028.

Nonconvertible Promissory Notes – Socialyte

As discussed in Note 5 and Note 15 to our consolidated financial statements, as part of the acquisition of Socialyte, we entered into an unsecured promissory note amounting to \$3.0 million ("Socialyte Promissory Note"). The Socialyte Promissory Note matures on September 30, 2023 and will be payable in two payments: \$1.5 million on June 30, 2023 and \$1.5 million on September 30, 2023, its maturity date. The Socialyte Promissory Note bears interest at a rate of 4% per annum, which accrues monthly and all accrued interest shall be due and payable on September 30, 2023, its maturity date.

IMAX Agreement

As discussed in Note 26 to our consolidated financial statements, on June 24, 2022, we entered into the Blue Angels Agreement with IMAX. Under the terms of this agreement, we have funded \$1.5 million through December 31, 2022 and we have committed to funding up to an additional \$0.5 million of the production budget, which is expected to be disbursed in the second quarter of 2023.

Convertible Notes Receivable

As of December 31, 2022, we hold convertible notes receivable from JDDC Elemental LLC which operates Midnight Theatre. These convertible notes receivable are recorded at their principal face amount plus accrued interest. Due to their short-term maturity and conversion terms (described below), these have been recorded at the face value of the note and an allowance for credit losses has not been established.

As of December 31, 2022, the Midnight Theatre notes amount to \$4.4 million, including accrued interest receivable of \$0.3 million, and are convertible at the option of the Company into Class A and B Units of Midnight Theatre. During the year ended December 31, 2022, Midnight Theatre issued the Company 16 notes amounting to \$3.1 million in the aggregate on the same terms as the previous notes.

In addition, during the year ended December 31, 2022, we held a convertible note receivable from Stanton South LLC, which operates Craffhouse Cocktails. This note amounted to \$500,000 and was mandatorily redeemable by February 1, 2022; on that date the Craffhouse Cocktails note was converted and we were issued Series 2 membership interests of Stanton South LLC. As of December 31, 2022, the Company does not have an outstanding note receivable from Stanton South LLC.

Critical Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) requires management to make estimates and assumptions about future events that affect amounts reported in our consolidated financial statements and related notes, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. Management evaluates its accounting policies, estimates and judgments on an on-going basis. Management bases its estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions and conditions. Our significant accounting policies are discussed in Part II, Item 8, Financial Statements and Supplementary Data, Note 2, “Summary of Significant Accounting Policies.”

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimate that are reasonably likely to occur, could materially impact the consolidated financial statements.

We consider the fair value estimates, including those related to acquisitions, valuations of goodwill, intangible assets, acquisition-related contingent consideration and convertible debt to be the most critical in the preparation of our consolidated financial statements as they are important to the portrayal of our financial condition and require significant or complex judgment and estimates on the part of management. Further details on each item are discussed below. See *Note 17 – Fair Value Measurements* in the notes to the audited consolidated financial statements, included elsewhere in this Annual Report on Form 10-K, for information pertaining to acquisition-related fair value adjustments.

Goodwill

Goodwill results from business combination acquisitions. Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the net tangible assets and other intangible assets acquired. As of December 31, 2022, in connection with its acquisitions of 42West, The Door, Viewpoint, Shore Fire, Be Social, B/Hi and Socialyte we have a balance of \$29.3 million of goodwill on our consolidated balance sheets which management has assigned to the entertainment publicity and marketing segment. We account for goodwill in accordance with FASB ASC No. 350, Intangibles—Goodwill and Other (“ASC 350”). Goodwill is not amortized; however, it is assessed for impairment at least annually, or more frequently if triggering events occur. The Company’s annual assessment is performed in the fourth quarter.

For purposes of the annual assessment, management initially performs a qualitative assessment, which includes consideration of the economic, industry and market conditions in addition to our overall financial performance and the performance of these assets. If our qualitative assessment does not conclude that it is more likely than not that the estimated fair value of the reporting unit is greater than the carrying value, we perform a quantitative analysis. In a quantitative test, the fair value of a reporting unit is determined based on a discounted cash flow analysis. A discounted cash flow analysis requires us to make various assumptions, including assumptions about future cash flows, growth rates and discount rates. The assumptions about future cash flows and growth rates are based on our long-term projections. Assumptions used in our impairment testing are consistent with our internal forecasts and operating plans. If the fair value of the reporting unit exceeds its carrying amount, there is no impairment. If not, we recognize an impairment equal to the difference between the carrying amount of the reporting unit and its fair value, not to exceed the carrying amount of goodwill.

During the fourth quarter of 2022, we bypassed the optional qualitative assessment and performed a quantitative assessment. We concluded that, except as it relates to Viewpoint, it is more likely than not that the fair value of the reporting unit was not less than its carrying amount. For the goodwill value assigned to Viewpoint, we concluded the fair value of that reporting unit’s goodwill was below its carrying amount. As a result, an impairment charge of \$0.9 million was recorded during the year ended December 31, 2022. No impairment charges were recorded during the year ended December 31, 2021.

Intangible assets

In connection with the acquisitions of 42West, The Door, Viewpoint, Shore Fire, Be Social, B/Hi and Socialyte, the Company acquired in aggregate an estimated \$18.7 million of intangible assets with finite useful lives initially estimated to range from 2 to 13 years. The intangible assets consist primarily of customer relationships, trade names and non-compete agreements.

Intangible assets are initially recorded at fair value and are amortized using the straight-line method over their respective estimated useful lives and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If a triggering event has occurred, an impairment analysis is required. The impairment test first requires a comparison of undiscounted future cash flows expected to be generated over the useful life of an asset to the carrying value of the asset. If the carrying value of the asset exceeds the undiscounted cash flows, the asset would not be deemed recoverable. Impairment would then be measured as the excess of the asset's carrying value over its fair value. See Note 6 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion. Events or circumstances that might require impairment testing include the loss of a significant client or clients, the identification of other impaired assets within a reporting unit, loss of key personnel, the disposition of a significant portion of a reporting unit, significant decline in stock price or a significant adverse change in business climate or regulations. During the year ended December 31, 2022, we amortized \$1.5 million that was recorded in our consolidated statement of operations related to our intangible assets.

Business Combinations and Contingent Consideration

The determination of the fair value of net assets acquired in a business combination and specifically the estimates of acquisition-related contingent consideration (sometimes referred to as “earn-out liabilities”) requires estimates and judgments of future cash flow expectations for the acquired business and the related identifiable tangible and intangible assets. Fair values of net assets acquired are calculated using expected cash flows and industry-standard valuation techniques. Fair values of earn-out liabilities are estimated using income approaches such as discounted cash flows or option pricing models.

Due to the time required to gather and analyze the necessary data for each acquisition, U.S. GAAP provides a “measurement period” of up to one year in which to finalize these fair value determinations. During the measurement period, preliminary fair value estimates may be revised if new information is obtained about the facts and circumstances existing as of the date of acquisition, or based on the final net assets and working capital of the acquired business, as prescribed in the applicable purchase agreement. Such adjustments may result in the recognition of, or an adjustment to the fair values of, acquisition-related assets and liabilities and/or consideration paid, and are referred to as “measurement period” adjustments. Measurement period adjustments are recorded to goodwill. Other revisions to fair value estimates for acquisitions are reflected as income or expense, as appropriate. See Note 5 – *Acquisitions* in the notes to the audited consolidated financial statements, included elsewhere in this Annual Report on Form 10-K, for information pertaining to acquisition-related fair value adjustments.

Significant changes in the assumptions or estimates used in the underlying valuations, including the expected profitability or cash flows of an acquired business, could materially affect our operating results in the period such changes are recognized.

Convertible debt

The terms of our convertible debt agreements are evaluated to determine whether the convertible debt instruments contain both liability and equity components, in which case the instrument is a compound financial instrument. Convertible debt agreements are also evaluated to determine whether they contain embedded derivatives, in which case the instrument is a hybrid financial instrument. Judgment is required to determine the classification of such financial instruments based on the terms and conditions of the convertible debt agreements.

Estimation methods are used to determine the fair values of the liability and equity components of compound financial instruments and to determine the fair value of embedded derivatives included in hybrid financial instruments. Fair values of convertible debt are estimated using pricing models such as the Monte Carlo Simulation. Evaluating the reasonableness of these estimations and the assumptions and inputs used in the valuation methods requires a significant amount of judgement and is therefore subject to an inherent risk of error. See Notes 14 – *Convertible Notes Payable At Fair Value* and 17 – *Fair Value Measurements* in the notes to the audited consolidated financial statements, included elsewhere in this Annual Report on Form 10-K, for information pertaining to acquisition-related fair value adjustments.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, see Note 2 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for smaller reporting companies.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements required by this Item 8 are included at the end of this Report beginning on page F-1 as follows:

	<u>Page</u>
Reports of Independent Registered Public Accounting Firm (Grant Thornton LLP, Fort Lauderdale, FL, Auditor Firm ID: 248)	F-2
Report of Independent Registered Public Accounting Firm (BDO USA, LLP, Miami, FL, Auditor Firm ID: 243)	F-3
Consolidated Balance Sheets as of December 31, 2022 and 2021	F-4
Consolidated Statements of Operations for the years ended December 31, 2022 and 2021	F-6
Consolidated Statements of Cash Flows for the years ended December 31, 2022 and 2021	F-7
Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2022 and 2021	F-9
Notes to Consolidated Financial Statements	F-10

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 2022. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective due to material weaknesses identified in our internal control over financial reporting described below.

Management's Report on Internal Control Over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined by Exchange Act Rule 13a-15(f). Our internal controls are designed to provide reasonable assurance as to the reliability of our financial statements for external purposes in accordance with accounting principles generally accepted in the United States.

Internal control over financial reporting has inherent limitations and may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable, not absolute, assurance with respect to financial statement preparation and presentation. Further, because of changes in conditions, the effectiveness of internal control over financial reporting may vary over time.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our internal control over financial reporting as of December 31, 2022, as required by Exchange Act Rule 13a-15(c). The framework on which such evaluation was based is contained in the report entitled “Internal Control — Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the “COSO Report”). We concluded that based on our evaluation, our internal control over financial reporting was not effective as of December 31, 2022, due to the following material weaknesses:

Control Environment, Risk Assessment, and Monitoring

As previously reported, we did not maintain appropriately designed entity-level controls impacting the control environment, risk assessment procedures, and monitoring activities to prevent or detect material misstatements in the consolidated financial statements. These deficiencies were attributed to: (i) lack of structure and responsibility, insufficient number of qualified resources and inadequate oversight and accountability over the performance of controls, (ii) ineffective identification and assessment of risks impacting internal control over financial reporting, including fraud risks, and (iii) ineffective evaluation and determination as to whether the components of internal control were present and functioning.

Control Activities and Information and Communication

These material weaknesses contributed to the following additional material weaknesses within certain business processes and the information technology environment:

- We did not fully design, implement and monitor general information technology controls in the areas of user access, and segregation of duties for systems supporting substantially all of the Company’s internal control processes.
- We did not design and implement, and retain appropriate documentation of formal accounting policies, procedures and controls across substantially all of the Company’s business processes to achieve timely, complete and accurate financial accounting, reporting, and disclosures. Additionally, we did not design and implement adequate controls pertaining to the period-end financial reporting, classification of contingent consideration, journal entries, completeness and accuracy of underlying data used in the performance of controls and account reconciliations.
- We did not appropriately design and implement management review controls at a sufficient level of precision to detect a material misstatement over complex accounting areas and disclosures including business combinations, complex transactions, revenue recognition, income tax, and lease accounting.

We are neither an accelerated filer nor a large accelerated filer, as defined in Rule 12b-2 under the Exchange Act, and are not otherwise including in this 2022 Form 10-K an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management’s report was not required to be attested to by our registered public accounting firm pursuant to Item 308(b) of Regulation S-K.

Management’s Remediation Plan for Material Weaknesses in Internal Control over Financial Reporting

The Company and its Board are committed to maintaining a strong internal control environment. We have begun the process of designing and implementing effective internal controls measures to improve our internal control over financial reporting and remediate the material weaknesses. Our internal control remediation efforts include the following:

- Developing formal policies and procedures over the Company’s fraud risk assessment and risk management function;
- Developing policies and procedures to enhance the precision of management review of financial statement information and control impact of changes in the external environment;
- We have entered into an agreement with a third-party consultant that assists us in analyzing complex transactions and the appropriate accounting treatment;
- We have implemented a new enterprise resource planning systems that will allow us to setup proper review and approval of transactions;
- We are enhancing our policies, procedures and documentation of period end closing procedures;
- Implementing policies and procedures to enhance independent review and documentation of journal entries, including segregation of duties; and
- Reevaluating our monitoring activities for relevant controls.

Management is beginning the process of implementing and monitoring the effectiveness of these and other processes, procedures and controls and will make any further changes deemed appropriate. Management believes our planned remedial efforts will effectively remediate the identified material weaknesses. As we continue to evaluate and work to improve our internal control over financial reporting, management may determine it is necessary to take additional measures to address control deficiencies or determine it necessary to modify the remediation plan described above

Limitations on Effectiveness of Controls and Procedures

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. We do not expect that our disclosure controls will prevent or detect all errors and all fraud. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Controls

During the most recently completed fiscal quarter, there have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated by reference to our Proxy Statement for our 2023 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2021 and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to our Proxy Statement for our 2023 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2021 and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference to our Proxy Statement for our 2023 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2021 and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to our Proxy Statement for our 2023 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2021 and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is incorporated by reference to our Proxy Statement for our 2023 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2021 and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report:

(1) Financial Statements

See Item 8 for Financial Statements included with this Annual Report on Form 10-K.

(2) Financial Statement Schedules

None.

(3) Exhibits

The exhibits identified in the Exhibit Index below are included herein or incorporated by reference.

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>	<u>Incorporated by Reference</u>
2.1	<u>Agreement and Plan of Merger, dated July 5, 2018, by and among the Company, The Door, Merger Sub and the Members.</u>	Incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed on July 11, 2018.
2.2	<u>Membership Interest Purchase Agreement, dated August 17, 2020, by and among the Company and Alison Grant</u>	Incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed on August 26, 2020.
3.1	<u>Amended and Restated Articles of Incorporation of Dolphin Entertainment, Inc. (conformed copy incorporating all amendments through September 29, 2022).</u>	Filed herewith.
3.2	<u>Bylaws of Dolphin Digital Media, Inc., dated as of December 3, 2014.</u>	Incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed on December 9, 2014.
4.1	<u>Registration Rights Agreement, dated July 5, 2018, by and among the Company and the Members party thereto.</u>	Incorporated herein by reference to Exhibit 4.1 to Current Report on Form 8-K, filed on July 11, 2018.
4.2	<u>Description of Common Stock</u>	Incorporated herein by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2020
10.1	<u>Dolphin Entertainment Inc., 2017 Equity Incentive Plan.</u> [†]	Incorporated herein by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-8, filed on August 8, 2017.

10.2	Promissory Note, dated October 1, 2016, in favor of Dolphin Entertainment, LLC (formerly, Dolphin Entertainment, Inc.).	Incorporated herein by reference to Exhibit 10.18 to the Registration Statement on Form S-1/A (SEC File No. 333-219029), filed on December 05, 2017.
10.3	Purchase agreement dated December 29, 2021 with Lincoln Park Capital Fund LLC.	Incorporated herein by reference to Exhibit 10.1 to Current Report on Form 8-K, filed on December 30, 2021.
10.4	Registration Rights Agreement dated December 29, 2021 with Lincoln Park Capital Fund LLC	Incorporated herein by reference to Exhibit 10.2 to Current Report on Form 8-K filed on December 30, 2021.
10.5	Purchase agreement dated August 10, 2022 with Lincoln Park Capital Fund LLC	Incorporated herein by reference to Exhibit 10.1 to Current Report on Form 10-Q, filed on August 15, 2022.
10.6	Registration Rights Agreement dated August 10, 2022 with Lincoln Park Capital Fund LLC	Incorporated herein by reference to Exhibit 10.2 to Current Report on Form 10-Q, filed on August 15, 2022.
10.7	Membership Interest Purchase Agreement dated as of November 14, 2022, by and between Dolphin Entertainment, Inc. and NSL Ventures, LLC.	Incorporated herein by reference to Exhibit 10.1 to Current Report on Form 10-Q, filed on November 14, 2022.
21.1	List of Subsidiaries of the Company.	Filed herewith.
23.1	Consent of BDO USA, LLP.	Filed herewith.
31.1	Certification of Chief Executive Officer of the Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of Chief Financial Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32.1	Certification of Chief Executive Officer of the Company pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
32.2	Certification of Chief Financial Officer of the Company pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)	Filed herewith.
101.SCH	Inline XBRL Taxonomy Extension Schema Document	Filed herewith.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Filed herewith.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	

† Management contract or compensatory plan or arrangement.

* Schedules (and similar attachments) have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish supplementally a copy of any omitted schedule to the Securities and Exchange Commission upon request.

ITEM 16 FORM 10-K SUMMARY

None.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DOLPHIN ENTERTAINMENT, INC.

Dated: March 31, 2023

By: /s/ William O'Dowd, IV

William O'Dowd, IV
Chief Executive Officer

Dated: March 31, 2023

By: /s/ Mirta A Negrini

Mirta A Negrini
Chief Financial and Operating Officer

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ William O'Dowd, IV</u> William O'Dowd, IV	Chairman, President and Chief Executive Officer (Principal Executive Officer)	March 31, 2023
<u>/s/ Mirta A Negrini</u> Mirta A Negrini	Chief Financial and Operating Officer and Director (Principal Financial Officer and Principal Accounting Officer)	March 31, 2023
<u>/s/ Michael Espensen</u> Michael Espensen	Director	March 31, 2023
<u>/s/ Nelson Famadas</u> Nelson Famadas	Director	March 31, 2023
<u>/s/ Anthony Leo</u> Anthony Leo	Director	March 31, 2023
<u>/s/ Nicholas Stanham</u> Nicholas Stanham	Director	March 31, 2023
<u>/s/ Claudia Grillo</u> Claudia Grillo	Director	March 31, 2023

INDEX TO FINANCIAL STATEMENTS

Dolphin Entertainment, Inc. Audited Consolidated Financial Statements

	<u>Page</u>
Reports of Independent Registered Public Accounting Firm (Grant Thornton LLP, Fort Lauderdale, FL, Auditor Firm ID: 248)	F-2
Report of Independent Registered Public Accounting Firm (BDO USA, LLP, Miami, FL, Auditor Firm ID: 243)	F-3
Consolidated Balance Sheets as of December 31, 2022 and 2021	F-4
Consolidated Statements of Operations for the years ended December 31, 2022 and 2021	F-6
Consolidated Statements of Cash Flows for the years ended December 31, 2022 and 2021	F-7
Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2022 and 2021	F-9
Notes to Consolidated Financial Statements	F-10

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Dolphin Entertainment, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheet of Dolphin Entertainment, Inc. (a Florida corporation) and subsidiaries (the “Company”) as of December 31, 2022, the related consolidated statements of operations, changes in stockholders’ equity, and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion

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

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

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

Critical audit matter

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

Goodwill Impairment Assessment – 42West Reporting Unit

As described further in Note 2 and Note 6 to the financial statements, management evaluates goodwill for impairment on an annual basis, or more frequently if impairment indicators exist, at the reporting unit level. Management estimated the fair values of its reporting units using a combination of the income and market approaches. The determination of the fair value of the reporting units requires management to make significant estimates and assumptions related to forecasts of future revenues, earnings before interest and tax (“EBITA”) and discount rates. We identified the goodwill impairment assessment of the 42West reporting unit as a critical audit matter.

The principal considerations for our determination that the goodwill impairment assessment of the 42West reporting unit is a critical audit matter is that changes in the assumptions related to forecasts of future revenues, EBITA and discount rates could materially affect the determination of the fair value of the reporting unit, the amount of any goodwill impairment charge, or both. Management utilized significant judgment when estimating the fair value of the 42West reporting unit and auditing management’s judgments regarding forecasts of revenue, EBITA and discount rates involved a high degree of subjectivity due to the estimation uncertainty of management’s significant judgments.

Our audit procedures related to the goodwill impairment assessment of the 42West reporting unit included the following, among others:

- We evaluated management’s process for determining the fair value of the 42West reporting unit.
- We evaluated the appropriateness of the valuation method utilized.
- We tested that the forecasts were reasonable and consistent with historical performance and third-party market data.
- We evaluated management’s ability to accurately forecast future revenue and EBITA by comparing the prior year forecast to actual results in the current year.
- We evaluated the reasonableness of the discount rate utilized in the discounted cash flow model with the assistance of our internal valuation specialists.

/s/ GRANT THORNTON LLP

We have served as the Company’s auditor since 2022.

Fort Lauderdale, Florida
March 31, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
Dolphin Entertainment, Inc.
Coral Gables, Florida

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Dolphin Entertainment, Inc. (the “Company”) as of December 31, 2021, the related consolidated statements of operations, stockholders’ equity, and cash flows for the year ended December 31, 2021, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021, and the results of its operations and its cash flows for the year ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

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

/s/ BDO USA, LLP

We have served as the Company's auditor from 2014 to 2021.

Miami, Florida

May 25, 2022

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
As of December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current		
Cash and cash equivalents	\$ 6,069,889	\$ 7,688,743
Restricted cash	1,127,960	541,883
Accounts receivable:		
Trade, net of allowance of \$736,820 and \$627,553, respectively	6,162,472	4,513,179
Other receivables	5,552,993	3,583,357
Notes receivable	4,426,700	1,510,137
Other current assets	523,812	450,060
Total current assets	<u>23,863,826</u>	<u>18,287,359</u>
Capitalized production costs, net	1,598,412	137,235
Employee receivable	604,085	366,085
Right-of-use assets	7,341,045	6,129,411
Goodwill	29,314,083	20,021,357
Intangible assets, net	9,884,336	6,142,067
Property, equipment and leasehold improvements, net	293,206	473,662
Other long-term assets	2,477,839	1,234,275
Total Assets	<u>\$ 75,376,832</u>	<u>\$ 52,791,451</u>

(Continued)

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

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
Consolidated Balance Sheets (Continued)
As of December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
LIABILITIES		
Current		
Accounts payable	\$ 4,798,221	\$ 942,085
Term loan, current portion	408,905	—
Notes payable, current portion	3,868,960	307,685
Contingent consideration	500,000	600,000
Accrued interest – related party	1,744,723	1,621,437
Accrued compensation – related party	2,625,000	2,625,000
Lease liability, current portion	2,073,547	1,600,107
Deferred revenue	1,641,459	406,373
Other current liabilities	7,626,836	6,850,584
Total current liabilities	<u>25,287,651</u>	<u>14,953,271</u>
Noncurrent		
Term loan, noncurrent portion	2,458,687	—
Notes payable, noncurrent portion	500,000	868,959
Convertible notes payable	5,050,000	2,900,000
Convertible notes payable at fair value	343,556	998,135
Loan from related party	1,107,873	1,107,873
Contingent consideration	238,821	3,684,221
Lease liability	6,012,049	5,132,895
Deferred tax liability	253,188	76,207
Warrant liability	15,000	135,000
Other noncurrent liabilities	18,915	—
Total Liabilities	<u>41,285,740</u>	<u>29,856,561</u>
Commitments and contingencies (Note 27)		
STOCKHOLDERS' EQUITY		
Preferred Stock, Series C, \$0.001 par value, 50,000 shares authorized, 50,000 shares issued and outstanding at December 31, 2022 and 2021	1,000	1,000
Common stock, \$0.015 par value, 200,000,000 shares authorized, 12,340,664 and 8,020,381 shares issued and outstanding at December 31, 2022 and December 31, 2021, respectively	185,110	120,306
Additional paid in capital	143,119,461	127,247,928
Accumulated deficit	(109,214,479)	(104,434,344)
Total Stockholders' Equity	<u>34,091,092</u>	<u>22,934,890</u>
Total Liabilities and Stockholders' Equity	<u>\$ 75,376,832</u>	<u>\$ 52,791,451</u>

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

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
For the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues	\$ 40,505,558	\$ 35,727,199
Expenses:		
Direct costs	3,566,336	3,879,409
Payroll and benefits	28,947,730	23,819,327
Selling, general and administrative	6,572,020	5,836,235
Acquisition costs	480,939	22,907
Impairment of goodwill	906,337	—
Change in fair value of contingent consideration	(47,285)	3,754,221
Depreciation and amortization	1,751,211	1,905,354
Legal and professional	2,903,412	2,013,436
Total expenses	<u>45,080,700</u>	<u>41,230,889</u>
Loss from operations	(4,575,142)	(5,503,690)
Other (expenses) income:		
Gain on extinguishment of debt	—	2,988,779
Change in fair value of convertible notes	654,579	(570,844)
Change in fair value of warrants	120,000	(2,482,877)
Change in fair value of put rights	—	(71,106)
Interest expense	(555,802)	(785,209)
Total other income (expense), net	<u>218,777</u>	<u>(921,257)</u>
Loss before income taxes and equity in losses of unconsolidated affiliates	\$ (4,356,365)	\$ (6,424,947)
Income tax expense	(176,981)	(37,356)
Net loss before equity in losses of unconsolidated affiliates	<u>(4,533,346)</u>	<u>(6,462,303)</u>
Equity in losses of unconsolidated affiliates	(246,789)	—
Net loss	<u>\$ (4,780,135)</u>	<u>\$ (6,462,303)</u>
Loss per share:		
Basic	\$ (0.49)	\$ (0.85)
Diluted	\$ (0.56)	\$ (0.85)
Weighted average number of shares used in per share calculation		
Basic	9,799,021	7,614,774
Diluted	9,926,926	7,614,774

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

DOLPHIN ENTERTAINMENT, INC AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (4,780,135)	\$ (6,462,303)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,751,211	1,905,354
Share-based compensation	215,528	—
Equity in losses of unconsolidated affiliates	246,789	—
Commitment shares issued to Lincoln Park Capital LLC	232,118	—
Bonus payment issued in shares	50,000	17,858
Gain on extinguishment of debt	—	(2,988,779)
Loss on disposal of fixed assets	—	48,461
Impairment of right-of-use asset	98,857	—
Impairment of capitalized production costs	87,323	234,734
Impairment of goodwill	906,337	—
Bad debt net expense	411,302	327,891
Deferred tax expense (benefit)	176,981	37,356
Change in fair value of put rights	—	71,106
Change in fair value of contingent consideration	(47,285)	3,754,221
Change in fair value of warrants	(120,000)	2,482,877
Change in fair value of convertible notes	(654,579)	570,844
Changes in operating assets and liabilities:		
Accounts receivable, trade and other	(539,546)	(3,243,164)
Other current assets	277,501	(107,020)
Capitalized production costs	(1,548,500)	(100,830)
Other long-term assets and employee receivable	(228,353)	(378,563)
Deferred revenue	(938,308)	(40,113)
Accounts payable	812,267	(352,823)
Accrued interest – related party	123,286	(161,684)
Lease liability	42,103	(46,178)
Other current liabilities	(621,040)	3,112,038
Other noncurrent liabilities	18,915	—
Net cash used in operating activities	(4,027,227)	(1,318,717)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, equipment and leasehold improvements	(72,198)	—
Investment in JDDC Elemental LLC	—	(1,000,000)
Issuance of notes receivable	(3,108,080)	(1,500,000)
Acquisition of Socialyte, LLC, net of cash acquired	(4,739,077)	—
Acquisition of B/HI Communications, Inc, net of cash acquired	—	(525,856)
Net cash used in investing activities	(7,919,355)	(3,025,856)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from convertible notes payable	2,650,000	5,950,000
Proceeds from notes payable	500,000	—
Proceeds from the term loan	2,903,305	—
Repayment of term loan	(35,714)	(900,292)
Repayment of notes payable	(307,684)	(96,750)
Exercise of put rights	—	(1,015,135)
Payment of contingent consideration BHI	(600,000)	—
Proceeds from Lincoln Park equity line	5,803,899	—
Net cash provided by financing activities	10,913,806	3,937,823
Net decrease in cash and cash equivalents and restricted cash	(1,032,776)	(406,750)
Cash and cash equivalents and restricted cash, beginning of period	8,230,626	8,637,376
Cash and cash equivalents and restricted cash, end of period	\$ 7,197,849	\$ 8,230,626

(Continued)

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

DOLPHIN ENTERTAINMENT, INC AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the years ended December 31, 2022 and 2021

	2022	2021
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:		
Interest paid	\$ 677,081	\$ 916,538
Lease liability obtained in exchange for obtaining right-of-use assets	\$ 3,098,102	\$ 1,044,864
SUPPLEMENTAL DISCLOSURES OF NON CASH FLOW INFORMATION:		
Issuance of shares related to conversion of notes payable	\$ 500,000	\$ 5,603,612
Issuance of shares related to cashless exercise of warrants	\$ —	\$ 2,797,877
Issuance of shares of common stock related to the acquisitions	\$ 6,236,677	\$ 586,716
Issuance of shares related to extinguishment of debt	\$ —	\$ 29,075
Issuance of shares to Lincoln Park Capital LLC	\$ 231,258	\$ 777
Settlement of contingent consideration in shares of common stock	\$ 516,247	\$ 2,974,222
Receipt of Craffhouse equity in connection with marketing agreement	\$ 1,000,000	\$ —
Put rights exchanged for shares of common stock	\$ —	\$ 706,688
Interest on notes paid in stock	\$ —	\$ 8,611
Employee bonus paid in stock	\$ 50,000	\$ 17,858

Reconciliation of cash, cash equivalents and restricted cash. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of cash flows that sum to the total of the same such amounts shown in the statements of cash flows:

	2022	2021
Cash and cash equivalents	\$ 6,069,889	\$ 7,688,743
Restricted cash	1,127,960	541,883
Total cash, cash equivalents and restricted cash shown in the consolidated statement of cash flows	\$ 7,197,849	\$ 8,230,626

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

DOLPHIN ENTERTAINMENT INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
For the years ended December 31, 2022 and 2021

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance December 31, 2020	50,000	\$ 1,000	6,618,785	\$ 99,281	\$ 117,540,557	\$ (97,972,041)	\$ 19,668,797
Net loss	—	—	—	—	—	(6,462,303)	(6,462,303)
Issuance of shares related to conversion of note payable	—	—	963,985	14,460	5,589,152	—	5,603,612
Issuance of shares related to cashless exercise of warrants	—	—	146,027	2,190	2,795,687	—	2,797,877
Issuance of shares issued to seller of Be Social	—	—	103,245	1,549	348,451	—	350,000
Issuance of shares related to acquisition of The Door	—	—	10,238	154	(154)	—	—
Issuance of shares related to exchange of Put Rights for stock	—	—	115,366	1,730	704,958	—	706,688
Issuance of shares related to acquisition of B/HI Communications, Inc	—	—	4,075	61	36,654	—	36,715
Shares retired from exercise of puts	—	—	(18,347)	(276)	(13,153)	—	(13,429)
Issuance of shares for employee bonus	—	—	1,935	29	17,829	—	17,858
Issuance of shares related to extinguishment of debt	—	—	3,228	51	29,024	—	29,075
Issuance of shares related to acquisition of Shore Fire Media	—	—	20,017	300	199,700	—	200,000
Commitment shares issued to Lincoln Park Capital LLC	—	—	51,827	777	(777)	—	—
Balance December 31, 2021	50,000	\$ 1,000	8,020,381	\$ 120,306	\$ 127,247,928	\$ (104,434,344)	\$ 22,934,890
Net loss	—	—	—	—	—	(4,780,135)	(4,780,135)
Share-based compensation	—	—	—	—	215,528	—	215,528
Issuance of shares related to an employment agreement	—	—	11,571	173	49,827	—	50,000
Issuance of shares related to conversion of note payable	—	—	125,604	1,884	498,116	—	500,000
Issuance of shares to Lincoln Park Capital LLC	—	—	1,677,332	25,159	6,010,857	—	6,036,016
Issuance of common stock on vesting of restricted stock units, net of shares withheld for taxes	—	—	31,404	472	(472)	—	—
Issuance of shares to sellers of The Door Marketing Group LLC for earnout consideration	—	—	279,562	4,193	2,377,676	—	2,381,869
Issuance of shares to seller of B/HI Communication Inc for earnout consideration	—	—	163,369	2,451	513,796	—	516,247
Shares issued in relation to acquisition of Socialyte LLC	—	—	2,031,491	30,472	6,206,205	—	6,236,677
Balance December 31, 2022	50,000	\$ 1,000	12,340,664	\$ 185,110	\$ 143,119,461	\$ (109,214,479)	\$ 34,091,092

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

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 — BASIS OF PRESENTATION AND ORGANIZATION

Dolphin Entertainment, Inc., a Florida corporation (the “Company,” “Dolphin,” “we,” “us” or “our”), is a leading independent entertainment marketing and premium content development company. Through its acquisitions of 42West LLC (“42West”), The Door Marketing Group, LLC (“The Door”), Shore Fire Media, Ltd (“Shore Fire”), Viewpoint Computer Animation Incorporated (“Viewpoint”), Be Social Public Relations, LLC (“Be Social”), B/HI Communications, Inc. (“B/HI”) and Socialyte, LLC (“Socialyte”), the Company provides expert strategic marketing and publicity services throughout the United States of America (“U.S.”) to all of the major film studios and many of the leading independent and digital content providers, A-list celebrity talent, including actors, directors, producers, celebrity chefs, social media influencers and recording artists. The Company also provides strategic marketing publicity services and creative brand strategies for prime hotel and restaurant groups and consumer brands throughout the U.S. The strategic acquisitions of 42West, The Door, Shore Fire, Viewpoint, Be Social, B/HI and Socialyte bring together premium marketing services, including digital and social media marketing capabilities, with premium content production, creating significant opportunities to serve respective constituents more strategically and to grow and diversify the Company’s business. Dolphin’s content production business is a long established, leading independent producer, committed to distributing premium, best-in-class film and digital entertainment. Dolphin produces original feature films and digital programming primarily aimed at family and young adult markets.

The accompanying consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (“US GAAP”) include the accounts of Dolphin, and all of its wholly owned subsidiaries, comprising Dolphin Films, Inc. (“Dolphin Films”), Dolphin SB Productions LLC, Dolphin Max Steel Holdings, LLC, Dolphin JB Believe Financing, LLC, Dolphin JOAT Productions, LLC, 42West, The Door, Viewpoint, Shore Fire, Be Social, B/HI and Socialyte. All significant intercompany balances and transactions have been eliminated in consolidation. The Company applies the equity method of accounting for its investments in entities for which it does not have a controlling financial interest, but over which it has the ability to exert significant influence.

On September 24, 2021, the Company filed an amendment to its Amended and Restated Articles of Incorporation with the Secretary of the State of Florida to increase its authorized shares of common stock to 200,000,000 from 40,000,000 as adopted by the shareholders of the Company on September 23, 2021.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of 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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The most significant estimates made by management in the preparation of the financial statements relate to the estimates in the fair value of acquisitions, estimates in assumptions used to calculate the fair value of certain liabilities and impairment assessments for investment in capitalized production costs, goodwill and long-lived assets. Actual results could differ materially from such estimates.

Statement of Comprehensive Income

In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”) Topic 220, *Comprehensive Income*, a statement of comprehensive income has not been included as the Company has no items of other comprehensive income. Comprehensive loss is the same as net loss for all periods presented.

Revenue Recognition

The Company’s revenues are primarily derived from the following sources: (i) celebrity talent services; (ii) content marketing services under multiyear master service agreements in exchange for fixed project-based fees; (iii) individual engagements for entertainment content marketing services for durations of generally between three and six months; (iv) strategic communications services; (v) engagements for marketing of special events such as food and wine festivals; (vi) engagement for marketing of brands; (vii) arranging strategic marketing agreements between brands and social media influencers and (viii) content productions of marketing materials on a project contract basis. For these revenue streams, we collect fees through either fixed fee monthly retainer agreements, fees based on a percentage of contracts or project-based fees. In addition, the Company also earns revenue from content production for digital marketing services, primarily by usage-based royalties for domestic sales. The Company recognizes revenue when our customer obtains control of promised goods or services, in an amount that reflects the consideration to which we expect to receive in exchange for those goods or services.

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

To determine recognition, we perform the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contracts; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contracts; and (v) recognize revenue as or when we satisfy the performance obligation. We only apply the five-step model to contracts when it is probable that Dolphin will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, we assess the goods or services promised within each contract and determine those that are distinct performance obligations. We then assess whether we act as an agent or a principal for each identified performance obligation and include revenue within the transaction price for third-party costs when we determine that we act as principal. We typically do not capitalize costs to obtain a contract as these amounts would generally be recognized over a period of one year or less.

The majority of our fees are recognized over time as services are performed, and are generally recognized on a straight-line or monthly basis, as the services are consumed by our clients, which approximates the proportional performance on such contracts. We also enter into management agreements with a roster of social media influencers and are paid a percentage of the revenue earned by the social media influencer. Due to the short-term nature of these contracts, the performance obligation is typically completed and revenue is recognized at a point in time, typically the date of publication.

Principal vs. Agent

When a third-party is involved in the delivery of our services to the client, we assess whether or not we are acting as a principal or an agent in the arrangement. The assessment is based on whether we control the specified services at any time before they are transferred to the customer. We have determined that in our events and public relations businesses, we generally act as a principal as our agencies provide a significant service of integrating goods or services provided by third parties into the specified deliverable to our clients. In addition, we have determined that we are responsible for the performance of the third-party suppliers, which are combined with our own services, before transferring those services to the customer. We have also determined that we act as principal when providing creative services and media planning services, as we perform a significant integration service in these transactions. For performance obligations in which we act as principal, we record the gross amount billed to the customer within total revenue and the related incremental direct costs incurred as billable expenses.

When a third-party is involved in the production and execution of an advertising campaign and for media buying services, we have determined that we act as the agent and are solely arranging for the third-party suppliers to provide services to the customer. Specifically, we do not control the specified services before transferring those services to the customer, we are not primarily responsible for the performance of the third-party services, nor can we redirect those services to fulfill any other contracts. We do not have inventory risk or discretion in establishing pricing in our contracts with customers. For performance obligations for which we act as the agent, we record our revenue as the net amount of our gross billings less amounts remitted to third parties. In these types of arrangements, the gross billings are recorded as other receivables in the consolidated balance sheets and the amounts remitted to third parties are recorded as "talent liability" within other current liabilities in the consolidated balance sheets.

Collaborative Arrangements

The Company analyzes our collaboration agreements to assess whether such arrangements, or transactions between arrangement participants, involve joint operating activities performed by parties that are both active participants in the activities and exposed to significant risks and rewards dependent on the commercial success of such activities or are more akin to a vendor-customer relationship. In making this evaluation, the Company considers whether the activities of the collaboration are considered to be distinct and deemed to be within the scope of the collaboration guidance and those that are more reflective of a vendor-customer relationship and, therefore, within the scope of the revenue with contracts with customer guidance. This assessment is performed throughout the life of the arrangement based on changes in the responsibilities of all parties in the arrangement.

For collaboration arrangements that are in the scope of the collaboration guidance, we may analogize to the revenue from contracts with customers' guidance for some aspects of these arrangements. Revenue from transactions with collaboration participants is presented apart from revenue with contracts with customers in our consolidated statements of operations. To date, there has been no revenue generated from collaboration arrangements.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash deposits at financial institutions. The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Restricted Cash

Restricted cash represents amounts held by banking institutions as collateral for security deposits under leases for office space in New York City. As of December 31, 2022 and 2021 the Company had a balance of \$1,127,960 and \$541,883, respectively, in restricted cash.

Accounts Receivable

The Company's trade accounts receivable relate to its entertainment publicity and marketing business, and are recorded at their net realizable value, which is net of an allowance for doubtful accounts. The carrying amount of accounts receivable is reduced by an allowance for doubtful accounts that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all delinquent accounts receivable balances and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. When preparing these estimates, management considers a number of factors, including the age of the receivables, current economic conditions, historical losses and other information management obtains regarding the financial condition of customers. The policy for determining past due status is based on the contractual payment terms of each customer, which are generally net 30 days. Once collection efforts by the Company and its collection agency are exhausted, the determination for charging off uncollectible receivables is made.

Other Receivables

Prior to the Company's acquisition, Socialyte entered into a factoring agreement with Peblo LLC ("Peblo") and agreed to sell trade receivables in exchange for a fee of 1% of the trade receivables purchased. The receivables purchased are paid within forty-eight hours of the purchase, net of the 1% fee ("First Agreement"). The initial term of the First Agreement is for a twenty-four month period and expires on June 1, 2024. On January 13, 2023, the Company's subsidiary entered into a new agreement with Peblo and agreed to sell the trade receivables for a fee of 0.9% and receive the funds for purchase of the trade receivables within thirteen days of the sale of the trade receivable ("Second Agreement" and together with the First Agreement, the "Factoring Agreements"). The initial term of the Second Agreement is for a period of twenty-four months and upon the purchase of the trade receivables all rights and obligations of the trade receivable transfers to Peblo and the Company is not required to repurchase any trade receivable that is not collected by Peblo. For the period between November 14, 2022, the acquisition date and December 31, 2022, Socialyte sold \$3.1 million of trade receivables to Peblo and recorded approximately \$31,300 for the 1% Peblo fee under general and administrative costs in the Company's consolidated statement of operations of the year ended December 31, 2022. As of December 31, 2022, the outstanding principal balance of receivables sold under the Factoring Agreements amounted to \$1,025,239, net of the 1% fee (\$10,356) charged by Peblo and is included under the caption "Other receivables" on our consolidated balance sheets.

Other receivables also include gross amounts to be collected from third party suppliers in transactions in which we act as an agent (refer to Revenue Recognition, "Principal vs. Agent" section), which amount to \$5,552,993 and \$3,583,357 as of December 31, 2022 and 2021, respectively.

Notes Receivable

The notes receivable held by the Company are convertible note receivables from JDDC Elemental LLC ("Midnight Theatre") and Stanton South LLC ("Craffhouse Cocktails") (the "Notes Receivable"). The Notes Receivable are recorded at their principal face amount plus accrued interest. Due to their short-term maturity and conversion terms (see Note 9), these have been recorded at the face value of the note and an allowance for doubtful notes receivable has not been established.

Employee Receivable

The Company records receivables from employees separately on its consolidated balance sheets. During the years ended December 31, 2022 and 2021, the Company made payments to Amanda Lundberg, the CEO of 42West, in the aggregate amount of \$238,000 and \$366,085, respectively. On March 23, 2022, the Company and Ms. Lundberg entered into a Secured Promissory Note ("Lundberg Note") agreement that provides for additional payments in the amount of \$16,000 monthly to be made to Ms. Lundberg through December 31, 2027. The Lundberg Note matures on December 31, 2027 and bears interest of 2% per annum that will accrue and be payable upon maturity. The Lundberg Note also provides for note repayment to begin on March 31, 2025 through twelve equal consecutive quarterly installments. On the same date as the Lundberg Note and as security for the balance of the Lundberg Note, Ms. Lundberg and the Company entered into a Stock Pledge Agreement whereby Ms. Lundberg pledged common stock of the Company held by her as collateral for the Lundberg Note. As of December 31, 2022 and 2021, Ms. Lundberg owes the Company \$604,085 and \$366,085, respectively under the Lundberg Note.

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Other Current Assets and Other Long-Term Assets

Other current assets consist primarily of prepaid expenses, interest receivable, and other non-customer receivables. Other long-term assets consist of equity method investments (see Note 10) and security deposits. From time to time, indemnification assets for certain acquisitions are recorded in Other long-term assets; however, there were no indemnification assets as of December 31, 2022 and 2021.

Capitalized Production Costs

Capitalized production costs include the Company's investment in the production costs of the *Blue Angels*, the first co-produced, co-financed deal under the IMAX Corporation ("IMAX") agreement discussed further in Note 26. Capitalized production costs also include the costs of scripts for projects that have not been produced and are in various stages of development. Capitalized production costs are initially recorded at cost that is also deemed to be its fair value and reviewed at each balance sheet date for impairment. Whenever the carrying amount is determined to be above the fair value, the capitalized production cost is impaired.

Investments and Strategic Arrangements

From time to time, the Company may participate in selected investment or strategic arrangements to expand its operations or customer base, including arrangements that combine the Company's skills and resources with those of others to allow for the performance of particular projects.

Management determines whether each business entity in which it has equity interests, debt, or other investments constitutes a variable interest entity ("VIE") based on the nature and characteristics of such arrangements. If an investment arrangement is determined to be a VIE, then management determines if the Company is the VIE's primary beneficiary by evaluating several factors, including the Company's: (i) risks and responsibilities; (ii) ownership interests; (iii) decision making powers; and (iv) financial interests, among other factors. If management determines the Company is the primary beneficiary of a VIE, then it would be consolidated, and other parties' interests in the VIE would be accounted for as non-controlling interests. The primary beneficiary consolidating the VIE must normally have both (i) the power to direct the primary activities of the VIE and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE, which, in either case, could be significant to the VIE. The Company has determined that it is the primary beneficiary of JB Believe, LLC, formed on December 4, 2012 in the State of Florida; as such it has included it in its consolidated financial statements as of and for the years ended December 31, 2022 and 2021 as a VIE. Refer to Note 18 for additional information on Variable Interest Entities.

The Company's investments in entities for which it does not have a controlling interest and is not the primary beneficiary, but for which it has the ability to exert significant influence, are accounted for using the equity method of accounting. Under the equity method of accounting, the initial investment is recorded at cost and the investment is subsequently adjusted for its proportionate share of earnings or losses, including consideration of basis differences resulting from the difference between the initial carrying amount of the investment and the underlying equity in net assets. The equity method investments are recorded in other long-term assets in the consolidated balance sheets. Refer to Note 10 for additional information on Equity Method Investments.

Intangible Assets

In connection with the acquisitions of 42West, The Door, Viewpoint, Shore Fire, Be Social, B/Hi and Socialyte, the Company acquired in aggregate an estimated \$18,680,000 of intangible assets with finite useful lives initially estimated to range from 2 to 13 years. The finite-lived intangible assets consist primarily of customer relationships, trade names and non-compete agreements.

Intangible assets are initially recorded at fair value and are amortized over their respective estimated useful lives (see table below) and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If a triggering event has occurred, an impairment analysis is required. The impairment test first requires a comparison of undiscounted future cash flows expected to be generated over the useful life of an asset to the carrying value of the asset. If the carrying value of the asset exceeds the undiscounted cash flows, the asset would not be deemed recoverable. Impairment would then be measured as the excess of the asset's carrying value over its fair value. See Note 8 for further discussion.

The range of estimated useful lives to be used to calculate amortization for finite-lived intangibles are as follow:

Intangible Asset	Amortization Method	Amortization Period (Years)
Customer relationships	Accelerated Method	3 – 13
Trademarks and trade names	Straight-line	2 – 10
Non-compete agreements	Straight-line	2 – 3

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Goodwill

Goodwill results from business combinations and is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the net tangible assets and other intangible assets acquired. The Company accounts for goodwill in accordance with FASB ASC No. 350, Intangibles—Goodwill and Other (“ASC 350”). Goodwill is not amortized; however, it is assessed for impairment at least annually, or more frequently if triggering events occur. The Company’s annual assessment is performed in the fourth quarter.

Each period and for each reporting unit the Company can elect to first assess qualitatively whether it is necessary to perform goodwill impairment testing. If the Company believes, as a result of its qualitative assessment, that it is not more likely than not that the fair value of any reporting unit containing goodwill is less than its carrying amount, the quantitative goodwill impairment test is unnecessary. If the Company elects to bypass the qualitative assessment option, or if the qualitative assessment was performed and resulted in the Company being unable to conclude that it is not more likely than not that the fair value of a reporting unit containing goodwill is greater than its carrying amount, the Company will perform the quantitative goodwill impairment test.

The Company evaluates various factors affecting a reporting unit in its qualitative assessment, including, but not limited to, macroeconomic conditions, industry and market considerations, cost factors, and financial performance. If the Company concludes from its qualitative assessment that goodwill impairment testing is required or if the Company bypasses the qualitative test, the fair value of the reporting unit is compared to its carrying amount.

Property, Equipment and Leasehold Improvements

Property and equipment is recorded at cost and depreciated over the estimated useful lives of the assets using the straight-line method. When items are retired or otherwise disposed of, income is charged or credited for the difference between net book value and proceeds realized thereon. Ordinary maintenance and repairs are charged to expense as incurred, and replacements and betterments are capitalized. Leasehold improvements are amortized over the lesser of the term of the related lease or the estimated useful lives of the assets. The range of estimated useful lives to be used to calculate depreciation and amortization for principal items of property and equipment are as follow:

<u>Asset Category</u>	<u>Depreciation/Amortization Period (Years)</u>
Furniture and fixtures	5 - 7
Computers, office equipment and software	3 - 5
Leasehold improvements	5 - 8, not to exceed the lease terms

The Company periodically reviews and evaluates the recoverability of property, equipment and leasehold improvements. Where applicable, estimates of net future cash flows, on an undiscounted basis, are calculated based on future revenue estimates. If appropriate and where deemed necessary, a reduction in the carrying amount is recorded. The Company has not had any material impairments of property, equipment and leasehold improvements.

Business Combinations

The Company accounts for business combinations under the acquisition method of accounting. Identifiable assets acquired, liabilities assumed and any noncontrolling interest in the acquiree are recognized and measured as of the acquisition date at fair value. Goodwill is recognized to the extent by which the aggregate of the acquisition-date fair value of the consideration transferred and any noncontrolling interest in the acquiree exceeds the recognized basis of the identifiable assets acquired, net of assumed liabilities. Determining the fair value of assets acquired, liabilities assumed and noncontrolling interest requires management’s judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash flows, discount rates and asset lives among other items.

Contingent Consideration

The Company records contingent consideration as a result of certain acquisitions (see Note 5). The Company records the fair value of the contingent consideration liability in the consolidated balance sheets under the caption “Contingent Consideration” and records changes to the liability against earnings or loss under the caption “Changes in fair value of contingent consideration” in the consolidated statements of operations.

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Put Rights

In connection with the 42West acquisition in 2017, the Company entered into put right agreements, pursuant to which it granted put rights to the sellers and certain 42West employees. The Company records the fair value of the liability in the consolidated balance sheets under the caption “Put rights” and records changes to the liability against earnings or loss as part of operating expenses under the caption “Changes in fair value of put rights” in the consolidated statements of operations. The final put rights were settled in March 2021; therefore, we did not have a liability related to the put rights as of December 31, 2022 or 2021, and no changes in fair value occurred during the year ended December 31, 2022.

Acquisition Costs

Direct costs related to business combinations are expensed as incurred and included as Acquisition costs in the consolidated statements of operations. These costs include all internal and external costs directly related to acquisitions, consisting primarily of legal, consulting, accounting, advisory and financing fees.

Convertible Debt and Convertible Preferred Stock

On January 1, 2021, the Company adopted Accounting Standards Update (“ASU”) 2020-06 that simplifies the accounting for convertible instruments. ASU 2020-06 (i) reduced the number of accounting models for convertible instruments, by eliminating the models that require separation of cash conversion or beneficial conversion features from the host and (ii) revised the derivative scope exception and (iii) provided targeted improvements for Earnings Per Share (“EPS”). The adoption of ASU 2020-06 did not have a material impact on the Company’s outstanding convertible debt instruments as of January 1, 2021.

When the Company issues convertible debt or convertible preferred stock, it evaluates the balance sheet classification to determine whether the instrument should be classified either as debt or equity, and whether the conversion feature should be accounted for separately from the host instrument. A conversion feature of a convertible debt instrument or certain convertible preferred stock would be separated from the convertible instrument and classified as a derivative liability if the conversion feature, were it a standalone instrument, meets the definition of an “embedded derivative” in ASC 815, Derivatives and Hedging. Generally, characteristics that require derivative treatment include, among others, when the conversion feature is not indexed to the Company’s equity, as defined in ASC 815-40, or when it must be settled either in cash or by issuing stock that is readily convertible to cash. When a conversion feature meets the definition of an embedded derivative, it would be separated from the host instrument and classified as a derivative liability carried on the consolidated balance sheet at fair value, with any changes in its fair value recognized currently in the consolidated statements of operations.

Fair Value Option (“FVO”) Election

The Company accounts for certain convertible notes issued during the year ended December 31, 2020 under the fair value option election of ASC 825, Financial Instruments (“ASC 825”) as discussed below.

The convertible notes accounted for under the FVO election are each debt host financial instruments containing embedded features which would otherwise be required to be bifurcated from the debt-host and recognized as separate derivative liabilities subject to initial and subsequent periodic estimated fair value measurements under ASC 815. Notwithstanding, ASC 825-10-15-4 provides for the “fair value option” (“FVO”) election, to the extent not otherwise prohibited by ASC 825-10-15-5, to be afforded to financial instruments, wherein bifurcation of an embedded derivative is not necessary, and the financial instrument is initially measured at its issue-date estimated fair value and then subsequently remeasured at estimated fair value on a recurring basis at each reporting period date.

The estimated fair value adjustment, as required by ASC 825-10-45-5, is recognized as a component of other comprehensive income (“OCI”) with respect to the portion of the fair value adjustment attributed to a change in the instrument-specific credit risk, with the remaining amount of the fair value adjustment recognized as other income (expense) in the accompanying consolidated statement of operations. With respect to the above notes, as provided for by ASC 825-10-50-30(b), the estimated fair value adjustment is presented in a respective single line item within other income (expense) in the accompanying consolidated statements of operations, since the change in fair value of the convertible notes payable was not attributable to instrument specific credit risk.

Warrants

When the Company issues warrants, it evaluates the proper balance sheet classification of the warrant to determine whether the warrant should be classified as equity or as a derivative liability on the consolidated balance sheets. In accordance with ASC 815-40, Derivatives and Hedging-Contracts in the Entity’s Own Equity (ASC 815-40), the Company classifies a warrant as equity so long as it is “indexed to the Company’s equity” and several specific conditions for equity classification are met. A warrant is not considered indexed to the Company’s equity, in general, when it contains certain types of exercise contingencies or adjustments to exercise price. If a warrant is not indexed to the Company’s equity or it has net cash settlement that results in the warrants to be accounted for under ASC 480, Distinguishing Liabilities from Equity, or ASC 815-40, it is classified as a derivative liability which is carried on the consolidated balance sheet at fair value with any changes in its fair value recognized currently in the statement of operations. As of December 31, 2022 and 2021, the Company had warrants that were classified as liabilities.

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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. Assets and liabilities measured at fair value are categorized based on whether the inputs are observable in the market and the degree that the inputs are observable. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Observable inputs are based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's own assumptions based on the best information available in the circumstances.

The fair value hierarchy prioritizes the inputs used to measure fair value into three broad levels, defined as follows:

- Level 1 — Inputs are quoted prices in active markets for identical assets or liabilities as of the reporting date.
- Level 2 — Inputs other than quoted prices included within Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs. Unobservable inputs for the asset or liability that reflect management's own assumptions about the assumptions that market participants would use in pricing the asset or liability as of the reporting date.

To account for the acquisitions of 42West, The Door, Viewpoint, Shore Fire, Be Social, B/Hi and Socialyte, the Company made a number of fair value measurements related to the different forms of consideration paid and of the identified assets acquired and liabilities assumed. In addition, the Company makes fair value measurements of its Contingent Consideration. See Notes 5 and 17 for further discussion and disclosures.

Right-of-Use Asset and Lease Liability

The Company accounts for leases under ASC 842, Leases. The Company reviews all agreements to determine if a leasing arrangement exists. The Company determines if an arrangement is a lease at the lease commencement date. In addition to the Company's lease agreements, the Company reviews all material new vendor arrangements for potential embedded lease obligations. The asset balance related to operating leases is presented within "right-of-use (ROU) asset" on the Company's consolidated balance sheet. The current and noncurrent balances related to operating leases are presented as "Lease liability," in their respective classifications, on the Company's consolidated balance sheet.

The lease liability is recognized based on the present value of the remaining fixed lease payments discounted using the Company's incremental borrowing rate on the date of the lease. The ROU asset is calculated based on the lease liability adjusted for any lease payments paid to the lessor at or before the commencement date (i.e. prepaid rent) and initial direct costs incurred by the Company and excluding any lease incentives received from the lessor. If a lease does not provide a discount rate and the rate cannot be readily determined, an incremental borrowing rate is used to determine the present value of future lease payments. For operating leases, the lease expense is recognized on a straight-line basis over the lease term. The Company accounts for its lease and non-lease components as a single component, and therefore both are included in the calculation of lease liability recognized on the consolidated balance sheets.

Income Taxes

Deferred taxes are recognized for the future tax effects of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using tax rates in effect for the years in which the differences are expected to reverse. The effects of changes in tax laws on deferred tax balances are recognized in the period the new legislation is enacted. Valuation allowances are recognized to reduce deferred tax assets to the amount that is more likely than not to be realized. In assessing the likelihood of realization, management considers estimates of future taxable income. We calculate our current and deferred tax position based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed in subsequent years. Adjustments based on filed returns are recorded when identified.

Tax benefits from an uncertain tax position are only recognized if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution. Interest and penalties related to unrecognized tax benefits are recorded as incurred as a component of income tax expense.

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing income (loss) attributable to the shareholders of Common Stock (the numerator) by the weighted-average number of shares of Common Stock outstanding (the denominator) for the period.

Diluted earnings (loss) per share equals net income (loss) available to common stock stockholders divided by the weighted-average number of common shares outstanding, plus any additional common shares that would have been outstanding if potentially dilutive shares had been issued. Diluted earnings (loss) per share reflects the potential dilution that would occur if certain potentially dilutive instruments were exercised. The potential issuance of common stock is assumed to occur at the beginning of the year (or at the time of issuance of the potentially dilutive instrument, if later), under the if-converted method. Incremental shares are also included using the treasury stock method. The proceeds utilized in applying the treasury stock method consist of the amount, if any, to be paid upon exercise. These proceeds are then assumed to be used to purchase common stock at the average market price of the Company's common stock during the period. The incremental shares (difference between the shares assumed to be issued and the shares assumed to be purchased), to the extent they would have been dilutive, are included in the denominator of the diluted earnings per share calculation. Potentially dilutive instruments are not included in the computation of diluted loss per share because their inclusion is anti-dilutive.

Concentration of Risk

The Company maintains its cash and cash equivalents with financial institutions, which at times, may exceed federally insured limits. The Company has not incurred any losses on these accounts.

Reclassification

Certain prior year amounts have been reclassified to conform with current year presentation. These changes did not have any effect on net loss, stockholders' equity, the statement of operations or the net change in cash, cash equivalents and restricted cash in the statement of cash flows.

Recent Accounting Pronouncements

Accounting guidance adopted in fiscal year 2022

In October 2021, the FASB issued ASU 2021-08, "*Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*", to improve the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to recognition of an acquired contract liability and payment terms and their effect on subsequent revenue recognized by the acquirer. The guidance is effective for annual reporting periods beginning after December 15, 2022, including interim periods within that reporting period. Early adoption is permitted. The Company adopted this guidance on a prospective basis during the fourth quarter of 2022. Resulting from the adoption of this new guidance in relation to the Socialyte acquisition in November 2022, the Company recorded contract liabilities consistent with those recorded immediately prior to the acquisition date. The Company did not consider this to have a significant impact on the consolidated financial statements.

Accounting guidance not yet adopted

In June 2016, the FASB issued new guidance on measurement of credit losses (ASU 2016-13, "*Measurement of Credit Losses on Financial Instruments*") with subsequent amendments issued in November 2018 (ASU 2018-19) and April 2019 (ASU 2019-04). This update changes the accounting for credit losses on loans and held-to-maturity debt securities and requires a current expected credit loss (CECL) approach to determine the allowance for credit losses. It is applicable to trade accounts receivable. The guidance is effective for fiscal years beginning after December 15, 2022 with a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption. Early adoption is permitted. The Company is in the process of evaluating the impact of the adoption of ASU 2016-13 on the Company's consolidated financial statements and disclosures.

NOTE 3 – PRIOR INTERIM PERIOD REVISIONS AND UNAUDITED FINANCIAL DATA

Revision of previously issued financial statements – Settlement of Contingent Consideration

During the preparation of the consolidated financial statements for the year ended December 31, 2022, the Company identified certain errors related to its accounting of the settlement of and related change in fair value of contingent consideration reported in Form 10-Q for the quarters ended March 31, 2022 and June 30, 2022. On December 31, 2021, the Company had a liability in the amount of \$2,381,869 related to the contingent consideration owed to the sellers of The Door. On June 7, 2022, the Company issued 279,562 shares of Common Stock to settle the contingent consideration. For the three months ended March 31, 2022 and the three and six months ended June 30, 2022, the Company erroneously recorded changes in the fair value of the contingent consideration because during this period, the Company knew the number of shares needed for the settlement of the contingent consideration payment. To correct this error, the Company is revising its previously issued interim consolidated financial statements to (a) record the settlement and reclassification of the contingent consideration liability to additional paid-in-capital on January 1, 2022; and (b) eliminate the changes in fair value of contingent consideration recorded from January 1, 2022 through June 7, 2022.

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

In accordance with SAB No. 99, “Materiality,” and SAB No. 108, “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements,” the Company determined that the unaudited interim condensed consolidated financial statements for the quarterly and year-to-date periods ended March 31, 2022, June 30, 2022 and September 30, 2022 were materially misstated and should be revised. In addition, the change in fair value table disclosed in the Fair Value Measurements footnote and segment information disclosed in the Segment Reporting footnote has been revised for these periods. The revised unaudited interim consolidated financial statements are included below. The amounts and disclosures included in this Annual Report have been revised to reflect the corrected presentation.

As discussed above, the Company determined that its unaudited interim condensed consolidated financial statements for the quarterly and year-to-date periods ended March 31, 2022, June 30, 2022 and September 30, 2022 should be revised. The tables below set forth the impact of the revisions on the Company’s unaudited interim condensed consolidated financial statements.

Unaudited Financial Data

Revisions

Nine Months Ended September 30, 2022 (Unaudited, As Revised)

Consolidated Statement of Operations

	For the Nine Months Ended September 30, 2022		
	As Reported	Revision Adjustment	As Revised
Change in fair value of contingent consideration	\$ (1,439,778)	\$ 1,358,672	\$ (81,106)
Total expenses	30,975,282	1,358,672	32,333,954
Loss from operations	(1,608,534)	(1,358,672)	(2,967,206)
Loss before income taxes and equity in losses of unconsolidated affiliates	(1,326,896)	(1,358,672)	(2,685,568)
Net loss before income taxes and equity in losses of unconsolidated affiliates	(1,348,568)	(1,358,672)	(2,707,240)
Net loss	\$ (1,492,191)	\$ (1,358,672)	\$ (2,850,863)
EPS – Basic	\$ (0.16)	\$ (0.15)	\$ (0.31)
EPS – Diluted	\$ (0.23)	\$ (0.14)	\$ (0.37)

Consolidated Statements of Cash Flows

	For the Nine Months Ended September 30, 2022		
	As Reported	Revision Adjustment	As Revised
Net loss	\$ (1,492,191)	\$ (1,358,672)	\$ (2,850,863)
Change in fair value of contingent consideration	(1,439,778)	1,358,672	(81,106)
Net cash provided by (used in) operating activities	\$ (3,634,388)	\$ —	\$ (3,634,388)

Segment Information

	For the Nine Months Ended September 30, 2022		
	As Reported	Revision Adjustment	As Revised
Segment Operating Income (Loss):			
EPM	\$ 3,336,688	\$ (1,358,672)	\$ 1,978,016
CPD	(4,945,222)	—	(4,945,222)
Total operating income (loss)	(1,608,534)	(1,358,672)	(2,410,358)
Interest expense	(400,884)	—	(400,884)
Other income, net	(682,522)	—	682,522)
Loss before income taxes and equity in losses of unconsolidated affiliates	\$ (1,326,896)	\$ (1,358,672)	\$ (3,819,243)

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Three and Six Months Ended June 30, 2022 (Unaudited, As Revised)

Consolidated Balance Sheet

	As of June 30, 2022		
	As Reported	Revision Adjustment	As Revised
Stockholders' Equity:			
Additional paid in capital	\$ 133,246,100	1,358,672	\$ 134,604,772
Accumulated deficit	(104,614,817)	(1,358,672)	(105,973,489)
Total Stockholders' Equity	28,775,563	—	28,775,563
Total Liabilities and Stockholders' Equity	\$ 52,536,655	—	\$ 52,536,655

Consolidated Statement of Operations

	For the Three Months Ended June 30, 2022		
	As Reported	Revision Adjustment	As Revised
Change in fair value of contingent consideration	\$ (670,878)	\$ 433,321	\$ (237,557)
Total expenses	9,801,668	433,321	10,234,989
Loss from operations	488,958	(433,321)	55,637
Loss before income taxes and equity in losses of unconsolidated affiliates	642,632	(433,321)	209,311
Net loss before income taxes and equity in losses of unconsolidated affiliates	635,408	(433,321)	202,087
Net loss	\$ 612,008	\$ (433,321)	\$ 178,687
EPS – Basic	\$ 0.06	\$ (0.04)	\$ 0.02
EPS – Diluted	\$ 0.04	\$ (0.05)	\$ (0.01)

	For the Six Months Ended June 30, 2022		
	As Reported	Revision Adjustment	As Revised
Change in fair value of contingent consideration	\$ (1,434,778)	\$ 1,358,672	\$ (76,106)
Total expenses	19,942,502	1,358,672	21,301,174
Loss from operations	(474,751)	(1,358,672)	(1,833,423)
Loss before income taxes and equity in losses of unconsolidated affiliates	(122,625)	(1,358,672)	(1,481,297)
Net loss before income taxes and equity in losses of unconsolidated affiliates	(137,073)	(1,358,672)	(1,495,745)
Net loss	\$ (180,473)	\$ (1,358,672)	\$ (1,539,145)
EPS – Basic	\$ (0.02)	\$ (0.15)	\$ (0.17)
EPS – Diluted	\$ (0.09)	\$ (0.14)	\$ (0.23)

Segment Information

	For the three months ended June 30, 2022			For the six months ended June 30, 2022		
	As Reported	Restatement Adjustment	As Restated	As Reported	Restatement Adjustment	As Restated
Segment Operating Income (Loss):						
EPM	\$ 2,217,043	\$ (433,321)	\$ 1,783,722	\$ 2,731,850	\$ (1,358,672)	\$ 1,373,178
CPD	(1,728,085)	—	(1,728,085)	(3,206,618)	—	(3,206,618)
Total operating income (loss)	488,958	(433,321)	55,637	(474,768)	(1,358,672)	(1,833,440)
Interest expense	(125,348)	—	(125,348)	(274,737)	—	(274,737)
Other income, net	279,022	—	279,022	626,880	—	626,880
Loss before income taxes and equity in losses of unconsolidated affiliates	\$ 642,632	\$ (433,321)	\$ 209,311	\$ (122,625)	\$ (1,358,672)	\$ (1,481,297)

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Fair Value Measurements

	The Door		
	As Reported	Restatement Adjustment	As Restated
Beginning fair value balance reported on the condensed consolidated balance sheet at December 31, 2021	\$ 2,381,869	\$ —	\$ 2,381,869
Gain in fair value reported in the condensed consolidated statements of operations	(1,358,672)	1,358,672	—
Settlement of contingent consideration (Reclassified to additional paid in capital)	(1,023,197)	(1,358,672)	(2,381,869)
Ending fair value balance reported in the condensed consolidated balance sheet at June 30, 2022	\$ —	\$ —	\$ —

Revision

Three Months Ended March 31, 2022 (Unaudited, As Revised)

Consolidated Balance Sheet

	As of March 31, 2022		
	As Reported	Revision Adjustment	As Revised
Noncurrent liabilities			
Contingent consideration	\$ 2,920,321	\$ (1,456,518)	\$ 1,463,803
Total Liabilities	\$ 29,426,402	\$ (1,456,518)	\$ 27,969,884
Stockholders' Equity:			
Additional paid in capital	\$ 129,813,123	2,381,869	\$ 132,194,992
Accumulated deficit	(105,226,825)	(925,351)	(106,152,176)
Total Stockholders' Equity	\$ 24,717,064	\$ 1,456,518	\$ 26,173,582
Total Liabilities and Stockholders' Equity	\$ 54,143,466	\$ —	\$ 54,143,466

Consolidated Statement of Operations

	For the Three Months Ended March 31, 2022		
	As Reported	Revision Adjustment	As Revised
Change in fair value of contingent consideration	\$ (763,900)	\$ 925,351	\$ 161,451
Total expenses	10,140,834	925,351	11,066,185
Loss from operations	(963,709)	(925,351)	(1,889,060)
Loss before income taxes and equity in losses of unconsolidated affiliates	(765,257)	(925,351)	(1,690,608)
Net loss before income taxes and equity in losses of unconsolidated affiliates	(772,481)	(925,351)	(1,697,832)
Net loss	\$ (792,481)	\$ (925,351)	\$ (1,717,832)
EPS – Basic	\$ (0.09)	\$ (0.11)	\$ (0.20)
EPS – Diluted	\$ (0.13)	\$ (0.10)	\$ (0.23)

Segment Information

	For the three months ended March 31, 2022		
	As Reported	Restatement Adjustment	As Restated
Segment Operating Income (Loss):			
EPM	\$ 861,141	\$ (925,351)	\$ (64,210)
CPD	(1,824,850)	—	(1,824,850)
Total operating income (loss)	(963,709)	(925,351)	(1,889,060)
Interest expense	(149,406)	—	(149,406)
Other income, net	(347,858)	—	(347,858)
Loss before income taxes and equity in losses of unconsolidated affiliates	\$ (765,257)	\$ (925,351)	\$ (1,690,608)

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Fair Value Measurements

	<u>The Door</u>		
	<u>As Reported</u>	<u>Restatement Adjustment</u>	<u>As Restated</u>
Beginning fair value balance reported on the condensed consolidated balance sheet at December 31, 2021	\$ 2,381,869	\$ —	\$ 2,381,869
(Gain) Loss in fair value reported in the condensed consolidated statements of operations	(925,351)	925,351	—
Settlement of contingent consideration (Reclassified to additional paid in capital)	—	(2,381,869)	(2,381,869)
Ending fair value balance reported in the condensed consolidated balance sheet at March 31, 2022	\$ 1,456,518	\$ (1,456,518)	\$ —

NOTE 4 – REVENUE

Disaggregation of Revenue

The Company's principal geographic markets are within the U.S. The following is a description of the principal activities, by reportable segment, from which we generate revenue. For more detailed information about reportable segments, see Note 23.

Entertainment Publicity and Marketing

The Entertainment Publicity and Marketing ("EPM") segment generates revenue from diversified marketing services, including public relations, entertainment and hospitality content marketing, strategic marketing consulting and content production of marketing materials. Within the EPM segment, we typically identify one performance Is of publication.

Content Production

The Content Production ("CPD") segment generates revenue from the production of original motion pictures and other digital content production. In the CPD segment, we typically identify performance obligations depending on the type of service, which we generally act as the principal. Revenue from motion pictures is recognized upon transfer of control of the licensing rights of the motion picture or web series to the customer. For minimum guarantee licensing arrangements, the amount related to each performance obligation is recognized when the content is delivered, and the window for exploitation right in that territory has begun, which is the point in time at which the customer is able to begin to use and benefit from the content. For sales or usage-based royalty income, revenue is recognized starting at the exhibition date and is based on the Company's participation in the box office receipts of the theatrical exhibitor and the performance of the motion picture. For the years ended December 31, 2022 and 2021, the Company derived \$18,078 and \$21,894, respectively, in revenues from its motion picture *Believe* released in 2013.

During the year ended December 31, 2022, the Company minted and offered for sale a collection of 7,777 non-fungible tokens (NFT's) titled *Creature Chronicles: Exiled Aliens*. The collection generated approximately 13,175 Solana ("SOL") equivalent to approximately \$429,000. The Company entered into an agreement with a third party to market the collection and mint the NFT's. Per the terms of the agreement, the Company paid the third party a fixed \$50,000 fee and 30% of the sale of the NFT collection. The Company acted as principal in the sale of the NFT's and as such recorded the gross revenues in its consolidated statement of operations for the year ended December 31, 2022. The revenue was recognized at a point in time when the NFT's were transferred to the consumer.

The revenues recorded by the EPM and CPD segments is detailed below:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Entertainment publicity and marketing	\$ 40,058,880	\$ 35,705,305
Content production	446,678	21,894
Total Revenues	\$ 40,505,558	\$ 35,727,199

Contract Balances

Contract assets are comprised of services provided for which consideration has not been received and are transferred to accounts receivable when the right to payment becomes unconditional. Contract assets are presented within other current assets in the consolidated balance sheets.

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Contract liabilities are recorded when the Company receives advance payments from customers for public relations projects or as deposits for promotional or brand-support video projects. Once the work is performed or the projects are delivered to the customer, the contract liabilities are deemed earned and recorded as revenue. Advance payments received are generally for short duration and are recognized once the performance obligation of the contract is met.

The opening and closing balances of our contract asset and liability balances from contracts with customers as of December 31, 2022 and 2021 were as follows:

	Contracts Assets	Contracts Liabilities
Balance as of December 31, 2021	\$ 62,500	\$ 406,373
Balance as of December 31, 2022	—	1,641,459
Change	\$ (62,500)	\$ 1,235,086

Revenues for the years ended December 31, 2022 and 2021, include the following:

	December 31,	
	2022	2021
Amounts included in the beginning of year contract liability balance	\$ 384,373	\$ 389,492

The Company's unsatisfied performance obligations are for contracts that have an original expected duration of one year or less and, as such, the Company is not required to disclose the remaining performance obligation.

NOTE 5 —ACQUISITIONS

Socialyte, LLC

On November 14, 2022 ("Closing Date"), the Company, through its wholly owned subsidiary, Social MidCo LLC, ("MidCo"), acquired all of the issued and outstanding membership interests of Socialyte, a Delaware limited liability company (the "Socialyte Purchase"), pursuant to a membership interest purchase agreement dated the Closing Date (the "Socialyte Purchase Agreement") between the Company and NSL Ventures, LLC (the "Socialyte Seller). Socialyte is a New York and Los Angeles-based creative agency specializing in social media influencer marketing campaigns for brands.

The total consideration paid to the Socialyte Seller in respect to the Socialyte Purchase is \$14,290,504, including a provisional working capital adjustment in the amount of \$2,103,668, plus the potential to earn up to an additional \$5,000,000 upon meeting certain financial targets in 2022. However, on the acquisition date, the Company's assessment was that the targets were not expected to be achieved, therefore no contingent consideration has been recorded for the Socialyte Purchase. On the Closing Date, the Company paid the Seller \$5,053,827 cash, issued the Seller 1,346,257 shares of its Common Stock and issued the Seller a \$3,000,000 unsecured promissory note (the "Socialyte Promissory Note"), which is to be repaid in two equal installments on June 30, 2023 and September 30, 2023. In addition, the Company issued the Seller 685,234 shares of its Common Stock in satisfaction of the Closing Date working capital adjustment. The Company partially financed the cash portion of the consideration with a \$3,000,000 five-year secured loan from Bank Prov with MidCo and Socialyte as co-borrowers, which the Company guaranteed. The common stock that was issued as part of the consideration was not registered under the Securities Act. Acquisition related costs for the Socialyte purchase amounted to \$456,273 and are included in acquisition costs in the consolidated statement of operations.

The consolidated statement of operations includes revenues and net income from Socialyte amounting to \$1,078,153 and \$236,031, respectively, for the year ended December 31, 2022.

The following table summarizes the fair value of the consideration transferred:

Closing Common stock (Consideration)	\$ 4,133,009
Common Stock issued at Closing as working capital adjustment	2,103,668
Cash consideration paid at closing	5,053,827
Cash consideration paid subsequent to closing (Unsecured Promissory Note issued to Seller)	3,000,000
Fair value of the consideration transferred	<u>\$ 14,290,504</u>

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed by the Socialyte Purchase on the Closing Date. Amounts in the table are estimates that may change, as described below. There were no measurement period adjustments from the Closing Date through December 31, 2022. The measurement period of the Socialyte Purchase concludes on November 14, 2023.

	<u>November 14, 2022</u>
Cash	\$ 314,752
Accounts receivable	2,758,265
Accrued revenue	1,040,902
Property, equipment and leasehold improvements	30,826
Prepaid expenses	351,253
Intangibles	5,210,000
Total identifiable assets acquired	<u>9,705,998</u>
Accounts payable	(3,043,871)
Accrued expenses and other current liabilities	(1,397,292)
Deferred revenue	(1,173,394)
Total liabilities assumed	<u>(5,614,557)</u>
Net identifiable assets acquired	<u>4,091,441</u>
Goodwill	10,199,063
Fair value of the consideration transferred	<u>\$ 14,290,504</u>

Due to the characteristics of the industry and services Dolphin provides, the acquisitions typically do not have significant amounts of physical assets since the principal assets acquired are client relationships and trade names. As a result, a substantial portion of the purchase price is primarily allocated to intangibles assets and goodwill. Socialyte provides Dolphin an expanded market for the growing social media and influencer market. Goodwill resulting from the Socialyte acquisition is not deductible for tax purposes.

Intangible assets acquired in the Socialyte acquisition amounted to:

- Customer relationships: \$5,060,000. The customer relationships intangible was valued using the multi-period excess earnings method, which was based on the estimate of future revenues and net income attributable to the existing customers, as well as any expected increases from existing customers and potential loss of customer relationships. The historical and estimated customer retention rate utilized was 88% and the assigned useful life for this asset was 10 years representing the period we expect to benefit from the asset.
- Trade name: \$150,000. Trade name refers to the Socialyte brand, which is somewhat well recognized in the target market. The fair value for the trade name was determined using the Royalty Relief Method based on the Profit Split Method, which is based on the Company's expected revenues and a royalty rate estimated using comparable industry and market data. As a result of the acquisition, the Company determined it was appropriate to assign a finite useful life of 3 years to the trade name. The Company decided that a finite life would be more appropriate, providing better matching of the amortization expense during the period of expected benefits.

The weighted-average useful life of the intangible assets acquired was 9.80 years.

Unaudited Pro Forma Consolidated Statements of Operations

The following presents the unaudited pro forma consolidated operations as if Socialyte had been acquired on January 1, 2021:

	<u>2022</u>	<u>2021</u>
Revenues	\$ 47,079,183	\$ 43,937,936
Net loss	\$ (4,365,589)	\$ (5,454,024)

The pro forma amounts for 2022 and 2021 have been calculated after applying the Company's accounting policies and adjusting the results of the acquisitions to reflect (a) the amortization that would have been charged, assuming the intangible assets resulting from the acquisitions had been recorded on January 1, 2021, (b) to exclude \$456,273 of acquisition costs that were expensed by the Company for the year ended December 31, 2022 and (c) include interest expense on the term loan and the unsecured promissory note in the amount of \$249,189.

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

The impact of the acquisition of Socialyte on the Company's actual results for periods following the acquisitions may differ significantly from that reflected in this unaudited pro forma information for a number of reasons. As a result, this unaudited pro forma information is not necessarily indicative of what the combined company's financial condition or results of operations would have been had the acquisitions been completed on January 1, 2021, as provided in this pro forma financial information. In addition, the pro forma financial information does not purport to project the future financial condition and results of operations of the combined company.

B/Hi Communications, Inc.

Effective January 1, 2021, the Company acquired all of the issued and outstanding shares of B/Hi, a California corporation (the "B/Hi Purchase") pursuant to a share purchase agreement (the "B/Hi Share Purchase Agreement") between the Company and Dean G. Bender and Janice L. Bender, as co-trustees of the Bender Family Trust dated May 6, 2013 (collectively, the "B/Hi Sellers"). B/Hi is an entertainment public relations agency that specializes in corporate and product communications programs for interactive gaming, e-sports, entertainment content and consumer product organizations.

The total consideration paid to the B/Hi Seller in respect to the B/Hi Purchase is \$0.8 million of shares of common stock based on a 30-day trailing trading average closing price immediately prior to, but not including, the applicable payment date adjusted for working capital, cash targets and the B/Hi indebtedness as defined in the B/Hi Share Purchase Agreement. During 2021, subsequent to the initial measurement, the B/Hi Seller achieved certain financial performance targets pursuant to the B/Hi Purchase Agreement and earned an additional \$1.2 million of which 50% was paid in cash and 50% was paid in Common Stock during the second quarter of 2022. The common stock issued as part of the consideration has not been registered under the Securities Act. Acquisition related costs for the B/Hi purchase amounted to \$22,907 and are included in acquisition costs in the consolidated statement of operations. The consolidated statement of operations includes revenues from B/Hi amounting to \$3.5 million for the year ended December 31, 2021.

The following table summarizes the fair value of the consideration transferred:

Payments made to settle final indebtedness, net of minimum operating cash as defined in the B/Hi Share Purchase Agreement	\$ 575,856
Working capital adjustment	192,986
Fair value of common stock issued to the B/Hi Sellers	36,715
Fair value of the consideration transferred	<u>\$ 805,557</u>

As a condition to the B/Hi Purchase, Dean Bender, one of the sellers and Shawna Lynch, a key employee of B/Hi entered into employment agreements with the Company to continue as employees after the closing of the B/Hi Purchase. Mr. Bender's agreement is for a period of two years through December 31, 2022 and he served as Co-President of B/Hi during that term and until his retirement on December 31, 2022. Ms. Lynch's agreement is for a period of four years and may be renewed on the same terms for two successive two-year terms. Ms. Lynch serves as Co-President of B/Hi during the term of her agreement.

The following table summarizes the fair values of the assets acquired and liabilities assumed by the B/Hi Purchase.

	<u>December 31, 2021</u>
Cash	\$ 65,465
Accounts receivable	154,162
Other current assets	15,262
Property, equipment and leasehold improvements	24,639
Right-of-use asset	1,044,864
Other assets	23,617
Intangibles	270,000
Total identifiable assets acquired	<u>1,598,009</u>
Accrued payable	(104,724)
Accrued expenses and other current liabilities	(259,936)
Lease liability	(1,044,864)
Deferred revenue	(56,994)
Line of credit	(456,527)
Deferred tax liability	(38,851)
Loans payable	(75,550)
Total liabilities assumed	<u>(2,037,446)</u>
Net identifiable liabilities acquired	(439,437)
Goodwill	476,152
Net assets acquired	<u>\$ 36,715</u>

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Due to the characteristics of the industry and services Dolphin provides, the acquisitions typically do not have significant amounts of physical assets since the principal assets acquired are client relationships, talent and trade names. As a result, a substantial portion of the purchase price is primarily allocated to intangibles assets and goodwill. B/HI provided an additional customer vertical in which Dolphin did not have a presence and was interested in expanding. Goodwill resulting from the B/HI acquisition is not deductible for tax purposes.

NOTE 6 — GOODWILL AND INTANGIBLE ASSETS

As of December 31, 2022, the Company has a balance of \$29,314,083 of goodwill on its consolidated balance sheet resulting from its acquisitions of 42West, The Door, Viewpoint, Shore Fire, Be Social, B/HI and Socialyte. All goodwill has been assigned to the entertainment publicity and marketing segment.

Goodwill

All of the Company's goodwill is related to the entertainment, publicity and marketing segment. Changes in the carrying value of goodwill were as follows:

Balance as of December 31, 2020	\$ 19,627,856
Measurement period adjustments ⁽¹⁾	(77,094)
Acquisitions ⁽²⁾	470,595
Balance as of December 31, 2021	\$ 20,021,357
Acquisitions ⁽³⁾	10,199,063
Goodwill impairment ⁽⁴⁾	(906,337)
Balance as of December 31, 2022	<u>\$ 29,314,083</u>

- (1) Measurement period adjustments recorded in connection with the Be Social and B/HI acquisitions.
(2) Acquisition of B/HI in January 2021.
(3) Acquisition of Socialyte in November 2022.
(4) The Company recorded an impairment of goodwill, specifically for the Goodwill assigned to Viewpoint.

During the fourth quarter of 2022, management bypassed the optional qualitative assessment and performed a quantitative assessment and concluded that, except as it relates to Viewpoint, it is more likely than not that the fair value of the reporting units was not less than its carrying amount. For the goodwill value assigned to Viewpoint, management concluded the fair value of that reporting unit's goodwill was below its carrying amount. As a result, an impairment charge of \$0.9 million was recorded during the year ended December 31, 2022. No impairment charges were recorded during the year ended December 31, 2021.

Intangible Assets

Intangible assets consisted of the following as of December 31, 2022 and 2021:

	December 31, 2022			December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization:						
Customer relationships	\$ 13,350,000	\$ 5,842,498	\$ 7,507,502	\$ 8,290,000	\$ 4,880,016	\$ 3,409,984
Trademarks and trade names	4,640,000	2,283,166	2,356,834	4,490,000	1,797,917	2,692,083
Non-compete agreements	690,000	670,000	20,000	690,000	650,000	40,000
	<u>\$ 18,680,000</u>	<u>\$ 8,795,664</u>	<u>\$ 9,884,336</u>	<u>\$ 13,470,000</u>	<u>\$ 7,327,933</u>	<u>\$ 6,142,067</u>

The following table presents the changes in intangible assets for the years ended December 31, 2022 and 2021:

Balance as of December 31, 2020	\$ 7,452,059
Intangible assets from B/HI acquisition	270,000
Amortization expense	(1,579,992)
Balance as of December 31, 2021	\$ 6,142,067
Intangible assets from Socialyte acquisition	5,210,000
Amortization expense	(1,467,731)
Balance as of December 31, 2022	<u>\$ 9,884,336</u>

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Amortization expense related to intangible assets for the next five years is as follows:

2023	\$ 2,015,910
2024	1,701,993
2025	1,597,789
2026	1,465,978
2027	854,992
Thereafter	2,247,674
Total	<u>\$ 9,884,336</u>

NOTE 7 — CAPITALIZED PRODUCTION COSTS

There were no revenues earned from the domestic distribution of motion pictures for the year ended December 31, 2022. Revenue earned from the domestic distribution of motion pictures was \$21,894 for the year ended December 31, 2021. These revenues were attributable to *Believe* released December 25, 2013. The Company amortizes capitalized production costs (included as direct costs) in the consolidated statements of operations using the individual film forecast computation method. The Company had previously amortized all existing capitalized production costs, and as such, it did not record any amortization for the years ended December 31, 2022 and 2021. During the year ended December 31, 2022, the Company capitalized \$1,548,000 of production costs, primarily related to the *Blue Angels* documentary film, as discussed in Note 26.

The Company purchases scripts and incurs other costs, such as preparation of budgets, casting, etc., for other motion picture or digital productions. During the years ended December 31, 2022 and 2021, the Company recorded impairments of \$87,323 and \$234,734 related to costs of projects it does not intend to produce. The Company intends to produce the remaining projects, but they were not yet in production as of December 31, 2022 or 2021. The Company has assessed events and changes in circumstances that would indicate whether the Company should assess if the fair value of the productions is less than the unamortized costs capitalized and, aside from the ones mentioned above, did not identify other indicators of impairment.

As of December 31, 2022 and 2021, the Company had total, net capitalized production costs of \$1,598,412 and \$137,235, respectively, on its consolidated balance sheets.

NOTE 8 — PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Property, equipment and leasehold improvement consists of:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Furniture and fixtures	\$ 933,618	\$ 910,169
Computers, office equipment and software	2,288,986	1,754,737
Leasehold improvements	505,424	505,425
	<u>3,728,028</u>	<u>3,170,331</u>
Less: accumulated depreciation and amortization	(3,434,822)	(2,696,669)
	<u>\$ 293,206</u>	<u>\$ 473,662</u>

The Company recorded depreciation expense of \$283,480 and \$325,362, respectively, for the years ended December 31, 2022 and 2021.

NOTE 9 — NOTES RECEIVABLE

Midnight Theatre

As of December 31, 2022, the Midnight Theatre Notes, as defined herein, amount to \$4,426,700, inclusive of \$318,620 of interest receivable, and are convertible at the option of the Company into Class A and B Units of Midnight Theatre. During the year ended December 31, 2022, Midnight Theatre issued 16 unsecured convertible promissory notes to the Company (the "Midnight Theatre Notes") with an aggregate principal of \$3,108,080 each with a ten percent (10%) per annum simple coupon rate. The Midnight Theatre Notes each originally had maturity dates six months from their issuance date but the maturity date for all of the Midnight Theatre Notes has been extended to September 30, 2023. The Midnight Theatre Notes allow the Company to convert the principal and accrued interest into common interest of JDDC Elemental, LLC on the maturity date. For the years ended December 31, 2022 and 2021, the Company recorded \$308,483 and \$10,137, respectively, of interest income related to the Midnight Theatre Notes.

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Crafthouse Cocktails

On November 30, 2021 Crafthouse Cocktails issued a \$500,000 unsecured convertible promissory note (the “Crafthouse Note”) to the Company with an eight percent (8%) per annum simple coupon rate and a mandatorily redemption date of February 1, 2022. The Crafthouse Note allows the Company to convert the principal and accrued interest into common interest of Crafthouse on the mandatory conversion date. On February 1, 2022, the Crafthouse Note was converted and the Company was issued common interests of Stanton South LLC.

NOTE 10 — EQUITY METHOD INVESTMENTS

The Company’s equity method investment consisted of: (1) Class A and Class B units of JDDC Elemental LLC, a Limited Liability Company operating under the name Midnight Theatre (“Midnight Theatre”) and (2) Series 2 common interest of Stanton South LLC, which operates Crafthouse Cocktails (“Crafthouse Cocktails”).

The Company evaluated these investments under the VIE guidance and determined the Company is not the primary beneficiary of either Midnight Theatre or Crafthouse Cocktails, however it does exercise significant influence over Midnight Theatre and Crafthouse Cocktails; as a result, it accounts for these investments under the equity method of accounting.

Midnight Theatre

As of December 31, 2022 and 2021, the investment in Midnight Theatre amounted to \$891,494 and \$1,000,000, respectively, which is the Company’s maximum exposure to loss. The Company will manage all aspects of publicity and marketing for the venue, as well as facilitate talent and commercial relationships within the entertainment and culinary industries. The Company’s balance as of both December 31, 2022 and 2021 represent an ownership percentage of approximately 13%.

Hidden Leaf, the restaurant at Midnight Theatre, commenced operations in early July 2022. The theater opened with limited capacity in late September 2022 and is expected to fully open in the Summer of 2023.

During the year ended December 31, 2022, the Company recorded a loss of \$108,506, in connection with its equity method investment in Midnight Theatre. Midnight Theatre did not have any operations during the year ended December 31, 2021 and, as such, the Company did not report any equity in earnings or losses of Midnight Theatre for the year ended December 31, 2021.

Crafthouse Cocktails

As of December 31, 2022, the investment in Crafthouse Cocktails amounted to \$361,717.

During the year ended December 31, 2022, the Crafthouse Note discussed in Note 9 was converted and Dolphin was issued common memberships interests of Stanton South LLC. In addition, during the year ended December 31, 2022, the Company received an additional \$1,000,000 of equity investment in Stanton South LLC in connection with an agreement to render marketing services to Crafthouse Cocktails during a two-year term commencing on November 15, 2021. During the year ended December 31, 2022, the Company recognized \$500,000 for the marketing services related to this agreement. The Company’s balance as of December 31, 2022, represents an ownership percentage of approximately 5.3%.

During the year ended December 31, 2022, the Company recorded a loss of \$138,238, in connection with its equity method investment in Crafthouse Cocktails.

NOTE 11 — OTHER CURRENT LIABILITIES

Other current liabilities consisted of the following:

	December 31,	
	2022	2021
Accrued funding under Max Steel marketing agreement	\$ 620,000	\$ 620,000
Accrued audit, legal and other professional fees	573,049	429,299
Accrued commissions	702,410	457,269
Accrued bonuses	469,953	360,817
Due to seller of Be Social (2021)	—	304,169
Talent liability	3,990,984	2,908,357
Accumulated customer deposits	550,930	1,206,864
Other	719,510	563,809
Other current liabilities	\$ 7,626,836	\$ 6,850,584

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 12 — DEBT

Total debt of the Company was as follows as of December 31, 2022 and 2021:

Debt Type	December 31,	
	2022	2021
Convertible notes payable (see Note 13)	\$ 5,050,000	\$ 2,900,000
Convertible notes payable - fair value option (see Note 14)	343,556	998,135
Non-convertible promissory notes (see Note 15)	1,368,960	1,176,644
Non-convertible promissory notes – Socialyte (see Note 15)	3,000,000	—
Loans from related party (see Note 16)	1,107,873	1,107,873
Term loan, net of debt issuance costs (see Note 12)	2,867,592	—
Total debt	13,737,981	6,182,652
Less current portion of debt	(4,277,697)	(307,685)
Noncurrent portion of debt	\$ 9,460,284	\$ 5,874,967

The table below details the maturity dates of the principal amounts for the Company’s debt as of December 31, 2022:

Debt Type	Maturity Date	2023	2024	2025	2026	2027	Thereafter
Convertible notes payable	Ranging between June 2023 and March 2030	\$ —	\$ 2,200,000	\$ —	\$ 450,000	\$ 2,400,000	\$ 500,000
Nonconvertible promissory notes	Ranging between June 2023 and November 2024	868,960	500,000	—	—	—	—
Nonconvertible unsecured promissory notes - Socialyte	Ranging between June and September 2023	3,000,000	—	—	—	—	—
Term loan	November 14, 2027	408,737	408,737	408,737	408,737	1,232,644	—
Loan from related party	July 31, 2024	—	1,107,873	—	—	—	—
		<u>\$ 4,277,697</u>	<u>\$ 4,216,610</u>	<u>\$ 408,737</u>	<u>\$ 858,737</u>	<u>\$ 3,632,644</u>	<u>\$ 500,000</u>

Credit and Security Agreement

In connection with the Socialyte Acquisition discussed in Note 5, Socialyte, with MidCo entered into a Credit and Security Agreement with BankProv (“Credit Agreement”), which includes a \$3,000,000 secured term note (“Term Loan”) and \$0.5 million of a secured revolving line of credit (“Revolver”). The Credit Agreement carried an annual facility fee of \$5,000 payable on the first anniversary of the Closing Date and of \$875 on each one year anniversary thereafter.

The Credit Agreement contains financial covenants that require the Socialyte to maintain: (1) a quarterly minimum debt service ratio of 1.25:1.00; (2) a quarterly senior funded debt to EBITDA (as defined in the Credit Agreement) not to exceed 3.00:1.00 and (3) quarterly total funded debt to EBITDA (as defined in the Credit Agreement) not to exceed 5.00:1.00, as well as the Company to maintain a minimum liquidity of \$1,500,000. The Credit Agreement also contains covenants that limit Socialyte’s and MidCo’s ability to, among other things, grant liens, incur additional indebtedness, make acquisitions or investments, dispose of certain assets, change the nature of their businesses, enter into certain transactions with affiliates or amend the terms of material indebtedness. Under the Credit Agreement, all of the assets of Socialyte are pledged as security for the term loan described below.

Term Loan

The Term Loan has a term of five years, with a maturity date of November 14, 2027. The Company shall repay the Term Loan through 60 consecutive monthly payments of principal (based upon a straight-line amortization period of 84 months, based on the principal amount outstanding, plus interest at an annual rate of 7.37%, commencing on December 14, 2022, and continuing on the corresponding day of each month thereafter until it is paid in full. Any remaining unpaid principal balance, including accrued and unpaid interest and fees, if any) shall be due and payable in full on November 14, 2027, its maturity date. Interest is calculated on the basis of actual days elapsed and a three hundred sixty (360) day year. During the year ended December 31, 2022, the Company made a payment of \$54,139, inclusive of \$18,425 of interest.

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Interest on the Term Loan shall be payable on a monthly basis. Interest shall be computed on the basis of a three hundred sixty (360) day year, for the actual number of days elapsed. Default interest shall be charged in accordance with the terms of the Term Note.

Revolver

There is no amount drawn on the Revolver as of December 31, 2022 and no amounts were drawn from the Closing Date through December 31, 2022. When drawn, the outstanding principal balance of the revolver shall accrue interest from the date of the draw of the greater of (i) 5.50% per annum, or (ii) the Prime Rate (as defined in the Revolver) plus 0.75% per annum.

NOTE 13 — CONVERTIBLE NOTES PAYABLE

As of December 31, 2022 and 2021, the principal balance of the convertible promissory notes of \$5,050,000 and \$2,900,000, respectively, was recorded in noncurrent liabilities under the caption Convertible notes payable on the Company's consolidated balance sheets. The following is a summary of the Company's convertible notes payable as of December 31, 2022 and 2021:

Maturity Date	December 31,			
	2022		2021	
	Principal Amount	Net Carrying Amount	Principal Amount	Net Carrying Amount
October 2024	\$ 800,000	\$ 800,000	\$ —	\$ —
November 2024	500,000	500,000	—	—
December 2024	900,000	900,000	—	—
November 2026	300,000	300,000	—	—
December 2026	150,000	150,000	—	—
August 2027	2,000,000	2,000,000	2,000,000	2,000,000
September 2027	400,000	400,000	900,000	900,000
	<u>\$ 5,050,000</u>	<u>\$ 5,050,000</u>	<u>\$ 2,900,000</u>	<u>\$ 2,900,000</u>

2023 Convertible Debt

Subsequent to December 31, 2022, on January 9, 2023 and January 13, 2023, the Company issued two convertible promissory notes in the aggregate amount of \$800,000. The convertible promissory notes bear interest at 10% per annum, mature on the second anniversary of their issuance, and can be converted into shares of common stock at the noteholder's option at any time at a purchase price based on a 90-day average closing market price per share of the common stock. The convertible promissory notes may not be converted at a price less than \$2.00 per share.

2022 Convertible Debt

During the year ended December 31, 2022, the Company issued seven convertible promissory notes to four noteholders in the aggregate amount of \$2,650,000 (collectively, "2022 Convertible Debt"). The convertible promissory notes bear interest at a rate of 10% per annum. Five of the convertible promissory notes mature on the second anniversary of their respective issuances and two of the convertible promissory notes mature on the fourth anniversary of their respective issuances. The balance of each convertible promissory note and any accrued interest may be converted at the noteholder's option at any time at a conversion price based on a 90-day average closing market price per share of the common stock. Three of the convertible notes may not be converted at a price less than \$2.50 per share and four of the convertible notes may not be converted at a price less than \$2.00 per share.

There were no conversions of the 2022 Convertible Debt during the year ended December 31, 2022. The Company recorded interest expense of \$33,292 and made cash interest payments amounting to \$11,500 during the year ended December 31, 2022, related to the 2022 Convertible Debt.

2021 Convertible Debt

During the year ended December 31, 2021, the Company issued ten convertible promissory notes to four noteholders in the aggregate amount of \$5,950,000 (collectively, "2021 Convertible Debt"). The convertible promissory notes bear interest at a rate of 10% per annum and mature on the second anniversary of their respective issuances. The balance of each convertible promissory note and any accrued interest may be converted at the noteholder's option at any time at a conversion price based on a 90-day average closing market price per share of the common stock but not at a price less than \$2.50 per share.

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

During the year ended December 31, 2022, the holder of one convertible promissory note issued during 2021 converted the principal balance of \$500,000 into 125,604 shares of common stock at a conversion price of \$3.98 per share. At the moment of conversion, accrued interest related to this note amounted to \$5,278 and was paid in cash.

During the year ended December 31, 2021, the holders of seven convertible promissory notes issued during 2021 converted the principal balance of \$3,050,000 plus accrued interest of \$3,333 into 300,830 shares of common stock at conversion prices ranging between \$9.27 and \$10.74 per share.

The Company recorded interest expense of \$275,278 and \$193,153 and made cash interest payments amounting to \$277,778 and \$170,653 during the years ended December 31, 2022 and 2021, respectively, related to the 2021 Convertible Debt.

2020 Convertible Debt

During 2020, the Company issued five convertible promissory notes to five noteholders in the aggregate amount of \$1,445,000 (collectively, “2020 Convertible Debt”). The convertible promissory notes bear interest at a rate of 10% per annum and mature on the second anniversary of their respective issuances. The balance of each convertible promissory note and any accrued interest may be converted at the noteholder’s option at any time at a purchase price based on a 90-day average closing market price per share of the common stock but not at a price less than \$2.50 per share, except for two convertible promissory notes in the aggregate amount of \$195,000 for which the balance of each convertible promissory note and any accrued interest may be converted at the noteholder’s option at any time at a purchase price of \$3.90 per share of our common stock.

During the year ended December 31, 2021, the holders of the 2020 Convertible Debt converted the principal balance of \$1,445,000 plus accrued interest of \$8,611 into 381,601 shares of common stock at conversion prices ranging between \$3.69 and \$3.96 per share. There were no convertible promissory notes issued in 2020 outstanding as of December 31, 2022 and 2021.

The Company recorded interest expense of \$15,565 and made cash interest payments amounting to \$27,538 during the year ended December 31, 2021, related to the 2020 Convertible Debt.

NOTE 14 — CONVERTIBLE NOTES PAYABLE AT FAIR VALUE

The following is a summary of the Company’s convertible notes payable for which it elected the fair value option as of December 31, 2022 and 2021:

	Fair Value Outstanding as of December 31,	
	2022	2021
March 4 th Note	\$ 343,556	\$ 998,135
Total convertible notes payable at fair value ^(a)	\$ 343,556	\$ 998,135

(a) All amounts as of December 31, 2022 and 2021 are recorded in noncurrent liabilities.

2020 Lincoln Park Note and Warrants

On January 3, 2020, the Company entered into a securities purchase agreement with Lincoln Park Capital Fund LLC, an Illinois limited liability company (“Lincoln Park”) and issued a convertible promissory note with a principal amount of \$1.3 million (the “2020 Lincoln Park Note”) at a purchase price of \$1.2 million together with warrants to purchase up to 41,518 shares of our common stock at an exercise price of \$3.91 per share (the “2020 Lincoln Park Warrants”).

The Company elected the fair value option to account for the 2020 Lincoln Park Note and determined that the 2020 Lincoln Park Warrants met the criteria to be accounted for as a derivative liability due to its net cash settlement provision upon a fundamental transaction. The fair value of the 2020 Lincoln Park Note on issuance was recorded as \$885,559. The fair value of the note increased by \$103,845 for the year ended December 31, 2021 and was recognized as current period other expense in the Company’s consolidated statement of operations (as no portion of such fair value adjustment resulted from instrument-specific credit risk).

During 2020, Lincoln Park converted an aggregate principal balance of \$760,000 at conversion prices between \$4.35 and \$4.45 per share and was issued 172,181 shares of common stock. During 2021, Lincoln Park converted the remaining principal balance of \$540,000 at a conversion price of \$3.91 and was issued 137,966 shares of common stock. The fair value of these shares of common stock issued was \$561,522 based on the closing trading price of the common stock on the respective trading day.

As a result of the conversions during 2021 described above, there was no amount outstanding on the 2020 Lincoln Park Note as of December 31, 2022 or 2021.

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

2020 Lincoln Park Warrants

As described above, in connection with the 2020 Lincoln Park Note, the Company issued the 2020 Lincoln Park Warrants to purchase up to 41,518 shares of its common stock on January 3, 2020, as well as on each of the second, fourth, and six month anniversaries of the 2020 Lincoln Park Note issuance date (collectively “Series E, F, G, and H Warrants”). The fair value of the 2020 Lincoln Park Warrants was recorded on issuance as a debt discount of \$314,441.

During 2021, the Series E, F, G, and H Warrants were all exercised for 146,027 shares via a cashless exercise formula pursuant to the warrant agreement. As a result, there were no amounts outstanding for Series E, F, G, and H Warrants as of December 31, 2022 and 2021. Prior to their exercise, the fair value of the warrants increased by \$2,397,877, which was recognized as current period other expense in the Company’s consolidated statement of operations for the year ended December 31, 2021.

As a result of the exercise during 2021 described above, there was no amount outstanding on the Series E, F, G, and H Warrants as of December 31, 2022 or 2021.

March 4th Note

On March 4, 2020, the Company issued a convertible promissory note to a third-party investor and in exchange received \$500,000. The Company also agreed to issue a warrant (“Series I Warrant”) to purchase up to 20,000 shares of our common stock at a purchase price of \$3.91 per share. The convertible promissory note bears interest at a rate of 8% per annum and matures on March 4, 2030. The Company elected the fair value option to account for the convertible promissory note and determined that the Series I Warrant met the criteria to be accounted for as a derivative liability due to its net cash settlement provision upon a fundamental transaction. As such, the Company recorded the fair value on issuance of the convertible promissory note and Series I Warrant as \$460,000 and \$40,000, respectively. The balance of the convertible promissory note and any accrued interest may be converted at the noteholder’s option at any time at a purchase price \$3.91 per share of our common stock.

For the years ended December 31, 2022 and 2021, the fair value of the convertible promissory note decreased by \$654,579 and increased \$486,999, respectively, which were recognized as current period other income/(expense) in the Company’s consolidated statement of operations for their respective period (as no portion of such fair value adjustment resulted from instrument-specific credit risk).

For the year ended December 31, 2022 and 2021, the fair value of the Series I Warrant decreased by \$120,000 and increased \$85,000, respectively, which was recognized as current period other income/(expense) in the Company’s consolidated statement of operations for their respective period.

As of both December 31, 2022 and 2021, the principal balance of the convertible promissory note was \$500,000. As of December 31, 2022 and 2021, the fair value of the convertible promissory note of \$343,556 and \$998,135, respectively, and the fair value of the Series I Warrant of \$15,000 and \$135,000, respectively, were recorded on the Company’s consolidated balance sheet.

March 25th Note

On March 25, 2020, the Company issued a convertible promissory note to a third-party investor for a principal amount of \$560,000 (the “March 25th Note”) and received \$500,000, net of transaction costs of \$10,000 paid to the investor and original issue discount. The Company also issued 10,000 shares of our common stock related to this convertible note payable. The maturity date of the convertible promissory note was March 25, 2021 and the balance of the convertible promissory note and any accrued interest could be converted at the noteholder’s option at any time at a purchase price of \$3.90 per share of common stock. The Company elected the fair value option to account for the convertible promissory note. The fair value of the March 25th Note on issuance was recorded at \$500,000.

For the year ended December 31, 2021, the fair value of the note decreased by \$20,000, which was recognized as current period other income in the Company’s consolidated statement of operations (as no portion of such fair value adjustment resulted from instrument-specific credit risk).

During the year ended December 31, 2021, the March 25th Note was fully converted into 143,588 shares of Company’s common stock. As a result, no amounts remain outstanding as of December 31, 2022 and 2021 related to the March 25th Note.

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 15 — NONCONVERTIBLE PROMISSORY NOTES

Nonconvertible Promissory Notes

As of December 30, 2022, the Company has outstanding unsecured nonconvertible promissory notes in the aggregate amount of \$1,368,960, which bear interest at a rate of 10% per annum and mature between June 2023 and November 2024.

As of December 31, 2022 and 2021, the Company had a balance of \$868,960 and \$307,685, respectively, net of debt discounts, recorded as Notes payable and \$500,000 and \$426,645, respectively as of December 31, 2022 and 2021 in Notes payable, noncurrent portion, on its consolidated balance sheets related to these nonconvertible promissory notes. During the years ended December 31, 2022 and 2021, the Company recorded interest expense on its consolidated statements of operations amounting to of \$97,468 and \$122,456, respectively and paid interest of \$95,318 and \$123,025, respectively related to these nonconvertible notes payable.

On January 15, 2022, its maturity date, a non-convertible promissory note amounting to \$200,000 was repaid in cash.

Subsequent to December 31, 2022, on February 22, 2023, the Company entered into a nonconvertible promissory note in the amount of \$2.2 million. The note bears interest at a rate of 10% per annum and matures on March 31, 2028.

Nonconvertible unsecured promissory notes - Socialyte Promissory Note

As discussed in Note 5, as part of the Socialyte Purchase, the Company entered into the Socialyte Promissory Note amounting to \$3,000,000. The Socialyte Promissory Note matures on September 30, 2023 and will be payable in two payments: \$1,500,000 on June 30, 2023 and \$1,500,000 on September 30, 2023. The Socialyte Promissory Note carries an interest of 4% per annum, which accrues monthly, and all accrued interest shall be due and payable on September 30, 2023.

NOTE 16 — LOANS FROM RELATED PARTY

Dolphin Entertainment, LLC (“DE LLC”), an entity wholly owned by the Company’s Chief Executive Officer, William O’Dowd (the “CEO”), previously advanced funds for working capital to Dolphin Films. In prior years, Dolphin Films entered into a promissory note with DE LLC (the “Original DE LLC Note”) in the principal amount of \$1,009,624, which was payable on demand. The Original DE LLC Note was payable on demand and accrued interest at a rate of 10% per annum. The Original DE LLC Note allowed for additional advances of working capital during its term. Additional funds in the amount of \$98,249 were advanced to the Company prior to 2021 and on June 15, 2021 the Company exchanged the Original DE LLC Note for a new note with an initial maturity date of July 31, 2023 and a principal amount of \$1,107,873 (“New DE LLC Note” and together with the Original DE LLC Note, “the DE LLC Notes”). Other than the change in maturity date and principal amount, there were no other changes to the interest or any other terms of the Original DE LLC Note. On June 30, 2022, the New DE LLC Note’s maturity date was extended to December 31, 2026.

For the years ended December 30, 2022 and 2021, the Company did not repay any principal balance of the New DE LLC Note. During both the years ended December 31, 2022 and 2021, the Company recorded interest expense related to the DE LLC Notes \$110,787 on its consolidated statements of operations and repaid \$81,621 of interest during the year ended December 31, 2021. There were no interest repayments during the year ended December 31, 2022.

As of both December 31, 2022, and 2021, the Company had a principal balance of \$1,107,873, and accrued interest of \$166,637 and \$55,849, respectively, relating to the DE LLC Notes.

NOTE 17 — FAIR VALUE MEASUREMENTS

The Company’s non-financial assets measured at fair value on a nonrecurring basis include goodwill and intangible assets. The determination of our intangible fair values includes several assumptions and inputs (Level 3) that are subject to various risks and uncertainties. Management believes it has made reasonable estimates and judgments concerning these risks and uncertainties. All other financial assets and liabilities are carried at amortized cost.

The Company’s cash balances are representative of their fair values, as these balances are comprised of deposits available on demand. The carrying amounts of accounts receivable, notes receivable, prepaid and other current assets, accounts payable and other non-current liabilities approximate their fair values because of the short turnover of these instruments.

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Financial Disclosures about Fair Value of Financial Instruments

The tables below set forth information related to the Company's consolidated financial instruments:

	Level in Fair Value Hierarchy	December 31, 2022		December 31, 2021	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:					
Cash and cash equivalents	1	\$ 6,069,889	\$ 6,069,889	\$ 7,688,743	\$ 7,688,743
Restricted cash	1	1,127,960	1,127,960	541,883	541,883
Liabilities:					
Convertible notes payable	3	\$ 5,050,000	\$ 4,865,000	\$ 2,900,000	\$ 2,900,000
Convertible note payable at fair value	3	343,556	343,556	998,135	998,135
Warrant liability	3	15,000	15,000	135,000	135,000
Contingent consideration	3	738,821	738,821	4,284,221	4,284,221

Put Rights

As of December 31, 2022 or 2021, there were no amounts due to the sellers of 42West and certain 42West employees from the exercise of the put rights. During the year ended December 31, 2021, the sellers exercised their put rights in accordance with their respective put agreements and caused the Company to purchase the remaining shares of common stock.

Due to the change in the fair value of the put rights for the period in which the put rights were outstanding during the year ended December 31, 2021, the Company recorded a loss of \$71,106 in the consolidated statements of operations.

For the put rights, which are measured at fair value and categorized within Level 3 of the fair value hierarchy, the following is a reconciliation of the fair values for the years ended December 31, 2021. As there were no amounts outstanding as of December 31, 2021, there was no movement in the Put Rights during the year ended December 31, 2022:

Ending fair value balance reported in the consolidated balance sheet at December 31, 2020	\$ 1,544,029
Put rights paid in 2021	(1,015,135)
Loss due to change in fair value	71,106
Loss in exchange of shares for put rights ^(a)	106,688
Put rights converted into 115,366 shares of common stock	(706,688)
Ending fair value of put rights reported in the consolidated balance sheet at December 31, 2021	<u>\$ —</u>

(a) The loss in exchange of shares for the put rights is included in gain on extinguishment of debt in the consolidated statements of operations.

Convertible notes payable

As of December 31, 2022, the Company has ten outstanding convertible notes payable with aggregate principal amount of \$5,050,000. See Note 13 for further information on the terms of these convertible notes.

	Level	December 31, 2022		December 31, 2021	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
10% convertible notes due in October 2024	3	\$ 800,000	\$ 817,000	\$ —	\$ —
10% convertible notes due in November 2024	3	500,000	513,000	—	—
10% convertible notes due in December 2024	3	900,000	912,000	—	—
10% convertible notes due in November 2026	3	300,000	285,000	—	—
10% convertible notes due in December 2026	3	150,000	143,000	—	—
10% convertible notes due in August 2027	3	2,000,000	1,834,000	2,000,000	1,998,000
10% convertible notes due in September 2027	3	400,000	361,000	900,000	902,000
		<u>\$ 5,050,000</u>	<u>\$ 4,865,000</u>	<u>\$ 2,900,000</u>	<u>\$ 2,900,000</u>

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

The estimated fair value of the convertible notes was computed using a Monte Carlo Simulation, using the following assumptions:

Fair Value Assumption – Convertible Debt	December 31,	
	2022	2021
Stock Price	\$ 1.81	\$ 8.52
Minimum Conversion Price	\$ 2.00 - 2.50	\$ 2.50
Annual Asset Volatility Estimate	100%	100%
Risk Free Discount Rate (based on U.S. government treasury obligation with a term similar to that of the convertible note)	4.02% - 4.49%	0.61% - 0.64%

Fair Value Option (“FVO”) Election – Convertible note payable and freestanding warrants

Convertible note payable, at fair value

As of December 31, 2022, the Company has one outstanding convertible note payable with a face value of \$500,000, the March 4th Note, which is accounted for under the ASC 825-10-15-4 FVO election. Under the FVO election, the financial instrument is initially measured at its issue-date estimated fair value and subsequently remeasured at estimated fair value on a recurring basis at each reporting period date. The estimated fair value adjustment is presented as a single line item within other (expenses) income in the accompanying consolidated statements of operations under the caption “Change in fair value of convertible notes.”

The March 4th Note is measured at fair value and categorized within Level 3 of the fair value hierarchy. The following is a reconciliation of the fair values from December 31, 2021 to December 31, 2022:

	March 4th Note
Beginning fair value balance reported on the consolidated balance sheet at December 31, 2020	\$ 511,136
Loss on change of fair value reported in the consolidated statements of operations	486,999
Beginning fair value balance reported on the consolidated balance sheet at December 31, 2021	998,135
(Gain) on change of fair value reported in the consolidated statements of operations	(654,579)
Ending fair value balance reported on the consolidated balance sheet at December 31, 2022	\$ 343,556

The estimated fair value of the March 4th Note as of December 31, 2022 and December 31, 2021, was computed using a Black-Scholes simulation of the present value of its cash flows using a synthetic credit rating analysis and a required rate of return, using the following assumptions:

	December 31,	
	2022	2021
Face value principal payable	\$ 500,000	\$ 500,000
Original conversion price	\$ 3.91	\$ 3.91
Value of Common Stock	\$ 1.81	\$ 8.52
Expected term (years)	7.18	8.18
Volatility	100%	100%
Risk free rate	3.96%	1.47%

Warrants

In connection with the March 4th Note, the Company issued the Series I Warrants. The Series I Warrants are measured at fair value and categorized within Level 3 of the fair value hierarchy. The following is a reconciliation of the fair values from December 31, 2020 to December 31, 2022:

Fair Value:	Series I
Beginning fair value balance reported on the consolidated balance sheet at December 31, 2020	\$ 50,000
Loss on change of fair value reported in the consolidated statements of operations	85,000
Beginning fair value balance reported on the consolidated balance sheet at December 31, 2021	\$ 135,000
(Gain) on change of fair value reported in the consolidated statements of operations	(120,000)
Ending fair value balance reported on the consolidated balance sheet at December 31, 2022	\$ 15,000

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

The estimated fair value of the Series I Warrants was computed using a Black-Scholes valuation model, using the following assumptions:

Fair Value Assumption - Series I Warrants	December 31,	
	2022	2021
Exercise Price per share	\$ 3.91	\$ 3.91
Value of Common Stock	\$ 1.81	\$ 8.52
Expected term (years)	2.67	3.67
Volatility	100%	100%
Dividend yield	0%	0%
Risk free rate	4.28%	1.07%

Contingent consideration

The Company records the fair value of the contingent consideration liability in the consolidated balance sheets under the caption “Contingent consideration” and records changes to the liability against earnings or loss under the caption “Change in fair value of contingent consideration” in the consolidated statements of operations.

As discussed in Note 5, during the year ended December 31, 2021, the B/Hi seller met the conditions for payment of contingent consideration. As a result, the contingent consideration has been recorded as the actual amount of the payout to the B/Hi seller, \$1.1 million, of which \$600,000 was paid in cash on June 29, 2022 and the remainder in common stock, which was settled on June 14, 2022 by the issuance of 163,369 shares of Company common stock.

For the contingent consideration related to Be Social, the Company utilized a Monte Carlo Simulation model, which incorporates significant inputs that are not observable in the market, and thus represents a Level 3 measurement as defined in ASC 820. The unobservable inputs utilized for measuring the fair value of the contingent consideration reflect management’s own assumptions about the assumptions that market participants would use in valuing the contingent consideration as of the acquisition date. The Company determined the fair value by using the following key inputs to the Monte Carlo Simulation Model:

Inputs	As of December 31, 2021
Risk Free Discount Rate (based on US government treasury obligation with a term similar to that of the contingent consideration)	0.73%
Annual Asset Volatility Estimate	85.00%

For the contingent consideration, which is measured at fair value categorized within Level 3 of the fair value hierarchy, the following is a reconciliation of the fair values from December 31, 2020 to December 31, 2022:

	The Door ⁽¹⁾	Be Social ⁽³⁾	B/Hi ⁽²⁾
Beginning fair value balance reported on the consolidated balance sheet at December 31, 2020	\$ 370,000	\$ 160,000	\$ —
Loss on change of fair value reported in the consolidated statements of operations	2,011,869	550,000	1,192,352
Ending fair value balance reported on the consolidated balance sheet at December 31, 2021	\$ 2,381,869	\$ 710,000	\$ 1,192,352
Loss on change of fair value reported in the consolidated statements of operations, as revised	—	(5,000)	(76,106)
Settlement of contingent consideration	(2,381,869)	—	(1,116,246)
Ending fair value balance reported in the consolidated balance sheet at December 30, 2022	<u>\$ —</u>	<u>\$ 705,000</u>	<u>\$ —</u>

(1) Based on the net income for the year ended December 31, 2021, The Door achieved the conditions for the earnout consideration, which was settled on June 7, 2022 by payment of 279,562 shares of common stock.

(2) During the year ended December 31, 2021, B/Hi achieved the conditions for the earnout consideration, which were settled on June 14 and June 29, 2022, as described above.

NOTE 18 — VARIABLE INTEREST ENTITIES

VIEs are entities that, by design, either (1) lack sufficient equity to permit the entity to finance its activities without additional subordinated financial support from other parties, or (2) have equity investors that do not have the ability to make significant decisions relating to the entity’s operations through voting rights, or do not have the obligation to absorb the expected losses or the right to receive the residual returns of the entity.

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

The primary beneficiary of a VIE is required to consolidate the assets and liabilities of the VIE. The primary beneficiary is the party that has both (1) the power to direct the activities of an entity that most significantly impact the VIE’s economic performance; and (2) through its interests in the VIE, the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. To assess whether the Company has the power to direct the activities of a VIE that most significantly impact the VIE’s economic performance, the Company considers all the facts and circumstances, including its role in establishing the VIE and its ongoing rights and responsibilities.

To assess whether the Company has the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE, the Company considers all of its economic interests, including debt and equity investments, servicing fees, and derivative or other arrangements deemed to be variable interests in the VIE. This assessment requires that the Company apply judgment in determining whether these interests, in the aggregate, are considered potentially significant to the VIE.

The Company evaluated the entities in which it did not have a majority voting interest and determined that it had (1) the power to direct the activities of the entities that most significantly impact their economic performance and (2) had the obligation to absorb losses or the right to receive benefits from these entities. As such the financial statements of JB Believe, LLC are consolidated in the consolidated balance sheets as of December 31, 2022 and 2021, and in the consolidated statements of operations and statements of cash flows presented herein for the years ended December 31, 2022 and 2021. This entity was previously under common control and has been accounted for at historical costs for all periods presented.

	JB Believe LLC	
	As of and for the years ended December 31,	
	2022	2021
Assets	\$ 7,354	\$ 265,778
Liabilities	\$ (6,491,314)	\$ (6,749,738)
Revenues	\$ 18,078	\$ 21,894
Expenses	\$ —	\$ (7,437)

The Company performs ongoing reassessments of (1) whether entities previously evaluated under the majority voting-interest framework have become VIEs, based on certain triggering events, and therefore would be subject to the VIE consolidation framework, and (2) whether changes in the facts and circumstances regarding the Company’s involvement with a VIE cause the Company’s consolidation conclusion to change. The consolidation status of the VIEs with which the Company is involved may change as a result of such reassessments. Changes in consolidation status are applied prospectively with assets and liabilities of a newly consolidated VIE initially recorded at fair value unless the VIE is an entity which was previously under common control, which in that case is consolidated based on historical cost. A gain or loss may be recognized upon deconsolidation of a VIE depending on the amounts of deconsolidated assets and liabilities compared to the fair value of retained interests and ongoing contractual arrangements.

JB Believe LLC, an entity owned by Believe Film Partners LLC, of which the Company owns a 25% membership interest, was formed for the purpose of recording the production costs of the motion picture “Believe”. The Company was given unanimous consent by the members to enter into domestic and international distribution agreements for the licensing rights of the motion picture, *Believe*, until such time as the Company had been repaid \$3,200,000 for the investment in the production of the film and \$5,000,000 for the publicity and advertising expenses to market and release the film in the US. The Company has not been repaid these amounts and as such is still in control of the distribution of the film. For the year ended December 31, 2021, the Company recorded revenues of \$21,894, related to domestic distribution of Believe. There were revenues recorded during the year ended December 31, 2022. The capitalized production costs related to Believe were either amortized or impaired in previous years. JB Believe LLC’s primary liability is to the Company which it owes \$6,491,834, which eliminates in consolidation.

NOTE 19 — STOCKHOLDERS’ EQUITY

Preferred Stock

The Company’s Amended and Restated Articles of Incorporation authorize the issuance of 10,000,000 shares of preferred stock. The Company’s Board of Directors (the “Board”) has the power to designate the rights and preferences of the preferred stock and issue the preferred stock in one or more series.

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

On July 6, 2017, pursuant to the Second Amended and Restated Articles of Incorporation, each share of Series C is convertible into one share of common stock, subject to adjustment for each issuance of common stock (but not upon issuance of common stock equivalents) that occurred, or occurs, from the date of issuance of the Series C (the “issue date”) until the fifth (5th) anniversary of the issue date (i) upon the conversion or exercise of any instrument issued on the issued date or thereafter issued (but not upon the conversion of the Series C), (ii) upon the exchange of debt for shares of common stock, or (iii) in a private placement, such that the total number of shares of common stock held by an “Eligible Class C Preferred Stock Holder” (based on the number of shares of common stock held as of the date of issuance) will be preserved at the same percentage of shares of common stock outstanding held by such Eligible Class C Preferred Stock Holder on such date. An Eligible Class C Preferred Stock Holder means any of (i) DE LLC for so long as Mr. O’Dowd continues to beneficially own at least 90% and serves on the board of directors or other governing entity, (ii) any other entity in which Mr. O’Dowd beneficially owns more than 90%, or a trust for the benefit of others, for which Mr. O’Dowd serves as trustee and (iii) Mr. O’Dowd individually. Series C will only be convertible by the Eligible Class C Preferred Stock Holder upon the Company satisfying one of the “optional conversion thresholds.” Specifically, a majority of the independent directors of the Board, in its sole discretion, must determine that the Company accomplished any of the following (i) EBITDA of more than \$3.0 million in any calendar year, (ii) production of two feature films, (iii) production and distribution of at least three web series, (iv) theatrical distribution in the United States of one feature film, or (v) any combination thereof that is subsequently approved by a majority of the independent directors of the Board based on the strategic plan approved by the Board. At a meeting of the Board on November 12, 2020, a majority of the independent directors of the Board approved that the “optional conversion threshold” had been met. As a result, the Series C became immediately convertible and as of December 31, 2021 is convertible into 4,738,940 shares of common stock, subject to the restriction discussed below. Additionally, DE LLC, as the holder of the Series C is entitled to 14,216,819 votes, which are equal to approximately 54% of the voting securities of the Company.

At the meeting of the Board on November 12, 2020, the Board and Mr. O’Dowd agreed to restrict the conversion of the Series C until the Board approved its conversion. Therefore, on November 16, 2020, the Company and DE, LLC entered into a Stock Restriction Agreement pursuant to which the conversion of the Series C is prohibited until such time as a majority of the independent directors of the Board approves the removal of the prohibition. The Stock Restriction Agreement also prohibits the sale or other transfer of the Series C until such transfer is approved by a majority of the independent directors of the Board. The Stock Restriction Agreement shall terminate upon a Change of Control (as such term is defined in the Stock Restriction Agreement) of the Company.

On September 27, 2022, the Company’s shareholders approved a proposed amendment to the terms of the Series C Convertible Preferred Stock included in our Articles of Incorporation to increase the number of votes per share of common stock the Series C is convertible into from three votes per share to five votes per share.

The Certificate of Designation also provides for a liquidation value of \$0.001 per share and dividend rights of the Series C on parity with the Company’s common stock.

Common Stock

On September 24, 2021, the Company, filed Articles of Amendment (the “Articles of Amendment”) to its Amended and Restated Articles of Incorporation effecting an amendment to increase the number of authorized shares of the Company’s common stock from 40,000,000 shares to 200,000,000 shares. The Articles of Amendment were approved by the Company’s shareholders at the 2021 annual meeting of shareholders.

2022 Lincoln Park Transaction

On August 10, 2022, the Company entered into a new purchase agreement (the “LP 2022 Purchase Agreement”) and a registration rights agreement (the “LP 2022 Registration Rights Agreement”) with Lincoln Park Capital Fund, LLC (“Lincoln Park”), pursuant to which the Company could sell and issue to Lincoln Park, and Lincoln Park was obligated to purchase, up to \$25,000,000 in value of its shares of common stock from time to time over a 36-month period. Pursuant to the terms of the LP 2022 Registration Rights Agreement, the issuance of shares pursuant to the LP 2022 Purchase Agreement have been registered pursuant to our effective registration statement on Form S-1, and the related prospectus dated September 15, 2022.

The Company may direct Lincoln Park, at its sole discretion, and subject to certain conditions, to purchase up to 50,000 shares of common stock on any business day (a “Regular Purchase”). The amount of a Regular Purchase may be increased under certain circumstances up to 75,000 shares if the closing price is not below \$7.50 and up to 100,000 shares if the closing price is not below \$10.00, provided that Lincoln Park’s committed obligation for Regular Purchases on any business day shall not exceed \$2,000,000. The purchase price for Regular Purchases (the “Purchase Price”) shall be equal to 98.75% of the lesser of: (i) the lowest sale price of the Common Stock during the Purchase Date, or (ii) the average of the three (3) lowest closing sale prices of the Common Stock during the ten (10) business days prior to the Purchase Date. In the event we purchase the full amount allowed for a Regular Purchase on any given business day, we may also direct Lincoln Park to purchase additional amounts as accelerated and additional accelerated purchases. The purchase price for the accelerated and additional accelerated purchases shall be equal to the lesser of 96% of (i) the closing sale price on the accelerated purchase date, or (ii) such date’s volume weighted average price.

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Pursuant to the terms of the LP 2022 Purchase Agreement, at the time the Company signed the LP 2022 Purchase Agreement and the LP 2022 Registration Rights Agreement, the Company issued 57,313 shares of common stock to Lincoln Park as consideration for its commitment (“LP 2022 commitment shares”) to purchase shares of our common stock under the LP 2022 Purchase Agreement. The commitment shares were recorded as a period expense and included within selling, general and administrative expenses in the consolidated statements of operations.

Under applicable rules of the NASDAQ Capital Market, the Company could not issue or sell more than 19.99% of the shares of Common Stock outstanding immediately prior to the execution of the LP 2022 Purchase Agreement to Lincoln Park under the LP 2022 Purchase Agreement without stockholder approval. At a meeting held on September 27, 2022, our stockholders approved the issuance of up to \$25 million of shares of our common stock pursuant to the LP 2022 Purchase Agreement.

During the year ended December 31, 2022, excluding the additional commitment shares disclosed above, the Company sold 548,000 shares of common stock at prices ranging between \$1.92 and \$3.72 pursuant to the LP 2022 Purchase Agreement and received proceeds of \$1,436,259. Subsequent to December 31, 2022, the Company sold 250,000 shares of common stock at prices ranging between \$1.88 and \$2.27 pursuant to the LP 2022 Purchase Agreement and received proceeds of \$529,450.

The Company evaluated the contract that includes the right to require Lincoln Park to purchase shares of common stock in the future (“put right”) considering the guidance in ASC 815-40, “Derivatives and Hedging — Contracts on an Entity’s Own Equity” (“ASC 815-40”) and concluded that it is an equity-linked contract that does not qualify for equity classification, and therefore requires fair value accounting. The Company has analyzed the terms of the freestanding put right and has concluded that it has insignificant value as of December 31, 2022.

2021 Lincoln Park Transaction

On December 29, 2021, the Company entered into a purchase agreement (the “LP 2021 Purchase Agreement”) and a registration rights agreement (the “LP 2021 Registration Rights Agreement”) with Lincoln Park. Pursuant to the terms of the LP 2021 Purchase Agreement, Lincoln Park agreed to purchase from the Company up to \$25,000,000 of the Company’s common stock (subject to certain limitations) from time to time during the term of the LP 2021 Purchase Agreement. The purchase price for the shares was the lowest of (1) lowest sale price on the date of the purchase or (2) the average of the lowest three closing prices on the last 10 business days, with a floor of \$1.00. Pursuant to the terms of the LP 2021 Registration Rights Agreement, the issuance of shares pursuant to the LP 2021 Purchase Agreement were registered pursuant to the Company’s effective shelf registration statement on Form S-3, and the related base prospectus included in the registration statement, as supplemented by a prospectus supplement filed on January 21, 2022.

Pursuant to the terms of the LP 2021 Purchase Agreement, at the time the Company signed the LP 2021 Purchase Agreement and the LP 2021 Registration Rights Agreement, the Company issued 51,827 shares of common stock to Lincoln Park as consideration for its commitment (“commitment shares”) to purchase shares of our common stock under the LP 2021 Purchase Agreement. Pursuant to the LP 2021 Purchase Agreement, the Company issued an additional 37,019 commitment shares on March 7, 2022.

During the year ended December 31, 2022, excluding the additional commitment shares disclosed above, the Company sold 1,035,000 shares of common stock at prices ranging between \$3.47 and \$5.15, pursuant to the LP 2021 Purchase Agreement and received proceeds of \$4,367,640. The LP 2021 Purchase Agreement was terminated effective August 12, 2022 and the Company did not sell any shares pursuant to this agreement subsequent to that date.

During the year ended December 31, 2021, excluding the commitment shares mentioned above, the Company did not sell any shares of common stock under the LP 2021 Purchase Agreement.

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 20 — LOSS PER SHARE

The following table sets forth the computation of basic and diluted loss per share:

	Year ended December 31,	
	2022	2021
Numerator		
Net loss attributable to Dolphin Entertainment Common Stock holders and numerator for basic loss per share	\$ (4,780,135)	\$ (6,462,303)
Change in fair value of convertible notes payable	(654,579)	—
Change in fair value of warrants	(120,000)	—
Interest expense	39,452	—
Numerator for diluted loss per share	<u>\$ (5,515,262)</u>	<u>\$ (6,462,303)</u>
Denominator		
Denominator for basic EPS - weighted-average shares	9,799,021	7,614,774
Effect of dilutive securities:		
Convertible note payable	127,877	—
Warrants	28	—
Denominator for diluted EPS - adjusted weighted-average shares	<u>9,926,926</u>	<u>7,614,774</u>
Basic loss per share	\$ (0.49)	\$ (0.85)
Diluted loss per share	\$ (0.56)	\$ (0.85)

Basic loss per share is computed by dividing income or loss attributable to the shareholders of Common Stock (the numerator) by the weighted-average number of shares of Common Stock outstanding (the denominator) for the period. Diluted earnings per share assume that any dilutive equity instruments, such as convertible notes payable and warrants were exercised and outstanding common stock adjusted accordingly, if their effect is dilutive.

One of the Company's convertible note payable, the warrants and the Series C have clauses that entitle the holder to participate if dividends are declared to the common stockholders as if the instruments had been converted into shares of common stock. As such, the Company uses the two-class method to compute earnings per share and attribute a portion of the Company's net income to these participating securities. These securities do not contractually participate in losses. For the years ended December 31, 2022 and 2021, the Company had a net loss and as such the two-class method is not presented.

For year ended December 31, 2022, the convertible promissory note carried at fair value and the outstanding warrants were included in the calculation of fully diluted loss per share. The other convertible notes payable carried at their principal loan amount, convertible into an aggregate 1,901,924 weighted average shares for the year ended December 31, 2022 were not included in the calculation of diluted loss per share as their effect would be anti-dilutive. For the year ended December 31, 2021, the Company excluded 506,674 common stock equivalents such as warrants and shares to be issued for convertible debt as inclusion would be anti-dilutive.

NOTE 21 — WARRANTS

A summary of warrant activity during the years ended December 31, 2022 and 2021 is as follows:

Warrants:	Shares	Weighted Avg. Exercise Price
Balance at December 31, 2020	221,513	\$ 7.08
Issued	—	—
Exercised	(166,072)	3.91
Expired	(35,441)	23.70
Balance at December 31, 2021	<u>20,000</u>	<u>\$ 3.91</u>
Issued	—	—
Exercised	—	—
Expired	—	—
Balance at December 31, 2022	<u>20,000</u>	<u>\$ 3.91</u>

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Series E, F, G and H Warrants

During 2020, in relation to the 2020 Lincoln Park Note, the Company issued the 2020 Lincoln Park Warrants (see Note 21), collectively Series E, F, G, and H Warrants. The 2020 Lincoln Park Warrants became exercisable on the six-month anniversary of issuance and for a period of five years thereafter. If a resale registration statement covering the shares of common stock underlying the 2020 Lincoln Park Warrants was not effective and available at the time of exercise, the 2020 Lincoln Park Warrants were exercisable by means of a “cashless” exercise formula.

The Company recorded a loss of \$2,397,877 in its consolidated statements of operations due to change in fair value for the year ended December 31, 2021 in connection with the Series E, F, G and H warrants which were exercised in March 2021 using a cashless exercise formula pursuant to the warrant agreement. During the year ended December 31, 2021, all outstanding 2020 Lincoln Park Warrants were exercised and, therefore there is no amount recorded in the consolidated balance sheet as of December 31, 2022 or 2021.

Series I Warrants

On March 4, 2020, in connection with the issuance of a \$500,000 convertible note payable, the Company issued the Series I Warrant to purchase up to 20,000 shares of common stock at a purchase price of \$3.91 per share. The warrants became exercisable on the six-month anniversary and for a period of five years thereafter. If a resale registration statement covering the shares of common stock underlying the warrants is not effective and available at the time of exercise, the warrants may be exercised by means of a “cashless” exercise formula. The Company determined that the Series I Warrant should be classified as a freestanding financial instrument that meets the criteria to be accounted for as a derivative liability and recorded a fair value at issuance of \$40,000.

The Company recorded \$120,000 of other income and \$85,000 of other expense due to change in fair value of the Series I Warrants during the years ended December 31, 2022 and 2021, respectively, and had a balance of \$15,000 and \$135,000 as of December 31, 2022 and 2021, respectively, recorded under the caption Warrant liability in its consolidated balance sheet.

NOTE 22 — RELATED PARTY TRANSACTIONS

As part of the employment agreement with its CEO, the Company provided a \$1,000,000 signing bonus in 2012, which has not been paid and is recorded in accrued compensation on the consolidated balance sheets, along with unpaid base salary of \$1,625,000 in aggregate attributable for the period from 2012 through 2018. Any unpaid and accrued compensation due to the CEO under his employment agreement will accrue interest on the principal amount at a rate of 10% per annum from the date of his employment agreement until it is paid. Even though the employment agreement expired and has not been renewed, the Company has an obligation under the agreement to continue to accrue interest on the unpaid balance.

As of December 31, 2022 and 2021, the Company had accrued \$2,625,000 of compensation as accrued compensation and has balances of \$1,578,088 and \$1,565,588, respectively, in accrued interest in current liabilities on its consolidated balance sheets, related to the CEO’s employment agreement. Amounts owed under this arrangement are payable on demand. The Company recorded interest expense related to the accrued compensation in the consolidated statements of operations amounting to \$262,498 and \$262,500, respectively, for the years ended December 31, 2022 and 2021. The Company paid interest amounting to \$250,000 and \$453,345 in connection with the accrued compensation to the CEO during years ended December 31, 2022 and 2021, respectively.

The Company entered into the New DE LLC Note with an entity wholly owned by our CEO. See Note 16 for further discussion.

For the period between October 5, 2021 and December 20, 2021, Aircraft Pictures Limited (“Aircraft”), a company in which Anthony Leo, one the Company’s Directors was a shareholder at the time, hired 42West to provide publicity for Aircraft in exchange for retainer fees of \$8,500 per month and made payments to the Company of \$17,000 in the aggregate related to these services. During the year ended December 31, 2022, the Company provided services to Aircraft amounting to \$87,700 and Aircraft made payments to the Company amounting to \$91,714.

In connection with the acquisition of 42West, the Company and its CEO, as personal guarantor, entered into put agreements with each of the sellers of 42West, pursuant to which the Company granted the put rights. During each of the years ended December 31, 2021, the Company made payments amounting to \$400,000 to Ms. Leslee Dart, while she was a member of the Board, related to the put rights. Pursuant to the terms of one such Put Agreement, Ms. Dart exercised 6,507 put rights at a purchase price of \$46.10 per share during the year ended December 31, 2021. As of December 31, 2021, the Company does not owe Ms. Dart any amounts related to the exercise of these put rights. On May 16, 2021, Ms. Dart resigned from her position as a member of the Board effective as of such date.

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 23 — SEGMENT INFORMATION

The Company operates in two reportable segments, Entertainment Publicity and Marketing Segment (“EPM”) and Content Production Segment (“CPD”).

- The Entertainment Publicity and Marketing segment is composed of 42West, The Door, Viewpoint, Shore Fire, Be Social, B/Hi and Socialyte. This segment primarily provides clients with diversified marketing services, including public relations, entertainment and hospitality content marketing, strategic marketing consulting and content production of marketing materials.
- The Content Production segment is composed of Dolphin Entertainment and Dolphin Films. This segment engages in the production and distribution of digital content and feature films. During the year ended December 31, 2022, the Company also designed, minted and sold an NFT collection titled *Creature Chronicles: Exiled Aliens*. The activities of our Content Production segment also include all corporate overhead activities.

The profitability measure employed by our chief operating decision maker for allocating resources to operating segments and assessing operating segment performance is operating income (loss) which is the same as Loss from operations on the Company’s consolidated statements of operations for the years ended December 31, 2022 and 2021. Salaries and related expenses include salaries, bonuses, commissions and other incentive related expenses. Legal and professional expenses primarily include professional fees related to financial statement audits, legal, investor relations and other consulting services, which are engaged and managed by each of the segments. In addition, general and administrative expenses include rental expense and depreciation of property, equipment and leasehold improvements for properties occupied by corporate office employees. All segments follow the same accounting policies as those described in Note 2.

In connection with the acquisitions of 42West, The Door, Viewpoint, Shore Fire, Be Social, B/Hi and Socialyte, the Company assigned \$18,680,000 of intangible assets, net of accumulated amortization of \$8,795,664, and goodwill of \$29,314,083, net of impairments, as of December 31, 2022 to the EPM segment. The balances reflected as of December 31, 2022 for EPM segment only include the activity of Socialyte for the period between the acquisition date (November 14, 2022) and December 31, 2022. Equity method investments are included within the EPM segment.

	Year ended December 31,	
	2022	2021
Revenue:		
EPM	\$ 40,058,880	\$ 35,705,305
CPD	446,678	21,894
Total	<u>\$ 40,505,558</u>	<u>\$ 35,727,199</u>
Segment operating income (loss):		
EPM	\$ 1,964,803	\$ (451,406)
CPD	(6,539,945)	(5,029,377)
Total operating loss	(4,575,142)	(5,480,783)
Interest expense	(555,802)	(785,209)
Other (loss) income, net	774,579	(158,955)
Loss before income taxes	<u>\$ (4,356,365)</u>	<u>\$ (6,424,947)</u>
	As of December 31,	
	2022	2021
Assets:		
EPM	\$ 68,678,335	\$ 48,645,789
CPD	6,698,497	4,099,512
Total assets	<u>\$ 75,376,832</u>	<u>\$ 52,745,301</u>

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 24 — INCOME TAXES

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

	December 31,	
	2022	2021
Current income tax expense (benefit)		
Federal	\$ —	\$ —
State	—	—
	<u>\$ —</u>	<u>\$ —</u>
Deferred income tax expense (benefit)		
Federal	\$ (853,835)	\$ (1,107,490)
State	(292,832)	(37,908)
	<u>\$ (1,146,667)</u>	<u>\$ (1,145,398)</u>
Change in valuation allowance		
Federal	\$ 881,436	\$ 1,145,789
State	442,212	36,965
	<u>1,323,648</u>	<u>1,182,754</u>
Income tax provision expense	<u>\$ 176,981</u>	<u>\$ 37,356</u>

At December 31, 2022 and 2021, the Company had deferred tax assets and liabilities as a result of temporary differences between financial statement carrying amounts and the tax basis of assets and liabilities. Deferred income taxes at December 31, 2022 and 2021 are as follows:

	December 31,	
	2022	2021
Deferred Tax Assets:		
Accrued Expenses	\$ 815,951	\$ 769,500
IRC 163(j)	1,047,643	762,603
Lease liability	2,190,548	1,847,098
Accrued Compensation	701,205	720,129
Intangibles	2,139,179	2,268,504
Other Assets	227,798	152,709
Capitalized Production Costs	520,866	502,104
Net Operating Losses and Credits	13,986,154	13,224,955
Total Deferred Tax Assets	<u>\$ 21,629,345</u>	<u>\$ 20,247,602</u>
Deferred Tax Liabilities:		
Fixed Assets	(506)	(51,528)
Right of use asset	(1,988,834)	(1,681,512)
Other Liabilities	—	(19,290)
Total Deferred Tax Liability	<u>\$ (1,989,340)</u>	<u>\$ (1,752,330)</u>
Subtotal	<u>\$ 19,640,005</u>	<u>\$ 18,495,272</u>
Valuation Allowance	<u>\$ (19,893,193)</u>	<u>\$ (18,569,544)</u>
Net Deferred Tax Liability	<u>\$ (253,188)</u>	<u>\$ (74,272)</u>

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

The Company had the following net operating loss (“NOL”) carry-forwards, gross, as of December 31, 2022:

Jurisdiction	NOL Amount	Expires
U.S. Federal ⁽¹⁾	\$ 49,127,354	2028
Florida	26,247,222	2029
California	16,584,057	2032
New York State	3,767,266	2039
New York City	4,686,957	2039
Illinois	540,460	2031
Massachusetts	1,101,829	2038
Total	<u>\$ 102,055,145</u>	

(1) Federal net operating losses generated after December 31, 2017 have an indefinite life and do not expire.

Utilization of net operating losses and tax credit carryforwards may be subject to an annual limitation provided by the Internal Revenue Code of 1986, as amended, and similar state provisions. Further, a portion of the carryforwards may expire before being applied to reduce future income tax liabilities.

In assessing the ability to realize the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of the deferred tax asset is dependent upon the generation of future taxable income during the periods in which these temporary differences become deductible. Management believes it is more likely than not that the deferred tax asset will not be realized and has recorded a net valuation allowance of \$19,900,309 and \$18,569,545 as of December 31, 2022 and 2021, respectively.

A reconciliation of the federal statutory tax rate with the effective tax rate from continuing operations is as follows:

	December 31,	
	2022	2021
Federal statutory tax rate	21.0%	21.0%
PPP loan forgiveness	0.0%	10.6%
Goodwill impairment	(4.1)%	—%
Change in fair value of contingent consideration	0.2%	(12.4)%
Change in fair value of derivative liabilities	3.5%	(10.4)%
State income taxes, net of federal income tax benefit	7.5%	0.0%
Change in state tax rate	(1.4)%	1.3%
Return to provision adjustment	0.4%	(0.6)%
Business combination	—%	0.4%
Other	(2.2)%	(0.8)%
Change in valuation allowance	(28.8)%	(9.7)%
Effective tax rate	<u>(3.9)%</u>	<u>(0.6)%</u>

As of December 31, 2022 and 2021, the Company does not have any material unrecognized tax benefits and accordingly has not recorded any interest or penalties related to unrecognized tax benefits. The Company does not believe that unrecognized tax benefits will significantly change within the next twelve months. The Company and its subsidiaries file Federal, California, Florida, Illinois, Massachusetts, New York State, and New York City income tax returns. These returns remain subject to examination by taxing authorities for all years after December 31, 2019.

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of certain assets and liabilities for financial and tax reporting. The deferred taxes represent the future tax consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled.

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 25 — LEASES

The Company and its subsidiaries are party to various office leases with terms expiring at different dates through November 2027. The amortizable life of the right-of-use asset is limited by the expected lease term. Although certain leases include options to extend the Company did not include these in the right-of-use asset or lease liability calculations because it is not reasonably certain that the options will be executed.

	December 31,	
	2022	2021
Assets		
Right-of-use asset	\$ 7,341,045	\$ 6,129,411
Liabilities		
Current		
Lease liability	\$ 2,073,547	\$ 1,600,107
Noncurrent		
Lease liability	\$ 6,012,049	\$ 5,132,895
Total lease liability	\$ 8,085,596	\$ 6,733,002

The table below shows the lease expenses recorded in the consolidated statements of operations incurred during year ended December 31, 2022 and 2021.

Lease costs	Classification	December 31,	
		2022	2021
Operating lease costs	Selling, general and administrative expenses	\$ 2,316,745	\$ 2,642,798
Operating lease costs	Direct costs	—	60,861
Sublease income	Selling, general and administrative expenses	(107,270)	—
Net lease costs		<u>\$ 2,209,475</u>	<u>\$ 2,703,659</u>

Lease Payments

For the years ended December 31, 2022 and 2021, the Company made cash payments related to its operating leases in the amount of \$2,256,551 and \$2,733,158, respectively.

Future minimum payments for operating leases in effect at December 31, 2022 were as follows:

2023	\$ 2,640,164
2024	2,531,307
2025	1,979,589
2026	1,782,057
2027	719,794
Thereafter	—
Total	\$ 9,652,911
Less: Imputed interest	(1,567,315)
Present value of lease liabilities	\$ 8,085,596

As of December 31, 2022, the Company's weighted average remaining lease terms on its operating lease is 3.49 years and the Company's weighted average discount rate is 8.68% related to its operating leases.

Rent expense for the years ended December 31, 2022 and 2021 was \$2,316,745 and \$2,703,659, respectively.

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 26 — COLLABORATIVE ARRANGEMENT

IMAX Co-Production Agreement

On June 24, 2022, the Company entered into an agreement with IMAX to co-produce and co-finance a documentary motion picture on the flight demonstration squadron of the United States Navy, called The Blue Angels (“Blue Angels Agreement”). IMAX and Dolphin have each agreed to fund 50% of the production budget. During the year ended December 31, 2022, the Company paid \$1,500,000, respectively, pursuant to the Blue Angels Agreement, which were recorded as capitalized production costs. The Company expects the final payment of \$500,000 pursuant to the Blue Angels Agreement to be made during the second quarter of 2023.

We have evaluated the Blue Angels Agreement and have determined that it is a collaborative arrangement under FASB ASC Topic 808 “Collaborative Arrangements”. We will reevaluate whether an arrangement qualifies or continues to qualify as a collaborative arrangement whenever there is a change in either the roles of the participants or the participants’ exposure to significant risks and rewards, dependent upon the ultimate commercial success of documentary motion picture.

As production of the documentary motion picture is still in the production process, no income or expense has been recorded in connection with the Blue Angels Agreement during the year ended December 31, 2022.

NOTE 27 — COMMITMENTS AND CONTINGENCIES

Litigation

The Company may be subject to legal proceedings, claims, and liabilities that arise in the ordinary course of business. In the opinion of management and based upon the advice of its outside counsels, the liability, if any, from any pending litigation is not expected to have a material effect in the Company’s financial position, results of operations and cash flows. The Company is not aware of any pending litigation as of the date of this report.

Letter of Credit

Pursuant to the lease agreement of 42West’s New York office location, the Company is required to issue a letter of credit to secure the leases. On July 24, 2018, the Company renewed the letter of credit issued by City National Bank for the 42West office space in New York. The original letter of credit was for \$677,354 and originally expired on August 1, 2018. This letter of credit renews automatically annually unless City National Bank notifies the landlord 60-days prior to the expiration of the bank’s election not to renew the letter of credit. In connection with the annual renewal in 2021, the letter of credit was reduced to \$541,883. The Company granted City National Bank a security interest in bank account funds totaling \$541,883 pledged as collateral for the letter of credit. The letter of credit commits the issuer to pay specified amounts to the holder of the letter of credit under certain conditions. If this were to occur, the Company would be required to reimburse the issuer of the letter of credit.

Pursuant to the sublease agreement of Dolphin’s Los Angeles office location, the Company issued the sublessor a letter of credit from City National Bank in the amount of \$586,077 to secure the sublease. The letter of credit, issued on September 15, 2022, expires a year after issuance and is deemed automatically extended for one year from the expiration date unless City National Bank notifies the landlord 90-days prior to the expiration of the bank’s election not to renew the letter of credit. The Company granted City National Bank a security interest in bank account funds totaling \$586,077 pledged as collateral for the letter of credit. The letter of credit commits the issuer to pay specified amounts to the holder of the letter of credit under certain conditions. If this were to occur, the Company would be required to reimburse the issuer of the letter of credit.

The Company is not aware of any claims relating to its outstanding letters of credit as of December 31, 2022.

NOTE 28 — EMPLOYEE BENEFIT PLAN AND EQUITY INCENTIVE PLAN

The Company and its wholly owned subsidiaries have 401(K) profit sharing plan that covers substantially all of its employees. The Company’s 401(K) plan matches up to 4% of the employee’s contribution. The plans match dollar for dollar the first 3% of the employee’s contribution and then 50% of contributions up to 5%. There are certain limitations for highly compensated employees. The Company’s contributions to these plans for the years ended December 31, 2022 and 2021, were approximately \$582,912 and \$424,423, respectively.

DOLPHIN ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Equity Incentive Plan

On June 29, 2017, the shareholders of the Company approved the Dolphin Digital Media, Inc. 2017 Equity Incentive Plan (the “2017 Plan”). There are 2,000,000 shares available to grant under the 2017 Plan. During the year ended December 31, 2022, the Company granted Restricted Stock Units (“RSUs”) to certain employees under the 2017 Plan, as detailed in the table below. During the year ended December 31, 2021, the Company did not issue any awards under the 2017 Plan.

The Company accounts for its share-based compensation expense related to equity instruments under GAAP, which requires the measurement and recognition of compensation costs for all equity-based payment awards made to employees based on estimated fair values. The Company uses the value of its common stock on the grant date to establish the grant date fair value of the RSUs granted. We have elected to account for forfeitures as they occur. The Company uses authorized and unissued shares to meet share issuance requirements.

During the year ended December 31, 2022, the Company granted RSU’s to its employees under the 2017 Plan that vest in four equal installments on the following dates: March 15, 2022, June 15, 2022, September 15, 2022 and December 15, 2022. The Company recognized compensation expense for RSUs of \$212,782 for the year ended December 31, 2022, which is included in payroll and benefits in the consolidated statements of operations. There was no share-based compensation recognized for the year ended December 31, 2021. As of December 31, 2022, all RSUs were vested and there is no unrecognized compensation expense.

The following table sets forth the activity for the RSUs for the year ended December 31, 2022:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding (nonvested), December 31, 2021	—	\$ —
Granted	36,434	6.86
Forfeited	(4,942)	6.86
Vested	(31,492)	6.86
Outstanding (nonvested), December 31, 2022	—	\$ —

Shares issued related to an employment agreement

Pursuant to the employment agreement between the Company and Mr. Anthony Francisco, on July 27, 2022, the Company issued to Mr. Francisco 11,521 shares of Common Stock at a price of \$4.34 per share, the closing sale price for the Common Stock on the date the shares were issued. Mr. Francisco’s employment agreement also entitles him to receive share awards amounting to \$25,000 at each of certain dates in 2023 and 2024, in the aggregate amounting to \$100,000. Relating to this agreement, subsequent to December 31, 2022, on January 11, 2023 the Company issued to Mr. Francisco 6,366 shares of Common Stock at a price of \$2.24 per share, the 30-day trailing closing sale price for the Common Stock on the date the shares were issued.

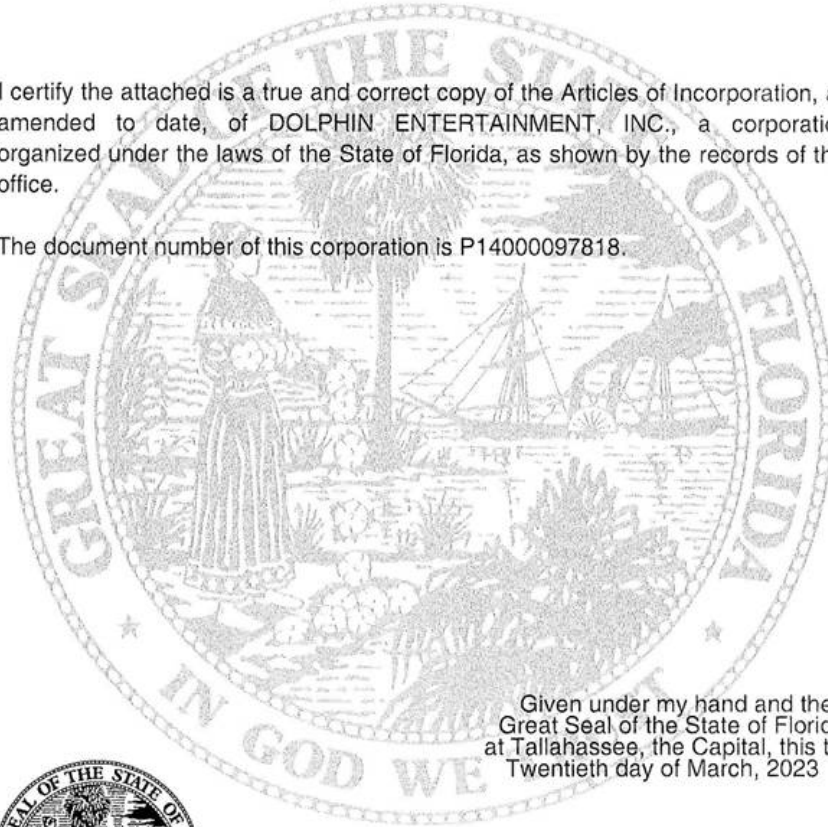
State of Florida



Department of State

I certify the attached is a true and correct copy of the Articles of Incorporation, as amended to date, of DOLPHIN ENTERTAINMENT, INC., a corporation organized under the laws of the State of Florida, as shown by the records of this office.

The document number of this corporation is P14000097818.



Given under my hand and the Great Seal of the State of Florida at Tallahassee, the Capital, this the Twentieth day of March, 2023





Cord Byrd
Secretary of State

CR2E022 (01-11)

**CERTIFICATE OF DOMESTICATION
OF
DOLPHIN DIGITAL MEDIA, INC.**

The undersigned, of Dolphin Digital Media, Inc., (the "Corporation"), a foreign corporation, in accordance with Section 607.1801 of the Florida Statutes does hereby certify that:

1. The date on which Corporation was first incorporated was March 7, 1995;
2. The jurisdiction where the Corporation was first incorporated was Nevada;
3. The name of the Corporation immediately prior to the filing of this Certificate of Domestication was Dolphin Digital Media, Inc.;
4. The name of the Corporation, as set forth in its Articles of Incorporation, to be filed pursuant to Sections 607.0120 and 607.0202 with this Certificate of Domestication is Dolphin Digital Media, Inc.; and
5. The jurisdiction that constituted the principal place of business of the Corporation immediately prior to the filing of the Certificate of Domestication was Nevada.

IN WITNESS WHEREOF, for the purposes of domestication under the laws of the State of Florida the undersigned has executed these Articles of Incorporation this 3rd day of December, 2014.


William O'Dowd, IV
Chief Executive Officer

FILED
SECRETARY OF STATE
DIVISION OF CORPORATIONS
14 DEC - 4 PM 5:13

EXHIBIT A-1

**ARTICLES OF INCORPORATION
OF
DOLPHIN DIGITAL MEDIA, INC.**

ARTICLE I.

**Name, Principal Place of Business and
Registered Agent and Office**

The name of the Corporation is Dolphin Digital Media, Inc. The principal place of business and mailing address of this Corporation shall be 2151 Le Jeune Road, Suite 150-Mezzanine, Coral Gables, Florida 33134.

The street address of the registered office of this Corporation is Dolphin Digital Media, Inc., 2151 Le Jeune Road, Suite 150-Mezzanine, Coral Gables, Florida 33134. The name of the registered agent of this Corporation at such address is Mirta A. Negrini.

ARTICLE II.

Purpose and Powers

The purpose for which the Corporation is organized is to engage in or transact any and all lawful activities or business for which a corporation may be incorporated under the laws of the State of Florida. The Corporation shall have all of the corporate powers enumerated in the Florida Business Corporation Act.

ARTICLE III.

Capital Stock

A. AUTHORIZED SHARES

The total number of shares of all classes of stock that the Corporation shall have the authority to issue is Two Hundred Ten Million (210,000,000) shares, of which Two Hundred Million (200,000,000) shares shall be Common Stock, par value \$0.015 per share ("Common Stock") and Ten Million (10,000,000) shares shall be Preferred Stock, having a par value of \$0.001 per share ("Preferred Stock"). The Board of Directors is expressly authorized to provide for the classification and reclassification of any unissued shares of Common Stock or Preferred Stock and the issuance thereof in one or more classes or series without the approval of the stockholders of the Corporation. Of the preferred stock, 1,042,753 have been previously designated Series A Convertible Preferred Stock, par value \$0.001 per share.

B. PROVISIONS RELATING TO COMMON STOCK

1. **Relative Rights.** The Common Stock shall be subject to all of the rights, privileges, preferences and priorities of the Preferred Stock as set forth in the certificate of designations filed to establish the respective series of Preferred Stock. Except as provided in this Article III.B, each share of Common Stock shall have the same relative rights and shall be identical in all respects as to all matters.

2. **Voting Rights.** Each holder of shares of Common Stock shall be entitled to attend all special and annual meetings of the stockholders of the Corporation. On all matters upon which stockholders are entitled or permitted to vote, every holder of Common Stock shall be entitled to cast one (1) vote in person or by proxy for each outstanding share of Common Stock standing in such holder's name on the transfer books of the Corporation. Holders of Common Stock shall not possess cumulative voting rights. Except as otherwise provided in these Articles of Incorporation or by applicable law, the holders of shares of Common Stock shall vote subject to any voting rights which may be granted to holders of Preferred Stock.

FILED
SECRETARY OF STATE
DIVISION OF CORPORATIONS
14 DEC -11 PM 4:13

3. Dividends. Whenever there shall have been paid, or declared and set aside for payment, to the holders of shares of any class of stock having preference over the Common Stock as to the payment of dividends, the full amount of dividends and of sinking fund or retirement payments, if any, to which such holders are respectively entitled in preference to the Common Stock, and any class or series of stock entitled to participate therewith as to dividends, shall be entitled to receive dividends, when, as, and if declared by the Board of Directors, out of any assets legally available for the payment of dividends thereon.

4. Dissolution, Liquidation, Winding Up. In the event of any dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, the holders of record of the Common Stock then outstanding, and all holders of any class or series of stock entitled to participate therewith, in whole or in part, as to distribution of assets, shall become entitled to participate equally on a per share basis in the distribution of any assets of the Corporation remaining after the Corporation shall have paid or provided for payment of all debts and liabilities of the Corporation, and shall have paid, or set aside for payment, to the holders of any class of stock having preference over the Common Stock in the event of dissolution, liquidation or winding up, the full preferential amounts (if any) to which they are entitled.

C. PREFERRED STOCK

1. Issuance, Designations, Powers, etc. The Board of Directors expressly is authorized, subject to limitations prescribed by the Florida Business Corporation Act and the provisions of these Articles of Incorporation, to provide, by resolution for the issuance from time to time of the shares of Preferred Stock in one or more series, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and other rights of the shares of each such series and to fix the qualifications, limitations and restrictions thereon, including, but without limiting the generality of the foregoing, the following:

- (a) The number of shares constituting that series and the distinctive designation of that series;
- (b) The dividend rate on the shares of that series, whether dividends shall be cumulative, and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of that series;
- (c) Whether that series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;
- (d) Whether that series shall have conversion privileges, and, if so, the terms and conditions of such conversion, including provision for adjustment of the conversion rate in such events as the Board of Directors shall determine;
- (e) Whether or not the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;
- (f) Whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and amount of such sinking fund;
- (g) The rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation, and the relative rights of priority, if any, of payment of shares of that series; and
- (h) Any other relative powers, preferences, and rights of that series, and qualifications, limitations or restrictions on that series.

2. Dissolution, Liquidation, Winding Up. In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of Preferred Stock of each series shall be entitled

to receive only such amount or amounts as shall have been fixed by the resolution or resolutions of the Board of Directors providing for the issuance of such series.

D. PROVISIONS RELATING TO SERIES A CONVERTIBLE PREFERRED STOCK

Section 1. **Definitions.** Capitalized terms used and not otherwise defined herein that are defined in the Purchase Agreement (as defined below) shall have the meanings given such terms in the Purchase Agreement. For the purposes hereof, the following terms shall have the following meanings:

"Bankruptcy Event" means any of the following events: (a) the Company or any Significant Subsidiary (as such term is defined in Rule 1.02(s) of Regulation S-X) thereof commences a case or other proceeding under any bankruptcy, reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction relating to the Company or any Significant Subsidiary thereof; (b) there is commenced against the Company or any Significant Subsidiary thereof any such case or proceeding that is not dismissed within 60 days after commencement; (c) the Company or any Significant Subsidiary thereof is adjudicated insolvent or bankrupt or any order of relief or other order approving any such case or proceeding is entered; (d) the Company or any Significant Subsidiary thereof suffers any appointment of any custodian or the like for it or any substantial part of its property that is not discharged or stayed within 60 days; (e) the Company or any Significant Subsidiary thereof makes a general assignment for the benefit of creditors; (f) the Company or any Significant Subsidiary thereof calls a meeting of its creditors with a view to arranging a composition, adjustment or restructuring of its debts; or (g) the Company or any Significant Subsidiary thereof, by any act or failure to act, expressly indicates its consent to, approval of or acquiescence in any of the foregoing or takes any corporate or other action for the purpose of effecting any of the foregoing.

"Commission" means the Securities and Exchange Commission.

"Common Stock" means the Company's common stock, par value \$.015 per share, and stock of any other class into which such shares may hereafter have been reclassified or changed.

"Common Stock Equivalents" means any securities of the Company or the Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including without limitation, any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

"Conversion Date" shall have the meaning set forth in Section "Conversion Ratio" shall have the meaning set forth in Section "Conversion Value" shall have the meaning set forth in Section 6(a).

"Conversion Ratio" shall have the meaning set forth in Section 6(a).

"Conversion Shares" means, collectively, the shares of Common Stock into which the shares of Series A Preferred Stock are convertible in accordance with the terms hereof.

"Conversion Value" shall have the meaning set forth in Section 6(a). "Exchange Act" means the Securities Exchange Act of 1934, as amended. "Holder" shall have the meaning given such term in Section 2 hereof.

"Junior Securities" means the Common Stock and all other equity or equity equivalent securities of the Company other than those securities that are explicitly senior in rights or liquidation preference to the Series A Preferred Stock.

"Original Issue Date" shall mean December 31, 2010.

"Person" means a Company, an association, a partnership, a limited liability company, a business association, an individual, a government or political subdivision thereof or governmental agency.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Series A Preferred Stock" shall have the meaning set forth in Section 2.

"Subsidiary" shall mean a Company, limited liability company, partnership, joint venture or other business entity of which the Company owns beneficially or of record more than 49% of the equity interest.

"Trading Day" means a day on which the Common Stock is traded on a Trading Market.

"Trading Market" means the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the Nasdaq SmallCap Market, the New York Stock Exchange, the Nasdaq National Market or the OTC Bulletin Board.

"Transaction Documents" shall have the meaning set forth in the Purchase Agreement.

Section 2. Designation, Amount and Par Value. The series of preferred stock shall be designated as the Company's Series A Convertible Preferred Stock (the "Series A Preferred Stock" or "Preferred Stock") and the number of shares so designated shall be 1,042,753 (each a "Holder" and collectively, the "Holders"). Each share of Series A Preferred Stock shall have a par value of \$0.001 per share. Capitalized terms not otherwise defined herein shall have the meaning given such terms in Section 1 hereof.

Section 3. Dividends. No dividends shall be payable with respect to the Series A Preferred Stock.

Section 4. Voting Rights. The Series A Preferred Stock shall have no voting rights. However, so long as any shares of Series A Preferred Stock are outstanding, the Company shall not, without the affirmative approval of the Holders of the shares of the Series A Preferred Stock then outstanding, (a) alter or change adversely the powers, preferences or rights given to the Series A Preferred Stock or alter or amend this Certificate of Designation, (b) authorize or create any class of stock ranking as to dividends or distribution of assets upon a Liquidation (as defined in Section 5) senior to or otherwise pari passu with the Series A Preferred Stock, or any of preferred stock possessing greater voting rights or the right to convert at a more favorable price than the Series A Preferred Stock, (c) amend its certificate or articles of incorporation or other charter documents in breach of any of the provisions hereof, (d) increase the authorized number of shares of Series A Preferred Stock, or (e) enter into any agreement with respect to the foregoing.

Section 5. Liquidation. Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary (a "Liquidation"), the Holders shall be entitled to receive out of the assets of the Company, whether such assets are capital or surplus, for each share of Series A Preferred Stock an amount equal to \$1.00 (the "Liquidation Value") before any distribution or payment shall be made to the holders of any Junior Securities, and if the assets of the Company shall be insufficient to pay in full such amounts, then the entire assets to be distributed to the Holders shall be distributed among the Holders ratably in accordance with the respective amounts that would be payable on such shares if all amounts payable thereon were paid in full.

Section 6. Conversion.

a. Conversions at Option of Holder. Each share of Series A Preferred Stock shall be initially convertible (subject to the limitations set forth in Section 6(c)), into Four (4) shares of Common Stock (as adjusted as provided below, the "Conversion Ratio") at the option of the Holders, at any time and from time to time from and after the Original Issue Date. Holders shall effect conversions by providing the Company with the form of conversion notice attached hereto (a "Notice of Conversion") as fully and originally executed by the Holder, together with the delivery by the Holder to the Company of the stock certificate(s) representing the number of shares of Series A Preferred Stock so converted, with such stock certificates being duly endorsed in full for transfer to the Company or with an applicable stock power duly executed by the Holder in the manner and form as deemed reasonable by the transfer agent of the Common Stock. Each Notice of Conversion shall specify the number of shares of Series A Preferred Stock to be converted, the number of shares of Series A Preferred Stock owned prior to the conversion at issue, the number of shares of Series A Preferred Stock owned subsequent to the conversion at issue, the stock certificate number and the shares of Series A Preferred Stock represented thereby which are accompanying the Notice of Conversion, and the date on which such conversion is to be effected, which date may not be prior to the date the Holder delivers such Notice of Conversion and the applicable stock certificates to the Company by overnight delivery service (the "Conversion Date"). If no Conversion Date is specified in a Notice of Conversion, the Conversion Date shall be the Trading Day immediately following the date that such Notice of Conversion and applicable stock certificates are received by the Company. The calculations and entries set forth in

the Notice of Conversion shall control in the absence of manifest or mathematical error. Shares of Series A Preferred Stock converted into Common Stock in accordance with the terms hereof shall be canceled and may not be reissued. The initial value of the Series A Preferred Stock on the Conversion Date shall be equal to \$0.25 per share (as adjusted pursuant to Section 7 or otherwise as provided herein, the "Conversion Value"). If the initial Conversion Value is adjusted pursuant to Section 7 or as otherwise provided herein, the Conversion Ratio shall likewise be adjusted and the new Conversion Ratio shall equal the Liquidation Value divided by the new Conversion Value. Thereafter, subject to any further adjustments in the Conversion Value, each share of Series A Preferred Stock shall be initially convertible into that number of shares of Common Stock equal to the new Conversion Ratio.

b. Automatic Conversion Upon Change of Control. All of the outstanding shares of Series A Preferred Stock shall be automatically converted into the Conversion Shares upon the close of business on the business day immediately preceding the date fixed for consummation of any transaction resulting in a Change of Control of the Company (an "Automatic Conversion Event"). A "Change in Control" means a consolidation or merger of the Company with or into another company or entity in which the Company is not the surviving entity, the sale of all or substantially all of the assets of the Company to another company or entity not controlled by the then existing stockholders of the Company in a transaction or series of transactions or a tender or exchange is completed pursuant to which holders of Common Stock are permitted to tender or exchange their shares for other securities, cash or property. The Company shall not be obligated to issue certificates evidencing the Conversion Shares unless certificates evidencing the shares of Series A Preferred Stock so converted are either delivered to the Company or its transfer agent or the holder notifies the Company or its transfer agent in writing that such certificates have been lost, stolen, or destroyed and executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection therewith. Upon the conversion of the Series A Preferred Stock pursuant to this Section 6(b) (i), the Company shall promptly send written notice thereof, by hand delivery or by overnight delivery, to the holder of record of all of the Series A Preferred Stock at its address then shown on the records of the Company, which notice shall state that certificates evidencing shares of Series A Preferred Stock must be surrendered at the office of the Company (or of its transfer agent for the Common Stock, if applicable).

c. Beneficial Ownership Limitation. Except as provided in Section 6(b) above, the Company shall not effect any conversion of the Series A Preferred Stock, and the Holder shall not have the right to convert any portion of the Series A Preferred Stock to the extent that after giving effect to such conversion, the Holder (together with the Holder's affiliates), as set forth on the applicable Notice of Conversion, would beneficially own in excess of 9.9% of the number of shares of the Common Stock outstanding immediately after giving effect to such conversion. For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its affiliates shall include the number of shares of Common Stock issuable upon conversion of the Series A Preferred Stock with respect to which the determination of such sentence is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (A) conversion of the remaining, nonconverted shares of Series A Preferred Stock beneficially owned by the Holder or any of its affiliates, so long as such shares of Series A Preferred Stock are not convertible within sixty (60) days from the date of such determination, and (B) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including the Warrants) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its affiliates, so long as such other securities of the Company are not exercisable nor convertible within sixty (60) days from the date of such determination. For purposes of this Section 6(c), in determining the number of outstanding shares of Common Stock, the Holder may rely on the number of outstanding shares of Common Stock as reflected in the most recent of the following: (A) the Company's most recent quarterly reports, Form 10-Q, Form 10-QSB, Annual Reports, Form 10-K, or Form 10-KSB, as the case may be, as filed with the Commission under the Exchange Act (B) a more recent public announcement by the Company or (C) any other written notice by the Company or the Company's transfer agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of the Holder, the Company shall within two (2) Trading Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including the Series A Preferred Stock, by the Holder or its affiliates since the date as of which such number of outstanding shares of Common Stock was publicly reported by the Company. This Section 6(c) may be waived or amended only with the consent of the Holders of all of the Series A Preferred Stock and the consent of the holders of a majority of the shares of outstanding Common Stock of the Company who are not Affiliates. For the purpose of the immediately preceding sentence, the term "Affiliate" shall mean any person: (a) that directly or indirectly, through one or more

intermediaries controls, or is controlled by, or is under common control with the Company, or (b) who beneficially owns any shares of Series A Preferred Stock. For purposes of this Section 6(c), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act.

d. Mechanics of Conversion.

i. Delivery of Certificate Upon Conversion. Except as otherwise set forth herein, not later than three Trading Days after each Conversion Date (the "Share Delivery Date"), the Company shall deliver to the Holder (A) a certificate or certificates which, after the Effective Date, shall be free of restrictive legends and trading restrictions (other than those required by the Purchase Agreement) representing the number of shares of Common Stock being acquired upon the conversion of shares of Series A Preferred Stock, and (B) a bank check in the amount of accrued and unpaid dividends (if the Company has elected or is required to pay accrued dividends in cash). After the Effective Date, the Company shall, upon request of the Holder, deliver any certificate or certificates required to be delivered by the Company under this Section electronically through the Depository Trust Company or another established clearing Company performing similar functions. If in the case of any Notice of Conversion such certificate or certificates are not delivered to or as directed by the applicable Holder by the third Trading Day after the Conversion Date, the Holder shall be entitled to elect by written notice to the Company at any time on or before its receipt of such certificate or certificates thereafter, to rescind such conversion, in which event the Company shall immediately return the certificates representing the shares of Series A Preferred Stock tendered for conversion.

ii. Obligation Absolute. The Company's obligations to issue and deliver the Conversion Shares upon conversion of Series A Preferred Stock in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder or any other Person of any obligation to the Company or any violation or alleged violation of law by the Holder or any other person, and irrespective of any other circumstance which might otherwise limit such obligation of the Company to the Holder in connection with the issuance of such Conversion Shares. In the event a Holder shall elect to convert any or all of its Series A Preferred Stock, the Company may not refuse conversion based on any claim that such Holder or anyone associated or affiliated with the Holder of has been engaged in any violation of law, agreement or for any other reason, unless, an injunction from a court, on notice, restraining and or enjoining conversion of all or part of this Series A Preferred Stock shall have been sought and obtained and the Company posts a surety bond for the benefit of the Holder in the amount of 150% of the Conversion Value of Series A Preferred Stock outstanding, which is subject to the injunction, which bond shall remain in effect until the completion of arbitration/litigation of the dispute and the proceeds of which shall be payable to such Holder to the extent it obtains judgment. In the absence of an injunction precluding the same, the Company shall issue Conversion Shares upon a properly noticed conversion.

iii. Reservation of Shares Issuable Upon Conversion. The Company covenants that it will at all times reserve and keep available out of its authorized and unissued shares of Common Stock solely for the purpose of issuance upon conversion of the Series A Preferred Stock, each as herein provided, free from preemptive rights or any other actual contingent purchase rights of persons other than the Holders, not less than such number of shares of the Common Stock as shall (subject to any additional requirements of the Company as to reservation of such shares set forth in the Purchase Agreement) be issuable (taking into account the adjustments and restrictions of Section 7) upon the conversion of all outstanding shares of Series A Preferred Stock. The Company covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly and validly authorized, issued and fully paid, non-assessable and, if the Conversion Shares Registration Statement is then effective under the Securities Act, registered for public sale in accordance with such Conversion Shares Registration Statement Fractional Shares. Upon a conversion hereunder, the Company shall not be required to issue stock certificates representing fractions of shares of the Common Stock.

iv. Transfer Taxes. The issuance of certificates for shares of the Common Stock on conversion of the Series A Preferred Stock shall be made without charge to the Holders thereof for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificate, provided that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the Holder of such shares of Series A Preferred Stock so converted and the Company shall not be required to issue or deliver such certificates unless or until the person or

persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

Section 7. Certain Adjustments.

a. Stock Dividends and Stock Splits. If the Company, at any time while the Series A Preferred Stock is outstanding: (A) shall pay a stock dividend or otherwise make a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company pursuant to this Series A Preferred Stock), (B) subdivide outstanding shares of Common Stock into a larger number of shares, (C) combine (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (D) issue by reclassification of shares of the Common Stock any shares of capital stock of the Company, then the Conversion Value shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding before such event and of which the denominator shall be the number of shares of Common Stock outstanding after such event. Any adjustment made pursuant to this Section shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b. Subsequent Equity Sales. Until October 31, 2012, the Company shall be prohibited from effecting or entering into an agreement to effect any Subsequent Financing involving a "Variable Rate Transaction" or an "MFN Transaction" (each as defined below). The term "Variable Rate Transaction" shall mean a transaction in which the Company issues or sells (i) any debt or equity securities that are convertible into, exchangeable or exercisable for, or include the right to receive additional shares of Common Stock either (A) at a conversion, exercise or exchange rate or other price that is based upon and/or varies with the trading prices of or quotations for the shares of Common Stock at any time after the initial issuance of such debt or equity securities, or (B) with a conversion, exercise or exchange price that is subject to being reset at some future date after the initial issuance of such debt or equity security or upon the occurrence of specified or contingent events directly or indirectly related to the business of the Company or the market for the Common Stock exclusive in all cases of stock splits, stock dividends, recapitalization and other similar rights. The term "MFN Transaction" shall mean a transaction in which the Company issues or sells any securities in a capital raising transaction or series of related transactions which grants to an investor the right to receive additional shares based upon future transactions of the Company on terms more favorable than those granted to such investor in such offering. Any Purchaser shall be entitled to obtain injunctive relief against the Company to preclude any such issuance, which remedy shall be in addition to any right to collect damages. Notwithstanding the foregoing, this Section 7(b) shall not apply in respect of an Exempt Issuance, except that no Variable Rate Transaction or MFN Transaction shall be an Exempt Issuance.

c. Pro Rata Distributions. If the Company, at any time while Series A Preferred Stock is outstanding, shall distribute to all holders of Common Stock (and not to Holders) evidences of its indebtedness or assets or rights or warrants to subscribe for or purchase any security, then in each such case the Conversion Value shall be determined by multiplying such Conversion Value in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which the denominator shall be the VWAP determined as of the record date mentioned above, and of which the numerator shall be such VWAP on such record date less the then fair market value at such record date of the portion of such assets or evidence of indebtedness so distributed applicable to one outstanding share of the Common Stock as determined by the Board of Directors in good faith. In either case the adjustments shall be described in a statement provided to the Holders of the portion of assets or evidences of indebtedness so distributed or such subscription rights applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

d. Calculations. All calculations under this Section 7 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. 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 description of any such shares of Common Stock shall be considered on issue or sale of Common Stock. For purposes of this Section 7, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding treasury shares, if any) actually issued and outstanding.

e. Notice to Holders.

i. Adjustment to Conversion Price. Whenever the Conversion Value is adjusted pursuant to any of this Section 7, the Company shall promptly mail to each Holder a notice setting forth the Conversion Value after such adjustment and setting forth a brief statement of the facts requiring such adjustment. If the Company issues a variable rate security, despite the prohibition thereon in the Purchase Agreement, the Company shall be deemed to have issued Common Stock or Common Stock Equivalents at the lowest possible conversion or exercise price at which such securities may be converted or exercised in the case of a Variable Rate Transaction (as defined in the Purchase Agreement), or the lowest possible adjustment price in the case of an MFN Transaction (as defined in the Purchase Agreement).

ii. Notices of Other Events. If (A) the Company shall declare a dividend (or any other distribution) on the Common Stock; (B) the Company shall declare a redemption of the Common Stock; (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights; (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock; (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company; then in each case, the Company shall cause to be filed at each office or agency maintained for the purpose of conversion of the Series A Preferred Stock, and shall cause to be mailed to the Holders at their last addresses as they shall appear upon the stock books of the Company, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification; provided, that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice.

Section 8. Miscellaneous.

a. Notices. Any and all notices or other communications or deliveries to be provided by the Holders hereunder, including, without limitation, any Notice of Conversion, shall be in writing and delivered personally, by facsimile, sent by a nationally recognized overnight courier service, addressed to the Company, at the address provided in the Purchase Agreement, facsimile number (212) 671-1403, Attn: c/o T Squared Capital LLC, 1325 Sixth Avenue, Floor 28, New York, New York 10019, Attn: Thomas M. Suave or such other address or facsimile number as the Company may specify for such purposes by notice to the Holders delivered in accordance with this Section. Any and all notices or other communications or deliveries to be provided by the Company hereunder shall be in writing and delivered personally, by facsimile sent by a nationally recognized overnight courier service addressed to each Holder at the facsimile telephone number or address of such Holder appearing on the books of the Company or if no such facsimile telephone number or address appears, at the principal place of business of the Holder. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile telephone number specified in this Section prior to 5:30 p.m. (New York City time) (ii) the date after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile telephone number specified in this Section later than 5:30 p.m. (New York City time) on any date and earlier than 11:59 p.m. (New York City time) on such date, (iii) the second Business Day following the date of mailing, if sent by nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given.

b. Lost or Mutilated Preferred Stock Certificate. If a Holder's Series A Preferred Stock certificate shall be mutilated, lost, stolen or destroyed, the Company shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated certificate, or in lieu of or in substitution for a lost, stolen or destroyed certificate, a new certificate for the shares of Series A Preferred Stock so mutilated, lost, stolen or destroyed but only upon receipt of evidence of such loss, theft or destruction of such certificate of the ownership thereof and identity if requested, all reasonably satisfactory to the Company.

c. Next Business Day. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

d. Headings. Title headings contained herein are for convenience only, do not constitute a part of this Certificate of Designations and shall not be deemed to limit or affect any of the provisions hereof.

ARTICLE IV.

Existence

The Corporation shall exist perpetually unless sooner dissolved according to law.

ARTICLE V.

Management of the Corporation

The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and shareholders:

A. BOARD OF DIRECTORS

The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authority expressly conferred upon them by Statute or by these Articles of Incorporation or the Bylaws of the Corporation, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation. A director shall hold office until the annual meeting of the shareholders or until his successors shall be elected and qualified, subject, however, to the director's prior death, resignation, retirement, disqualification or removal from office.

B. SPECIAL MEETINGS CALLED BY BOARD OF DIRECTORS OR SHAREHOLDERS

Special Meetings of Shareholders of the Corporation may be called by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption) (the "Full Board"), or by the holders of not less than forty percent (40%) of all the votes entitled to be cast on any issue at the proposed special meeting if such holders of stock sign, date and deliver to the Corporation's Secretary one or more written demands for the meeting describing the purpose or purposes for which the special meeting is to be held. The Bylaws of the Corporation shall fully set forth the manner in which Special Meetings of Shareholders of the Corporation may be called.

ARTICLE VI.

Number of Directors

The number of directors may be either increased or diminished from time to time in the manner provided in the Bylaws, but shall never be less than one (1).

ARTICLE VII.

Indemnification

Provided the person proposed to be indemnified satisfies the requisite standard of conduct for permissive indemnification by a corporation as specifically set forth in the applicable provisions of the Florida Business Corporation Act (currently, Section 607.0850(7) of the Florida Statutes), as the same may be amended from time to time, the Corporation shall indemnify its officers and directors, and may indemnify its employees and agents, to the fullest extent provided, authorized, permitted or not prohibited by the provisions of the Florida Business Corporation Act and the Bylaws of the Corporation, as the same may be amended and supplemented, from and against any and

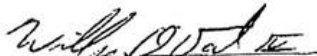
all of the expenses or liabilities incurred in defending a civil or criminal proceeding, or other matters referred to in or covered by said provisions, including advancement of expenses prior to the final disposition of such proceedings and amounts paid in settlement of such proceedings, both as to action in his or her official capacity and as to action in another capacity while an officer, director, employee or other agent. The indemnification provided for herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any bylaw, agreement, vote of shareholders or Disinterested Directors or otherwise. Such indemnification 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 and personal representatives of such a person. Except as otherwise required by law, an adjudication of liability shall not affect the right to indemnification for those indemnified.

ARTICLE VIII.

Amendment

The Corporation reserves the right to amend or repeal any provision contained in these Articles of Incorporation in the manner prescribed by the laws of the State of Florida and all rights conferred upon shareholders are granted subject to this reservation.

IN WITNESS WHEREOF, for the purposes of domestication under the laws of the State of Florida the undersigned has executed these Articles of Incorporation this 3rd day of December, 2014.

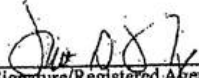

William O'Dowd, IV
Chief Executive Officer

REGISTERED AGENT CERTIFICATE OF ACCEPTANCE

INITIAL REGISTERED AGENT AND STREET ADDRESS
THE NAME AND FLORIDA STREET ADDRESS (P.O. BOX NOT ACCEPTABLE) OF THE REGISTERED AGENT IS:

Name: Mirta Negrini
Address: c/o Dolphin Digital Media, Inc.
2151 Le Jeune Road, Suite 150-Mezzanine
Coral Gables, FL 33134

HAVING BEEN NAMED AS REGISTERED AGENT AND TO ACCEPT SERVICE OF PROCESS FOR DOLPHIN DIGITAL MEDIA, INC. AT THE PLACE DESIGNATED IN THIS CERTIFICATE, I AM FAMILIAR WITH AND ACCEPT THE APPOINTMENT AS REGISTERED AGENT AND AGREE TO ACT IN THIS CAPACITY.



Signature/Registered Agent.

12/3/14

Date

ARTICLES OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION
OF
DOLPHIN DIGITAL MEDIA, INC.

15 OCT 19 PM 2: 17

TALLAHASSEE, FLORIDA

DESIGNATING
SERIES B CONVERTIBLE PREFERRED STOCK

Pursuant to the provisions of Section 607.1006 of the Florida Business Corporation Act (the "FBCA"), this Florida Corporation adopts the following amendments to its Amended and Restated Articles of Incorporation (these "Articles of Amendment"):

1. The name of the corporation is Dolphin Digital Media, Inc. (the "Corporation").
2. These Articles of Amendment were adopted by the Board of Directors of the Corporation (the "Board of Directors") on October 14, 2015 without shareholder action and shareholder action was not required.
3. Article III of the Corporation's Amended and Restated Articles of Incorporation is hereby amended to add the following as Section E thereof:

Section E. SERIES B CONVERTIBLE PREFERRED STOCK

1. Designation and Amount. There shall be a series of Preferred Stock that shall be designated as "Series B Convertible Preferred Stock," and the number of shares constituting such series shall be 4,000,000. The number of shares constituting the Series B Convertible Preferred Stock may be increased or decreased by resolution of the Board of Directors; provided, however, that no decrease shall reduce the number of shares of Series B Convertible Preferred Stock to less than the number of shares then issued and outstanding plus the number of shares issuable upon exercise of outstanding rights, options or warrants or upon conversion of outstanding securities issued by the Corporation.

2. Definitions.

Unless the context otherwise requires, each of the terms defined in this Section 2 shall have, for all purposes of this Certificate of Designation, the meaning herein specified (with terms defined in the singular having comparable meanings when used in the plural):

"Articles of Incorporation" means the Company's Articles of Incorporation, as in effect on the date of this Certificate of Designation.

"Board of Directors" means the Board of Directors of the Company.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to close.

"By-Laws" means the Company's By-Laws, as amended, as in effect on the date of this Certificate of Designation.

"Capital Stock" means any and all shares, interests, participations or other equivalents in the equity interest (however designated) in the Company.

"Common Share Equivalents" means securities, options, warrants, derivatives, debt instruments or other rights convertible into, or exercisable or exchangeable for, or entitling the holder thereof to receive directly or indirectly, Common Stock.

"Common Stock" means the common stock, \$0.015 par value per share, of the Company or any other Capital Stock into which such shares of common stock shall be reclassified or changed.

"Common Stock Transfer Agent" has the meaning set forth in Section 6(c) hereof.

"Company's Organizational Documents" means the Articles of Incorporation, this Certificate of Designations, any other certificate of designations issued pursuant to the Articles of Incorporation, and the By-Laws.

"Conversion Number" has the meaning set forth in Section 6(a) hereof.

"Conversion Shares" has the meaning set forth in Section 6(a) hereof.

"Converted Shares" has the meaning set forth in Section 6(b) hereof.

"Converting Shares" has the meaning set forth in Section 6(b) hereof.

"Holders" means the record holders of the shares of Series B Convertible Preferred Stock, as shown on the books and records of the Company.

"Junior Stock" has the meaning set forth in Section 3 hereof.

"Liquidation Event" means (i) any voluntary or involuntary liquidation, dissolution or winding-up of the Company, (ii) the consummation of a merger or consolidation in which the stockholders of the Company prior to such transaction own less than a majority of the voting securities of the entity surviving such transaction, or (iii) the sale, distribution or other disposition of all or substantially all of the Company's assets.

"Liquidation Preference" has the meaning set forth in Section 5(a) hereof.

"Market Price" means the last reported sale price of the Common Stock on the primary U.S. national securities exchange, automated quotation system or inter-dealer quotation system upon which the Common Stock is then traded or quoted.

"Parity Stock" has the meaning set forth in Section 3 hereof.

"Person" includes all natural persons, corporations, business trusts, limited liability companies, associations, companies, partnerships, joint ventures and other entities, as well as governments and their respective agencies and political subdivisions.

"Senior Stock" has the meaning set forth in Section 3 hereof.

"Series B Convertible Preferred Stock" has the meaning set forth in Section 1 hereof.

"Stated Value" means \$0.10 per share of Series B Convertible Preferred Stock, as may be adjusted for any stock split, reverse stock split, dividend or similar event relating to the Series B Convertible Preferred Stock.

"Transfer Agent" means the entity designated from time to time by the Company to act as the registrar and transfer agent for the Series B Convertible Preferred Stock or, if no entity has been so designated to act in such capacity, the Company.

3. Ranking.

The Series B Convertible Preferred Stock shall, with respect to rights on the liquidation, winding-up and dissolution of the Company (as provided in Section 5 below), rank (a) senior to all classes of Common Stock and to each other class of Capital Stock or series of Preferred Stock established hereafter by the Board of Directors the terms of which expressly provide that such class ranks junior to the Series B Convertible Preferred Stock as to rights on the liquidation, winding-up and dissolution of the Company (collectively referred to as the "Junior Stock"), (b) on a parity with each other class of Capital Stock or series of Preferred Stock established hereafter by the Board of Directors with the written consent of the Holders of at least a majority of the outstanding shares of Series B Convertible Preferred Stock, the terms of which expressly provide that such class or series ranks on a parity with the Series B Convertible Preferred Stock as to rights on the liquidation, winding-up and dissolution of the Company (collectively referred to as the "Parity Stock") and (c) junior to any future class of Preferred Stock established hereafter by the Board of Directors, the terms of which expressly provide that such class ranks senior to the Series B Convertible Preferred Stock as to rights on the liquidation, winding-up and dissolution of the Company (collectively referred to as the "Senior Stock").

The Series B Convertible Preferred Stock shall, with respect to rights to dividends (as provided in Section 4 below), rank on a parity with each class of Common Stock.

4. Dividends.

The Company shall not declare, pay or set aside any dividends on shares of Common Stock (other than dividends on shares of Common Stock payable solely in shares of Common Stock) unless (in addition to the obtaining of any consents required elsewhere in the Company's Organizational Documents) the Holders simultaneously receive a dividend on each outstanding share of Series B Convertible Preferred Stock in an amount equal to that dividend per share of Series B Convertible Preferred Stock as would equal the product of the dividend payable on each share of Common Stock and the number of shares of Common Stock then issuable upon conversion of one share of Series B Convertible Preferred Stock, in each case calculated on the

record date for determination of holders entitled to receive such dividend and without regard to any limitation on conversion set forth in Section 6(b) hereof.

5. Liquidation Preference.

(a) Except as otherwise provided in Section 6(g), upon any Liquidation Event, each Holder shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders, on account of each share of Series B Convertible Preferred Stock held by such Holder, (i) prior to the holders of any class or series of Common Stock and Junior Stock, (ii) pro rata with the holders of any Parity Stock and (iii) after the holders of any Senior Stock, an amount (such amount, the "Liquidation Preference") equal to the Stated Value.

(b) Except as otherwise provided in Section 6(g), upon any Liquidation Event, after the payment of the Liquidation Preference the remaining assets of the Company available for distribution to its stockholders shall be distributed among the Holders and the holders of the shares of Capital Stock, pro rata, based on the number of shares held by each such holder, treating for this purpose all such securities as if they had been converted to Common Stock pursuant to the terms of this Certificate of Designation (or any other applicable certificate of designation) immediately prior to such Liquidation Event without regard to any limitation on conversion set forth in Section 6(b) hereof.

6. Conversion.

(a) Right to Convert. Subject to the provisions of Section 6(b) hereof, each Holder shall have the right, upon the delivery of a written notice to the Company, to convert any share of Series B Convertible Preferred Stock held by it into that number of fully paid and nonassessable shares of Common Stock ("Conversion Shares") equal to the Conversion Number at the time in effect. Any Holder may convert all or less than all of the shares of Series B Convertible Preferred Stock held by it at any time. Any Holder's conversion of shares of Series B Convertible Preferred Stock under this Section 6(a) shall not be effective unless such Holder has also complied with the provisions set forth in Section 6(b) hereof at the time of delivery of its aforesaid written notice to the Company. The initial "Conversion Number" per share of Series B Convertible Preferred Stock shall be nineteen (19); provided, however, that the Conversion Number in effect from time to time shall be subject to adjustment as provided hereinafter.

(b) Conversion Procedures. Each conversion of shares of Series B Convertible Preferred Stock into shares of Common Stock shall be effected by the surrender of the certificate(s) evidencing the shares of Series B Convertible Preferred Stock to be converted (the "Converting Shares") at the principal office of the Company (or such other office or agency of the Company as the Company may designate by notice in writing to the Holders of the Series B Convertible Preferred Stock) at any time during its usual business hours, together with written notice by the holder of such Converting Shares, (i) stating that the Holder desires to convert the Converting Shares, or a specified number of such Converting Shares, evidenced by such certificate(s) into shares of Common Stock (the "Converted Shares"), and (ii) giving the name(s) (with addresses) and denominations in which the Converted Shares should either be registered with the Company's transfer agent and registrar for the Common Stock (the "Common Stock Transfer Agent") on its records in book-entry form under The Direct Registration System or certificated,

and, in either case, instructions for the delivery of a statement evidencing book-entry ownership of the Converted Shares or the certificates evidencing the Converted Shares. Upon receipt of the notice described in the first sentence of this Section 6(b), together with the certificate(s) evidencing the Converting Shares, the Company shall be obligated to, and shall, cause to be issued and delivered in accordance with such instructions, as applicable, either (x) a statement from the Common Stock Transfer Agent evidencing ownership of the Converted Shares, registered in the name of the Holder or its designee on the Common Stock Transfer Agent's records in book-entry form under The Direct Registration System or (y) certificate(s) evidencing the Converted Shares and, if applicable, a certificate (which shall contain such applicable legends, if any, as were set forth on the surrendered certificate(s)) representing any shares which were represented by the certificate(s) surrendered to the Company in connection with such conversion but which were not Converting Shares and, therefore, were not converted. All or some Converted Shares so issued whether in book-entry form under the Direct Registration System or in certificated form may be subject to restrictions on transfer as required by applicable federal and state securities laws. Any such Converted Shares subject to restrictions on transfer under applicable federal and state securities laws shall be encumbered by stop transfer orders and restrictive legends (or equivalent encumbrances). Such conversion, to the extent permitted by law, shall be deemed to have been effected as of the close of business on the date on which such certificate(s) shall have been surrendered and such written notice shall have been received by the Company unless a later date has been specified by such Holder, and at such time the rights of the Holder of such Converting Shares as such Holder shall cease, and the Person(s) in whose name or names the Converted Shares are to be issued either in book-entry form or certificated form, as applicable, upon such conversion shall be deemed to have become the holder(s) of record of the Converted Shares.

(c) Effect of Conversion. Upon the issuance of the Converted Shares in accordance with Section 6, such shares shall be deemed to be duly authorized, validly issued, fully paid and non-assessable.

(d) Adjustments for Common Stock Dividends and Distributions. If the Company at any time or from time to time makes, or fixes a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in additional shares of Common Stock, in each such event the Conversion Number then in effect shall be increased as of the time of such issuance or, in the event such record date is fixed, as of the close of business on such record date, by multiplying the Conversion Number then in effect by a fraction (i) the numerator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution and (ii) the denominator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date. To the extent an adjustment is made in respect of the foregoing pursuant to Section 6(e) or the Holder actually receives the dividend to which any such adjustment relates, an adjustment shall not be made pursuant to this Section 6(d).

(e) Conversion Number Adjustments for Subdivisions, Combinations or Consolidations of Common Stock.

(i) In the event the Company should at any time or from time to time fix a record date for the effectuation of a split or subdivision of the outstanding shares of Common Stock or the determination of holders of shares of Common Stock entitled to receive a dividend or other distribution payable in additional Common Share Equivalents, without payment of any consideration by such holder for additional Common Share Equivalents (including the additional Common Stock issuable upon conversion, exchange or exercise thereof), then, as of such record date (or the date of such dividend, distribution, split or subdivision if no record date is fixed), the Conversion Number then in effect shall be appropriately increased so that the number of shares of Common Stock issuable on conversion of each such share of such Series B Convertible Preferred Stock shall be increased in proportion to such increase of outstanding shares of Common Stock and shares issuable with respect to Common Share Equivalents.

(ii) If the number of shares of Common Stock outstanding at any time is decreased by a combination, consolidation, reclassification or reverse stock split of the outstanding shares of Common Stock or other similar event, then, following the record date of such combination, the Conversion Number then in effect shall be appropriately decreased so that the number of shares of Common Stock issuable on conversion of each such share of such Series B Convertible Preferred Stock shall be decreased in proportion to such decrease in outstanding shares of Common Stock.

(f) Recapitalizations. If at any time or from time to time there shall be a recapitalization of the Common Stock (other than a subdivision, combination, merger or sale of assets transaction provided for elsewhere in this Section 6), provision shall be made so that the Holders shall thereafter be entitled to receive upon conversion of the Series B Convertible Preferred Stock the number of shares of Capital Stock or other securities or property of the Company to which a holder of Common Stock would have been entitled on recapitalization. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 6 with respect to the rights of the Holders after the recapitalization to the end that the provisions of this Section 6 (including adjustment of the Conversion Number then in effect and the number of shares issuable upon conversion of the Series B Convertible Preferred Stock) shall be applicable after that event as nearly equivalent as may be practicable.

(g) Mergers and Other Reorganizations. If at any time or from time to time there shall be a reclassification of the Common Stock (other than a subdivision, combination, reclassification or exchange of shares provided for elsewhere in this Section 6) or a merger or consolidation of the Company with or into another entity or the sale of all or substantially all of the Company's properties and assets to any other Person, then, as a part of and as a condition to the effectiveness of such reclassification, merger, consolidation or sale, lawful and adequate provision shall be made so that the Holders shall thereafter be entitled to receive upon conversion of the Series B Convertible Preferred Stock the number of shares of Capital Stock or other securities or property, if any, of the Company or of the successor entity resulting from such reclassification, merger or consolidation or sale, to which a holder of Common Stock deliverable upon conversion would have been entitled in connection with such reclassification, merger, consolidation or sale. In any such case, appropriate provision shall be made with respect to the rights of the Holders after the reclassification, merger, consolidation or sale to the end that the provisions of this Section 6 (including, without limitation, provisions for adjustment of the Conversion Number and the number of shares purchasable upon conversion of the Series B Convertible Preferred Stock) shall

thereafter be applicable, as nearly as may be, with respect to any shares of Capital Stock, securities or property to be deliverable thereafter upon the conversion of the Series B Convertible Preferred Stock.

Each Holder, upon the occurrence of a reclassification, merger or consolidation of the Company or the sale of all or substantially all its assets and properties, as such events are more fully set forth in the first paragraph of this Section 6(g), shall have the option of electing treatment of its shares of Series B Convertible Preferred Stock under either this Section 6(g) or Section 5 hereof, notice of which election shall be submitted in writing to the Company at its principal offices no later than ten (10) days before the effective date of such event, provided that any such notice of election shall be effective if given not later than fifteen (15) days after the date of the Company's notice pursuant to Section 6(h) hereof with respect to such event, and, provided, further, that if any Holder fails to give the Company such notice of election, the provisions of this Section 6(g) shall govern the treatment of such Holder's shares of Series B Convertible Preferred Stock upon the occurrence of such event.

(h) Notices of Record Date. In the event (i) the Company fixes a record date to determine the holders of Common Stock who are entitled to receive any dividend or other distribution, or (ii) there occurs any capital reorganization of the Company, any reclassification or recapitalization of the Common Stock of the Company, any merger or consolidation of the Company, or any voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall mail to each Holder at least ten (10) days prior to the record date specified therein, a notice specifying (a) the date of such record date for the purpose of such dividend or distribution and a description of such dividend or distribution, (b) the date on which any such reorganization, reclassification, consolidation, merger, dissolution, liquidation or winding up is expected to become effective, and (c) the time, if any, that is to be fixed, as to when the holders of record of Common Stock (or other securities) shall be entitled to exchange their shares of Common Stock (or other securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, dissolution, liquidation or winding up.

(i) No Impairment. The Company will not, by amendment of its Certificate of Incorporation or through any reorganization, recapitalization, transfer of assets, consolidation, merger, 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 to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Section 6 and in the taking of all such actions as may be necessary or appropriate in order to protect the conversion rights of the Holders against impairment.

(j) Fractional Shares and Certificate as to Adjustments. In lieu of any fractional shares to which a Holder would otherwise be entitled upon conversion, the Company shall pay cash equal to such fraction multiplied by the Market Price of one share of Common Stock, as determined in good faith by the Board of Directors. Whether or not fractional shares are issuable upon such conversion shall be determined on the basis of the total number of shares of Series B Convertible Preferred Stock of each Holder at the time converting into Common Stock and the number of shares of Common Stock issuable upon such aggregate conversion.

Upon the occurrence of each adjustment or readjustment of the Conversion Number of any share of Series B Convertible Preferred Stock pursuant to this Section 6, the Company, at its expense, shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each Holder a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Company shall, upon the written request at any time of any Holder, furnish or cause to be furnished to such Holder a like certificate setting forth (A) such adjustment and readjustment, (B) the Conversion Number at the time in effect, and (C) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of such Holder's shares of Series B Convertible Preferred Stock. The provisions of Section 6(d), (e), (f) and (g) shall apply to any transaction and successively to any series of transactions that would require any adjustment pursuant thereto.

(k) Reservation of Stock Issuable Upon Conversion. The Company shall at all times reserve and keep available out of its authorized but unissued Common Stock, solely for the purpose of effecting the conversion of the shares of the Series B Convertible Preferred Stock (taking into account the adjustments required by this Section 6), such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Series B Convertible Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Series B Convertible Preferred Stock, in addition to such other remedies as shall be available to the Holders, the Company will, as soon as is reasonably practicable, take all such action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes.

7. Voting Rights. Holders of Series B Convertible Preferred Stock shall have no voting rights except as required by law, including but not limited to the FBCA, and as expressly provided in this Certificate of Designation.

8. Reissuance of Shares of Series B Convertible Preferred Stock.

Shares of Series B Convertible Preferred Stock that have been issued and reacquired in any manner, including shares purchased, redeemed, converted or exchanged, shall (upon compliance with any applicable provisions of the FBCA) be permanently retired or cancelled and shall not under any circumstances be reissued. The Company shall from time to time take such appropriate action as may be required by applicable law to reduce the authorized number of shares of Series B Convertible Preferred Stock by the number of shares that have been so reacquired.

10. Notices.

Any and all notices, consents, approval or other communications or deliveries required or permitted to be provided under this Certificate of Designation shall be in writing and shall be deemed given and effective on the earliest of (a) the date of receipt, if such notice, consent, approval or other communication is delivered by hand (with written confirmation of receipt) or via facsimile to the Company or the Holders, as applicable, at the facsimile number specified in the register of Holders of Series B Convertible Preferred Stock maintained by the Transfer Agent

prior to 5:00 p.m. (New York City time) on a Business Day, (b) the next Business Day after the date of receipt, if such notice, consent, approval or other communication is delivered via facsimile to the Company or the Holder, as applicable, at the facsimile number specified in the register of Holders of Series B Convertible Preferred Stock maintained by the Transfer Agent on a day that is not a Business Day or later than 5:00 p.m. (New York City time) on any Business Day, or (c) the third Business Day following the date of deposit with a nationally recognized overnight courier service for next Business Day delivery and addressed to the Company or the Holder, as applicable, at the address specified in the register of Holders of Series B Convertible Preferred Stock maintained by the Transfer Agent.


11. Headings.

The headings of the various sections and subsections hereof are for convenience of reference only and shall not affect the interpretation of any of the provisions hereof.

12. Severability of Provisions.

If any powers, preferences and relative, participating, optional and other special rights of the Series B Convertible Preferred Stock and the qualifications, limitations and restrictions thereof set forth in this Certificate of Designation (as it may be amended from time to time) is invalid, unlawful or incapable of being enforced by reason of any rule or law or public policy, all other powers, preferences and relative, participating, optional and other special rights of the Series B Convertible Preferred Stock and the qualifications, limitations and restrictions thereof set forth in this Certificate of Designation (as so amended) which can be given effect without the invalid, unlawful or unenforceable powers, preferences and relative, participating, optional and other special rights of the Series B Convertible Preferred Stock and the qualifications, limitations and restrictions thereof shall, nevertheless, remain in full force and effect, and no powers, preferences and relative, participating, optional or other special rights of the Series B Convertible Preferred Stock and the qualifications, limitations and restrictions thereof herein set forth shall be deemed dependent upon any other such powers, preferences and relative, participating, optional or other special rights of Preferred Stock and qualifications, limitations and restrictions thereof unless so expressed herein.

IN WITNESS WHEREOF, these Articles of Amendment to the Articles of Incorporation of Dolphin Digital Media, Inc. has been executed by a duly authorized officer of this Corporation on this 14th day of October, 2015.

By: 
Name: Mitha A. Nigam
Title: CEO/COO

ARTICLES OF AMENDMENT
TO THE
AMENDED ARTICLES OF INCORPORATION
OF
DOLPHIN DIGITAL MEDIA, INC.

DESIGNATING
SERIES C CONVERTIBLE PREFERRED STOCK

16 FEB 23 AM 10:27
STATE
CORPORATION

Pursuant to the provisions of Section 607.1006 of the Florida Business Corporation Act (the "FBCA"), this Florida Corporation adopts the following amendments to its Amended Articles of Incorporation (these "Articles of Amendment"):

1. The name of the corporation is Dolphin Digital Media, Inc. (the "Company").
2. These Articles of Amendment were adopted by the Board of Directors of the Company (the "Board of Directors") on October 14, 2015 and by shareholder action on February 22, 2016.
3. Article III of the Company's Amended Articles of Incorporation is hereby amended to add the following as Section F thereof:

Section F. SERIES C CONVERTIBLE PREFERRED STOCK

1. Designation; Amount Limitation of Issuances. There shall be a series of Preferred Stock that shall be designated as "Series C Convertible Preferred Stock," and the number of shares constituting such series shall be 1,000,000. The number of shares constituting the Series C Convertible Preferred Stock may be increased or decreased by resolution of the Board of Directors; provided, however, that no decrease shall reduce the number of shares of Series C Convertible Preferred Stock to less than the number of shares then issued and outstanding plus the number of shares issuable upon exercise of outstanding rights, options or warrants or upon conversion of outstanding securities issued by the Company.

The Company may issue shares of Class C Preferred Stock only to an Eligible Class C Preferred Stock Holder, who may transfer such shares only to another Eligible Class C Preferred Stock Holder.

2. Definitions.

Unless the context otherwise requires, each of the terms defined in this Section 2 shall have, for all purposes of this Certificate of Designation, the meaning herein specified (with terms defined in the singular having comparable meanings when used in the plural):

"Articles of Incorporation" means the Company's Articles of Incorporation, as in effect on the date of this Certificate of Designation.

"Board of Directors" means the Board of Directors of the Company.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to close.

"By-Laws" means the Company's By-Laws, as amended, as in effect on the date of this Certificate of Designation.

"Capital Stock" means any and all shares, interests, participations or other equivalents in the equity interest (however designated) in the Company.

"Common Share Equivalents" means securities, options, warrants, derivatives, debt instruments or other rights convertible into, or exercisable or exchangeable for, or entitling the holder thereof to receive directly or indirectly, Common Stock.

"Common Stock" means the common stock, \$0.015 par value per share, of the Company or any other Capital Stock into which such shares of common stock shall be reclassified or changed.

"Common Stock Transfer Agent" has the meaning set forth in Section 6(c) hereof.

"Company's Organizational Documents" means the Articles of Incorporation, this Certificate of Designations, any other certificate of designations issued pursuant to the Articles of Incorporation, and the By-Laws.

"Conversion Number" has the meaning set forth in Section 6(a) hereof.

"Conversion Shares" has the meaning set forth in Section 6(b) hereof.

"Converted Shares" has the meaning set forth in Section 6(c) hereof.

"Converting Shares" has the meaning set forth in Section 6(c) hereof.

"Dilutive Issuance" has the meaning set forth in Section 6(i) hereof.

"Eligible Class C Preferred Stock Holder" means any of (i) Dolphin Entertainment, Inc., for so long as Bill O'Dowd continues to beneficially own at least 90% and serves at the board of directors or other governing entity, (ii) any other entity that Bill O'Dowd beneficially owns more than 90%, or a trust for the benefit of others, for which Bill O'Dowd serves as trustee and (iii) Bill O'Dowd individually.

"Holders" means the record holders of the shares of Series C Convertible Preferred Stock, as shown on the books and records of the Company.

"Junior Stock" has the meaning set forth in Section 3 hereof.

"Liquidation Event" means (i) any voluntary or involuntary liquidation, dissolution or winding-up of the Company, (ii) the consummation of a merger or consolidation in which the stockholders of the Company prior to such transaction own less than a majority of the voting securities of the entity surviving such transaction, or (iii) the sale, distribution or other disposition of all or substantially all of the Company's assets.

"Liquidation Preference" has the meaning set forth in Section 5(a) hereof.

"Market Price" means the last reported sale price of the Common Stock on the primary U.S. national securities exchange, automated quotation system or inter-dealer quotation system upon which the Common Stock is then traded or quoted.

"Optional Conversion Threshold" shall mean that the Company has accomplished, as determined by the vote of the majority of the independent directors of the Board in its sole discretion, any of the following (i) EBITDA of more than \$3.0 million in any calendar year, (ii) production of two feature films, (iii) production and distribution of at least three web series, (iv) theatrical distribution in the United States of one feature film, or (v) any combination thereof that is subsequently approved by the majority of the independent directors of the Board based on the strategic plan approved by the Board.

"Parity Stock" has the meaning set forth in Section 3 hereof.

"Person" includes all natural persons, corporations, business trusts, limited liability companies, associations, companies, partnerships, joint ventures and other entities, as well as governments and their respective agencies and political subdivisions.

"Senior Stock" has the meaning set forth in Section 3 hereof.

"Series C Convertible Preferred Stock" has the meaning set forth in Section 1 hereof.

"Stated Value" means \$0.001 per share of Series C Convertible Preferred Stock, as may be adjusted for any stock split, reverse stock split, dividend or similar event relating to the Series C Convertible Preferred Stock.

"Transfer Agent" means the entity designated from time to time by the Company to act as the registrar and transfer agent for the Series C Convertible Preferred stock or, if no entity has been so designated to act in such capacity, the Company.

3. Ranking.

The Series C Convertible Preferred Stock shall, with respect to rights on the liquidation, winding-up and dissolution of the Company (as provided in Section 5 below), rank (a) senior to all classes of Common Stock, to the Series B Convertible Preferred and to each other class of Capital Stock or series of Preferred Stock established hereafter by the Board of Directors the terms of which expressly provide that such class ranks junior to the Series C Convertible Preferred Stock as to rights on the liquidation, winding-up and dissolution of the Company (collectively referred to as the "Junior Stock"), (b) on a parity with each other class of Capital Stock or series of Preferred Stock established hereafter by the Board of Directors as to rights on

the liquidation, winding-up and dissolution of the Company (collectively referred to as the "Parity Stock") and (c) junior to any future class of Preferred Stock established hereafter by the Board of Directors, the terms of which expressly provide that such class ranks senior to the Series C Convertible Preferred Stock as to rights on the liquidation, winding-up and dissolution of the Company (collectively referred to as the "Senior Stock").

The Series C Convertible Preferred Stock shall, with respect to rights to dividends (as provided in Section 4 below), rank on a parity with each class of Common Stock.

4. Dividends.

The Company shall not declare, pay or set aside any dividends on shares of Common Stock (other than dividends on shares of Common Stock payable solely in shares of Common Stock) unless (in addition to the obtaining of any consents required elsewhere in the Company's Organizational Documents) the Holders simultaneously receive a dividend on each outstanding share of Series C Convertible Preferred Stock in an amount equal to that dividend per share of Series C Convertible Preferred Stock as would equal the product of the dividend payable on each share of Common Stock and the number of shares of Common Stock then issuable upon conversion of one share of Series C Convertible Preferred Stock, in each case calculated on the record date for determination of holders entitled to receive such dividend and without regard to any limitation on conversion set forth in Section 6(b) hereof.

5. Liquidation Preference.

(a) Except as otherwise provided in Section 6(h), upon any Liquidation Event, each Holder shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders, on account of each share of Series C Convertible Preferred Stock held by such Holder, (i) prior to the holders of any class or series of Common Stock and Junior Stock, (ii) pro rata with the holders of any Parity Stock and (iii) after the holders of any Senior Stock, an amount (such amount, the "Liquidation Preference") equal to the Stated Value.

(b) Except as otherwise provided in Section 6(h), upon any Liquidation Event, after the payment of the Liquidation Preference the remaining assets of the Company available for distribution to its stockholders shall be distributed first to satisfy any preference of any other Preferred Stock that was junior to the Series C Preferred Stock and then among the Holders and the holders of the shares of Capital Stock, pro rata, based on the number of shares held by each such holder, treating for this purpose all such securities as if they had been converted to Common Stock pursuant to the terms of this Certificate of Designation (or any other applicable certificate of designation) immediately prior to such Liquidation Event without regard to any limitation on conversion set forth in Section 6(b) hereof.

6. Conversion.

(a) Holder's Right to Convert. Upon the Board's determination that an Optional Conversion Threshold has been met, subject to the provisions of Section 6(c) hereof, each Holder shall have the right, upon the delivery of a written notice to the Company, to convert any share of Series C Convertible Preferred Stock held by it into that number of fully paid and nonassessable shares of Common Stock ("Conversion Shares") equal to the Conversion Number at the time in effect.

Any Holder may convert all or less than all of the shares of Series C Convertible Preferred Stock held by it at any time after such determination. Any Holder's conversion of shares of Series C Preferred Stock under this Section 6(a) shall not be effective unless such Holder has also complied with the provisions set forth in Section 6(c) hereof at the time of delivery of its aforesaid written notice to the Company. The initial "Conversion Number" per share of Series C Convertible Preferred Stock shall be one (1); provided, however, that the Conversion Number in effect from time to time shall be subject to adjustment as provided hereinafter.

(b) Automatic Conversion. The Class C Preferred Stock shall automatically be converted upon the occurrence of any of the following events:

(i) Each outstanding share of Class C Preferred Stock which is transferred to any holder other than an Eligible Class C Preferred Stock Holder shall automatically convert into that number of fully paid and nonassessable Conversion Shares equal to the Conversion Number at the time in effect.

(ii) If the aggregate number of shares of Common Stock plus Conversion Shares (issuable upon conversion of the Class B Convertible Preferred Stock and the Class C Convertible Preferred Stock) held by the Eligible Class C Preferred Stock Holders in the aggregate constitute 10% or less of the sum of (x) the outstanding shares of Common Stock of the Company plus (y) all Conversion Shares held by the Eligible Class C Preferred Stock Holders, then each outstanding Class C Convertible Preferred Stock then outstanding will automatically convert into that number of fully paid and nonassessable Conversion Shares equal to the Conversion Number at the time in effect.

(ii) At such time as a Holder of Class C Preferred Stock ceases to be an Eligible Class C Preferred Stock Holder, each share of Class C Preferred Stock held by such person or entity shall immediately convert into that number of fully paid and nonassessable Conversion Shares equal to the Conversion Number at the time in effect.

(c) Conversion Procedures. Each conversion of shares of Series C Convertible Preferred Stock into shares of Common Stock shall be effected by the surrender of the certificate(s) evidencing the shares of Series C Convertible Preferred Stock to be converted (the "Converting Shares") at the principal office of the Company (or such other office or agency of the Company as the Company may designate by notice in writing to the Holders of the Series C Convertible Preferred Stock) at any time during its usual business hours, together with written notice by the holder of such Converting Shares, (i) stating that the Holder desires to convert the Converting Shares, or a specified number of such Converting Shares, evidenced by such certificate(s) into shares of Common Stock (the "Converted Shares"), and (ii) giving the name(s) (with addresses) and denominations in which the Converted Shares should either be registered with the Company's transfer agent and registrar for the Common Stock (the "Common Stock Transfer Agent") on its records in book-entry form under The Direct Registration System or certificated, and, in either case, instructions for the delivery of a statement evidencing book-entry ownership of the Converted Shares or the certificates evidencing the Converted Shares. Upon receipt of the notice described in the first sentence of this Section 6(c), together with the certificate(s) evidencing the Converting Shares, the Company shall be obligated to, and shall, cause to be issued and delivered in accordance with such instructions, as applicable, either (x) a statement

from the Common Stock Transfer Agent evidencing ownership of the Converted Shares, registered in the name of the Holder or its designee on the Common Stock Transfer Agent's records in book-entry form under The Direct Registration System or (y) certificate(s) evidencing the Converted Shares and, if applicable, a certificate (which shall contain such applicable legends, if any, as were set forth on the surrendered certificate(s)) representing any shares which were represented by the certificate(s) surrendered to the Company in connection with such conversion but which were not Converting Shares and, therefore, were not converted. All or some Converted Shares so issued whether in book-entry form under the Direct Registration System or in certificated form may be subject to restrictions on transfer as required by applicable federal and state securities laws. Any such Converted Shares subject to restrictions on transfer under applicable federal and state securities laws shall be encumbered by stop transfer orders and restrictive legends (or equivalent encumbrances). Such conversion, to the extent permitted by law, shall be deemed to have been effected as of the close of business on the date on which such certificate(s) shall have been surrendered and such written notice shall have been received by the Company unless a later date has been specified by such Holder, and at such time the rights of the Holder of such Converting Shares as such Holder shall cease, and the Person(s) in whose name or names the Converted Shares are to be issued either in book-entry form or certificated form, as applicable, upon such conversion shall be deemed to have become the holder(s) of record of the Converted Shares.

(d) Effect of Conversion. Upon the issuance of the Converted Shares in accordance with Section 6, such shares shall be deemed to be duly authorized, validly issued, fully paid and non-assessable.

(e) Adjustments for Common Stock Dividends and Distributions. If the Company at any time or from time to time makes, or fixes a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in additional shares of Common Stock, in each such event the Conversion Number then in effect shall be increased as of the time of such issuance or, in the event such record date is fixed, as of the close of business on such record date, by multiplying the Conversion Number then in effect by a fraction (i) the numerator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution and (ii) the denominator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date. To the extent an adjustment is made in respect of the foregoing pursuant to Section 6(f) or the Holder actually receives the dividend to which any such adjustment relates, an adjustment shall not be made pursuant to this Section 6(e).

(f) Conversion Number Adjustments for Subdivisions, Combinations or Consolidations of Common Stock.

(i) In the event the Company should at any time or from time to time fix a record date for the effectuation of a split or subdivision of the outstanding shares of Common Stock or the determination of holders of shares of Common Stock entitled to receive a dividend or other distribution payable in additional Common Share Equivalents, without payment of any consideration by such holder for additional Common Share Equivalents (including the additional

Common Stock issuable upon conversion, exchange or exercise thereof), then, as of such record date (or the date of such dividend, distribution, split or subdivision if no record date is fixed), the Conversion Number then in effect shall be appropriately increased so that the number of shares of Common Stock issuable on conversion of each such share of such Series C Convertible Preferred Stock shall be increased in proportion to such increase of outstanding shares of Common Stock and shares issuable with respect to Common Share Equivalents.

(ii) If the number of shares of Common Stock outstanding at any time is decreased by a combination, consolidation, reclassification or reverse stock split of the outstanding shares of Common Stock or other similar event, then, following the record date of such combination, the Conversion Number then in effect shall be appropriately decreased so that the number of shares of Common Stock issuable on conversion of each such share of such Series C Convertible Preferred Stock shall be decreased in proportion to such decrease in outstanding shares of Common Stock.

(g) Recapitalizations. If at any time or from time to time there shall be a recapitalization of the Common Stock (other than a subdivision, combination, merger or sale of assets transaction provided for elsewhere in this Section 6), provision shall be made so that the Holders shall thereafter be entitled to receive upon conversion of the Series C Convertible Preferred Stock the number of shares of Capital Stock or other securities or property of the Company to which a holder of Common Stock would have been entitled on recapitalization. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 6 with respect to the rights of the Holders after the recapitalization to the end that the provisions of this Section 6 (including adjustment of the Conversion Number then in effect and the number of shares issuable upon conversion of the Series C Convertible Preferred Stock) shall be applicable after that event as nearly equivalent as may be practicable.

(h) Mergers and Other Reorganizations. If at any time or from time to time there shall be a reclassification of the Common Stock (other than a subdivision, combination, reclassification or exchange of shares provided for elsewhere in this Section 6) or a merger or consolidation of the Company with or into another entity or the sale of all or substantially all of the Company's properties and assets to any other Person, then, as a part of and as a condition to the effectiveness of such reclassification, merger, consolidation or sale, lawful and adequate provision shall be made so that the Holders shall thereafter be entitled to receive upon conversion of the Series C Convertible Preferred Stock the number of shares of Capital Stock or other securities or property, if any, of the Company or of the successor entity resulting from such reclassification, merger or consolidation or sale, to which a holder of Common Stock deliverable upon conversion would have been entitled in connection with such reclassification, merger, consolidation or sale. In any such case, appropriate provision shall be made with respect to the rights of the Holders after the reclassification, merger, consolidation or sale to the end that the provisions of this Section 6 (including, without limitation, provisions for adjustment of the Conversion Number and the number of shares purchasable upon conversion of the Series C Convertible Preferred Stock) shall thereafter be applicable, as nearly as may be, with respect to any shares of Capital Stock, securities or property to be deliverable thereafter upon the conversion of the Series C Convertible Preferred Stock.

Each Holder, upon the occurrence of a reclassification, merger or consolidation of the Company or the sale of all or substantially all its assets and properties, as such events are more fully set forth in the first paragraph of this Section 6(h), shall have the option of electing treatment of its shares of Series C Convertible Preferred Stock under either this Section 6(h) or Section 5 hereof, notice of which election shall be submitted in writing to the Company at its principal offices no later than ten (10) days before the effective date of such event, provided that any such notice of election shall be effective if given not later than fifteen (15) days after the date of the Company's notice pursuant to Section 6(i) hereof with respect to such event, and, provided, further, that if any Holder fails to give the Company such notice of election, the provisions of this Section 6(h) shall govern the treatment of such Holder's shares of Series C Convertible Preferred Stock upon the occurrence of such event.

(i) Issuances of Common Stock. If the Company, prior to the fifth (5th) anniversary of the issuance of the first share of Series C Convertible Preferred Stock issues shares of Common Stock (but not upon the issuance of Common Stock Equivalents) either (i) upon the conversion or exercise of any instrument currently or hereafter issued (but not upon the conversion of the Series C Preferred Stock), (ii) upon the exchange of debt for shares of common stock or (iii) in a private placement (a "Dilutive Issuance"), then the Conversion Number shall be adjusted to equal then the Conversion Number shall be adjusted to equal the sum of the amounts created by each individual Dilutive Issuance, wherein for each Dilutive Issuance the amount is determined from the result of:

- 1) The Product of the number of shares of Common Stock owned by the Eligible Series C Preferred Holder upon the issuance of the first share of Series C Convertible Preferred Stock *divided by* the aggregate number of shares of Common Stock outstanding upon the issuance of the first share of Series C Convertible Preferred Stock;
- 2) Then this Product *Multiplied by* the individual Dilutive Issuance;
- 3) Then this Product *Divided by* the Amount Created When The Percentage Created in Step One is *Subtracted from* 100 percent;
- 4) Then this Product *Divided by* the number of shares of Series C Preferred Stock then outstanding.

(j) Notices of Record Date. In the event (i) the Company fixes a record date to determine the holders of Common Stock who are entitled to receive any dividend or other distribution, or (ii) there occurs any capital reorganization of the Company, any reclassification or recapitalization of the Common Stock of the Company, any merger or consolidation of the Company, or any voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall mail to each Holder at least ten (10) days prior to the record date specified therein, a notice specifying (a) the date of such record date for the purpose of such dividend or distribution and a description of such dividend or distribution, (b) the date on which any such reorganization, reclassification, consolidation, merger, dissolution, liquidation or winding up is expected to become effective, and (c) the time, if any, that is to be fixed, as to when the holders of record of

Common Stock (or other securities) shall be entitled to exchange their shares of Common Stock (or other securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, dissolution, liquidation or winding up.

(k) No Impairment. The Company will not, by amendment of its Certificate of Incorporation or through any reorganization, recapitalization, transfer of assets, consolidation, merger, 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 to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Section 6 and in the taking of all such actions as may be necessary or appropriate in order to protect the conversion rights of the Holders against impairment.

(l) Fractional Shares and Certificate as to Adjustments. In lieu of any fractional shares to which a Holder would otherwise be entitled upon conversion, the Company shall pay cash equal to such fraction multiplied by the Market Price of one share of Common Stock, as determined in good faith by the Board of Directors. Whether or not fractional shares are issuable upon such conversion shall be determined on the basis of the total number of shares of Series C Convertible Preferred Stock of each Holder at the time converting into Common Stock and the number of shares of Common Stock issuable upon such aggregate conversion.

Upon the occurrence of each adjustment or readjustment of the Conversion Number of any share of Series C Convertible Preferred Stock pursuant to this Section 6, the Company, at its expense, shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each Holder a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Company shall, upon the written request at any time of any Holder, furnish or cause to be furnished to such Holder a like certificate setting forth (A) such adjustment and readjustment, (B) the Conversion Number at the time in effect, and (C) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of such Holder's shares of Series C Convertible Preferred Stock. The provisions of Section 6(e), (f), (g), (h) and (i) shall apply to any transaction and successively to any series of transactions that would require any adjustment pursuant thereto.

(m) Reservation of Stock Issuable Upon Conversion. The Company shall at all times reserve and keep available out of its authorized but unissued Common Stock, solely for the purpose of effecting the conversion of the shares of the Series C Convertible Preferred Stock (taking into account the adjustments required by this Section 6), such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Series C Convertible Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Series C Convertible Preferred Stock, in addition to such other remedies as shall be available to the Holders, the Company will, as soon as is reasonably practicable, take all such action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes.

7. Voting Rights. Each Holder, except as otherwise required under the FBCA or as set forth herein, shall be entitled or permitted to vote on all matters required or permitted to be voted on

by the holders of Common Stock of the Company and shall be entitled to that number of votes equal to three votes for the number of whole shares of Common Stock into which such Holder's shares of the Series C Convertible Preferred Stock could then be converted, pursuant to the provisions of Section 6 hereof, at the record date for the determination of stockholders entitled to vote on such matter or, if no such record date is established, at the date such vote is taken or any written consent of stockholders is solicited. Except as otherwise expressly provided herein or as otherwise required by law, the Series C Convertible Preferred Stock and the Common Stock shall vote together (or render written consents in lieu of a vote) as a single class on all matters upon which the Common Stock is entitled to vote.

8. Reissuance of Shares of Series C Convertible Preferred Stock.

Shares of Series C Convertible Preferred Stock that have been issued and reacquired in any manner, including shares purchased, redeemed, converted or exchanged, shall (upon compliance with any applicable provisions of the FBCA) be permanently retired or cancelled and shall not under any circumstances be reissued. The Company shall from time to time take such appropriate action as may be required by applicable law to reduce the authorized number of shares of Series C Convertible Preferred Stock by the number of shares that have been so reacquired.

9. Notices.

Any and all notices, consents, approval or other communications or deliveries required or permitted to be provided under this Certificate of Designation shall be in writing and shall be deemed given and effective on the earliest of (a) the date of receipt, if such notice, consent, approval or other communication is delivered by hand (with written confirmation of receipt) or via facsimile to the Company or the Holders, as applicable, at the facsimile number specified in the register of Holders of Series C Convertible Preferred Stock maintained by the Transfer Agent prior to 5:00 p.m. (New York City time) on a Business Day, (b) the next Business Day after the date of receipt, if such notice, consent, approval or other communication is delivered via facsimile to the Company or the Holder, as applicable, at the facsimile number specified in the register of Holders of Series C Convertible Preferred Stock maintained by the Transfer Agent on a day that is not a Business Day or later than 5:00 p.m. (New York City time) on any Business Day, or (c) the third Business Day following the date of deposit with a nationally recognized overnight courier service for next Business Day delivery and addressed to the Company or the Holder, as applicable, at the address specified in the register of Holders of Series C Convertible Preferred Stock maintained by the Transfer Agent.

10. Headings.

The headings of the various sections and subsections hereof are for convenience of reference only and shall not affect the interpretation of any of the provisions hereof.

11. Severability of Provisions.

If any powers, preferences and relative, participating, optional and other special rights of the Series C Convertible Preferred Stock and the qualifications, limitations and restrictions thereof set forth in this Certificate of Designation (as it may be amended from time to time) is invalid,

unlawful or incapable of being enforced by reason of any rule or law or public policy, all other powers, preferences and relative, participating, optional and other special rights of the Series C Convertible Preferred Stock and the qualifications, limitations and restrictions thereof set forth in this Certificate of Designation (as so amended) which can be given effect without the invalid, unlawful or unenforceable powers, preferences and relative, participating, optional and other special rights of the Series C Convertible Preferred Stock and the qualifications, limitations and restrictions thereof shall, nevertheless, remain in full force and effect, and no powers, preferences and relative, participating, optional or other special rights of the Series C Convertible Preferred Stock and the qualifications, limitations and restrictions thereof herein set forth shall be deemed dependent upon any other such powers, preferences and relative, participating, optional or other special rights of Preferred Stock and qualifications, limitations and restrictions thereof unless so expressed herein.

IN WITNESS WHEREOF, this Articles of Amendment to the Amended Articles of Incorporation of Dolphin Digital Media, Inc. has been executed by a duly authorized officer of this Corporation on this 22nd day of February, 2016.

By: William O'Dowd
Name: William O'Dowd
Title: CEO

16 FEB 23 AM 10:23
FBI
FEDERAL BUREAU OF INVESTIGATION
U.S. DEPARTMENT OF JUSTICE
WASHINGTON, D.C. 20535

ARTICLES OF AMENDMENT
TO THE
AMENDED ARTICLES OF INCORPORATION
OF
DOLPHIN DIGITAL MEDIA, INC.

Pursuant to the provisions of Section 607.1006 of the Florida Business Corporation Act (the "FBCA"), this Florida Corporation adopts the following amendments to its Amended Articles of Incorporation (these "Articles of Amendment"):

1. The name of the corporation is Dolphin Digital Media, Inc. (the "Corporation").
2. These Articles of Amendment were adopted by the Board of Directors of the Corporation (the "Board of Directors") on October 14, 2015.
3. These Articles of Amendment were proposed by the Board of Directors and submitted to and approved by the Corporation's shareholders on February 22, 2016. The number of votes cast for the Articles of Amendment by the shareholders of the Corporation was sufficient for approval of the amendment.
4. Article III of the Corporation's Amended Articles of Incorporation is hereby amended to replace the following as Section A thereof:

Section A. AUTHORIZED SHARES

The total number of shares of all classes of stock that the Corporation shall have the authority to issue is Four Hundred Ten Million (410,000,000) shares, of which Four Hundred Million (400,000,000) shares shall be Common Stock, par value \$0.015 per share ("Common Stock") and Ten Million (10,000,000) shares shall be Preferred Stock, having a par value of \$0.001 per share ("Preferred Stock"). The Board of Directors is expressly authorized to provide for the classification and reclassification of any unissued shares of Common Stock or Preferred Stock and the issuance thereof in one or more classes or series without the approval of the stockholders of the Corporation. Of the Preferred Stock, 1,042,753 have been designated Series A Convertible Preferred Stock, par value \$0.001 per share, 4,000,000 have been designated Series B Convertible Preferred Stock, par value \$0.10 per share, and 1,000,000 have been designated Series C Convertible Preferred Stock; par value \$0.001 per share.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Articles of Amendment to the Amended Articles of Incorporation of Dolphin Digital Media, Inc. has been executed by a duly authorized officer of this Corporation on this 22 day of February, 2016.

By: William R. Dunt
Name: William R. Dunt
Title: CEO

SECRETARY OF STATE
DIVISION OF CORPORATIONS
16 MAY -9 AM 4:25

**ARTICLES OF AMENDMENT
TO THE
AMENDED ARTICLES OF INCORPORATION
OF
DOLPHIN DIGITAL MEDIA, INC.**

Pursuant to the provisions of Sections 607.0123 and 607.1006 of the Florida Business Corporation Act (the "FBCA"), this Florida Corporation will adopt the following amendment (the "Articles of Amendment") to its articles of incorporation, as amended (the "Articles of Incorporation") on May 10, 2016:

1. The name of the corporation is Dolphin Digital Media, Inc. (the "Company").
2. These Articles of Amendment were adopted by the board of directors of the Company (the "Board") on February 22, 2016.
3. These Articles of Amendment were proposed by the Board of Directors and submitted to and approved by the Corporation's shareholders on March 10, 2016. The number of votes cast for the Articles of Amendment by the shareholders of the Corporation was sufficient for approval.
4. Article III of the Articles of Incorporation is hereby amended by adding the following paragraph at the end of Section A thereof:

"On the close of business on May 10, 2016 (the "Effective Date"), each twenty (20) shares of Common Stock issued and outstanding or held by the Corporation in treasury stock immediately prior to the Effective Date shall, automatically and without any action on the part of the respective holders thereof or the Company, be combined and converted into one (1) share of Common Stock, subject to the treatment of fractional share interests as described below (the "Reverse Stock Split"). No fractional shares of Common Stock shall be issued in connection with the Reverse Stock Split. Rather, fractional shares created as a result of the Reverse Stock Split shall be rounded up to the next whole number, such that, in lieu of fractional shares, each shareholder who would have otherwise been entitled to receive a fractional share of Common Stock as a result of the Reverse Stock Split shall instead be entitled to receive a whole share of Common Stock in respect thereof."

IN WITNESS WHEREOF, these Articles of Amendment to the Articles of Incorporation of Dolphin Digital Media, Inc. have been executed by a duly authorized officer of this Company on May 9, 2016, and will become effective on May 10, 2016.

By: Mirta A. Negrini
Name: Mirta A. Negrini
Title: Chief Financial and Operating Officer

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
DOLPHIN DIGITAL MEDIA, INC.
A Florida Corporation
(Document Number P14000097818)

FILED

JUL -6 A 9 21

SECRETARY OF STATE
TALLAHASSEE, FLORIDA

Pursuant to Sections 607.1003, 607.1006 and 607.1007 of the Florida Business Corporation Act, (the "Act"), the corporation DOLPHIN DIGITAL MEDIA, INC. (hereinafter the "Corporation"), a Florida corporation desiring to amend and restate its Amended Articles of Incorporation, do hereby certify:

1. The Corporation was incorporated in the State of Nevada on March 7, 1995.
2. The Corporation was domesticated in the State of Florida, and the original Articles of Incorporation of the Corporation were filed with the Secretary of State of the State of Florida, on December 04, 2014.
3. The Corporation filed Articles of Amendment to the Articles of Incorporation on October 19, 2015.
4. The Corporation filed Articles of Amendment to the Amended Articles of Incorporation on February 23, 2016 and May 9, 2016.
5. The Amended and Restated Articles of Incorporation set forth as Exhibit A hereto were adopted by the Board of Directors of the Corporation (the "Board") on May 9, 2017 and were proposed by the Board and submitted to and approved by the Corporation's shareholders on June 29, 2017 in accordance with Sections 607.1003, 607.1006 and 607.1007 of the Act and the number of votes cast was sufficient for approval.
6. The Amended Articles of Incorporation of the Corporation are hereby amended and restated in their entirety as set forth in Exhibit A hereto.

EXHIBIT A

**AMENDED AND RESTATED ARTICLES OF INCORPORATION
OF
DOLPHIN DIGITAL MEDIA, INC.**

ARTICLE I.

**Name, Principal Place of Business and
Registered Agent and Office**

The name of the Corporation is **DOLPHIN ENTERTAINMENT, INC.** The principal place of business and mailing address of this Corporation shall be 2151 Le Jeune Road, Suite 150-Mezzanine, Coral Gables, Florida 33134.

The street address of the registered office of this Corporation is Dolphin Entertainment, Inc., 2151 Le Jeune Road, Suite 150-Mezzanine, Coral Gables, Florida 33134. The name of the registered agent of this Corporation at such address is Mirta A. Negrini.

ARTICLE II.

Purpose and Powers

The purpose for which the Corporation is organized is to engage in or transact any and all lawful activities or business for which a corporation may be incorporated under the laws of the State of Florida. The Corporation shall have all of the corporate powers enumerated in the Florida Business Corporation Act.

ARTICLE III.

Capital Stock

A. AUTHORIZED SHARES

The total number of shares of all classes of stock that the Corporation shall have the authority to issue is Four Hundred Ten Million (410,000,000) shares, of which Four Hundred Million (400,000,000) shares shall be Common Stock, par value \$0.015 per share ("Common Stock") and Ten Million (10,000,000) shares shall be Preferred Stock, having a par value of \$0.001 per share ("Preferred Stock"). The Board of Directors is expressly authorized to provide for the classification and reclassification of any unissued shares of Common Stock or Preferred Stock and the issuance thereof in one or more classes or series without the approval of the shareholders of the Corporation. Of the Preferred Stock, 50,000 shares have been designated Series C Convertible Preferred Stock, par value \$0.001 per share.

On the close of business on May 10, 2016 (the "Effective Date"), each twenty (20) shares of Common Stock issued and outstanding or held by the Corporation in treasury stock immediately prior to the Effective Date, automatically and without any action on the part of the respective holders thereof or the Corporation, was combined and converted into one (1) share of Common Stock, subject to the treatment of fractional share interests as described below (the "Reverse Stock Split"). No fractional shares of Common Stock were issued in connection with the Reverse Stock Split. Rather, fractional shares created as a result of the Reverse Stock Split were rounded up to the next whole number, such that,

in lieu of fractional shares, each shareholder who would have otherwise been entitled to receive a fractional share of Common Stock as a result of the Reverse Stock Split was instead entitled to receive a whole share of Common Stock in respect thereof.

B. PROVISIONS RELATING TO COMMON STOCK

1. Relative Rights. The Common Stock shall be subject to all of the rights, privileges, preferences and priorities of the Preferred Stock as set forth in the certificate of designations filed to establish the respective series of Preferred Stock. Except as provided in this Article III.B, each share of Common Stock shall have the same relative rights and shall be identical in all respects as to all matters.

2. Voting Rights. Each holder of shares of Common Stock shall be entitled to attend all special and annual meetings of the shareholders of the Corporation. On all matters upon which shareholders are entitled or permitted to vote, every holder of Common Stock shall be entitled to cast one (1) vote in person or by proxy for each outstanding share of Common Stock standing in such holder's name on the transfer books of the Corporation. Holders of Common Stock shall not possess cumulative voting rights. Except as otherwise provided in these Articles of Incorporation or by applicable law, the holders of shares of Common Stock shall vote subject to any voting rights which may be granted to holders of Preferred Stock.

3. Dividends. Whenever there shall have been paid, or declared and set aside for payment, to the holders of shares of any class of stock having preference over the Common Stock as to the payment of dividends, the full amount of dividends and of sinking fund or retirement payments, if any, to which such holders are respectively entitled in preference to the Common Stock, then the holders of record of the Common Stock and any class or series of stock entitled to participate therewith as to dividends, shall be entitled to receive dividends, when, as, and if declared by the Board of Directors, out of any assets legally available for the payment of dividends thereon.

4. Dissolution, Liquidation, Winding Up. In the event of any dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, the holders of record of the Common Stock then outstanding, and all holders of any class or series of stock entitled to participate therewith, in whole or in part, as to distribution of assets, shall become entitled to participate equally on a per share basis in the distribution of any assets of the Corporation remaining after the Corporation shall have paid or provided for payment of all debts and liabilities of the Corporation, and shall have paid, or set aside for payment, to the holders of any class of stock having preference over the Common Stock in the event of dissolution, liquidation or winding up, the full preferential amounts (if any) to which they are entitled.

C. PROVISIONS RELATING TO PREFERRED STOCK

1. Issuance, Designations, Powers, etc. The Board of Directors expressly is authorized, subject to limitations prescribed by the Florida Business Corporation Act and the provisions of these Articles of Incorporation, to provide, by resolution for the issuance from time to time of the shares of Preferred Stock in one or more series, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and other rights of the shares of each such series and to fix the qualifications, limitations and restrictions thereon, including, but without limiting the generality of the foregoing, the following:

(a) The number of shares constituting that series and the distinctive designation of that series;

(b) The dividend rate on the shares of that series, whether dividends shall be cumulative, and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of that series;

(c) Whether that series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;

(d) Whether that series shall have conversion privileges, and, if so, the terms and conditions of such conversion, including provision for adjustment of the conversion rate in such events as the Board of Directors shall determine;

(e) Whether or not the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

(f) Whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and amount of such sinking fund;

(g) The rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation, and the relative rights of priority, if any, of payment of shares of that series; and

(h) Any other relative powers, preferences, and rights of that series, and qualifications, limitations or restrictions on that series.

2. Dissolution, Liquidation, Winding Up. In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of Preferred Stock of each series shall be entitled to receive only such amount or amounts as shall have been fixed by the resolution or resolutions of the Board of Directors providing for the issuance of such series.

D. PROVISIONS RELATING TO SERIES C CONVERTIBLE PREFERRED STOCK

1. Designation; Amount Limitation of Issuances. There shall be a series of Preferred Stock that shall be designated as "Series C Convertible Preferred Stock," and the number of shares constituting such series shall be 50,000. The number of shares constituting the Series C Convertible Preferred Stock may be increased or decreased by resolution of the Board of Directors; provided, however, that no decrease shall reduce the number of shares of Series C Convertible Preferred Stock to less than the number of shares then issued and outstanding plus the number of shares issuable upon exercise of outstanding rights, options or warrants or upon conversion of outstanding securities issued by the Corporation.

The Corporation may issue shares of Class C Preferred Stock only to an Eligible Class C Preferred Stock Holder, who may transfer such shares only to another Eligible Class C Preferred Stock Holder.

2. Definitions.

Unless the context otherwise requires, each of the terms defined in this Section 2 shall have, for all purposes of this Certificate of Designation, the meaning herein specified (with terms defined in the singular having comparable meanings when used in the plural):

"Articles of Incorporation" means the Corporation's Articles of Incorporation, as in effect on the date of this Certificate of Designation.

"Board of Directors" means the Board of Directors of the Corporation.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to close.

"By-Laws" means the Corporation's By-Laws, as amended, as in effect on the date of this Certificate of Designation.

"Capital Stock" means any and all shares, interests, participations or other equivalents in the equity interest (however designated) in the Corporation.

"Common Share Equivalents" means securities, options, warrants, derivatives, debt instruments or other rights convertible into, or exercisable or exchangeable for, or entitling the holder thereof to receive directly or indirectly, Common Stock.

"Common Stock" means the common stock, \$0.015 par value per share, of the Corporation or any other Capital Stock into which such shares of common stock shall be reclassified or changed.

"Common Stock Transfer Agent" has the meaning set forth in Section 6(c) hereof.

"Conversion Number" has the meaning set forth in Section 6(a) hereof.

"Conversion Shares" has the meaning set forth in Section 6(a) hereof.

"Converted Shares" has the meaning set forth in Section 6(c) hereof.

"Converting Shares" has the meaning set forth in Section 6(c) hereof.

"Corporation's Organizational Documents" means the Articles of Incorporation, this Certificate of Designations, any other certificate of designations issued pursuant to the Articles of Incorporation, and the By-Laws.

"Dilutive Issuance" has the meaning set forth in Section 6(i) hereof.

"Eligible Class C Preferred Stock Holder" means any of (i) Dolphin Entertainment, Inc., for so long as William O'Dowd continues to beneficially own at least 90% and serves at the board of directors or other governing entity, (ii) any other entity that William O'Dowd beneficially owns more than 90%, or a trust for the benefit of others, for which William O'Dowd serves as trustee and (iii) William O'Dowd individually.

"Holders" means the record holders of the shares of Series C Convertible Preferred Stock, as shown on the books and records of the Corporation.

"Junior Stock" has the meaning set forth in Section 3 hereof.

"Liquidation Event" means (i) any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, (ii) the consummation of a merger or consolidation in which the shareholders of the

Corporation prior to such transaction own less than a majority of the voting securities of the entity surviving such transaction, or (iii) the sale, distribution or other disposition of all or substantially all of the Corporation's assets.

"Liquidation Preference" has the meaning set forth in Section 5(a) hereof.

"Market Price" means the last reported sale price of the Common Stock on the primary U.S. national securities exchange, automated quotation system or inter-dealer quotation system upon which the Common Stock is then traded or quoted.

"Optional Conversion Threshold" shall mean that the Corporation has accomplished, as determined by the vote of the majority of the independent directors of the Board in its sole discretion, any of the following (i) EBITDA of more than \$3.0 million in any calendar year, (ii) production of two feature films, (iii) production and distribution of at least three web series, (iv) theatrical distribution in the United States of one feature film, or (v) any combination thereof that is subsequently approved by the majority of the independent directors of the Board based on the strategic plan approved by the Board.

"Parity Stock" has the meaning set forth in Section 3 hereof.

"Person" includes all natural persons, corporations, business trusts, limited liability companies, associations, companies, partnerships, joint ventures and other entities, as well as governments and their respective agencies and political subdivisions.

"Senior Stock" has the meaning set forth in Section 3 hereof.

"Series C Convertible Preferred Stock" has the meaning set forth in Section 1 hereof.

"Stated Value" means \$0.001 per share of Series C Convertible Preferred Stock, as may be adjusted for any stock split, reverse stock split, dividend or similar event relating to the Series C Convertible Preferred Stock.

"Transfer Agent" means the entity designated from time to time by the Corporation to act as the registrar and transfer agent for the Series C Convertible Preferred Stock or, if no entity has been so designated to act in such capacity, the Corporation.

3. Ranking.

The Series C Convertible Preferred Stock shall, with respect to rights on the liquidation, winding-up and dissolution of the Corporation (as provided in Section 5 below), rank (a) senior to all classes of Common Stock and to each other class of Capital Stock or series of Preferred Stock established hereafter by the Board of Directors the terms of which expressly provide that such class ranks junior to the Series C Convertible Preferred Stock as to rights on the liquidation, winding-up and dissolution of the Corporation (collectively referred to as the "Junior Stock"), (b) on a parity with each other class of Capital Stock or series of Preferred Stock established hereafter by the Board of Directors as to rights on the liquidation, winding-up and dissolution of the Corporation (collectively referred to as the "Parity Stock") and (c) junior to any future class of Preferred Stock established hereafter by the Board of Directors, the terms of which expressly provide that such class ranks senior to the Series C Convertible Preferred Stock as to rights on the liquidation, winding-up and dissolution of the Corporation (collectively referred to as the "Senior Stock").

The Series C Convertible Preferred Stock shall, with respect to rights to dividends (as provided in Section 4 below), rank on a parity with each class of Common Stock.

4. Dividends.

The Corporation shall not declare, pay or set aside any dividends on shares of Common Stock (other than dividends on shares of Common Stock payable solely in shares of Common Stock) unless (in addition to the obtaining of any consents required elsewhere in the Corporation's Organizational Documents) the Holders simultaneously receive a dividend on each outstanding share of Series C Convertible Preferred Stock in an amount equal to that dividend per share of Series C Convertible Preferred Stock as would equal the product of the dividend payable on each share of Common Stock and the number of shares of Common Stock then issuable upon conversion of one share of Series C Convertible Preferred Stock, in each case calculated on the record date for determination of holders entitled to receive such dividend and without regard to any limitation on conversion set forth in Section 6(b) hereof.

5. Liquidation Preference.

(a) Except as otherwise provided in Section 6(h), upon any Liquidation Event, each Holder shall be entitled to be paid out of the assets of the Corporation available for distribution to its shareholders, on account of each share of Series C Convertible Preferred Stock held by such Holder, (i) prior to the holders of any class or series of Common Stock and Junior Stock, (ii) pro rata with the holders of any Parity Stock and (iii) after the holders of any Senior Stock, an amount (such amount, the "Liquidation Preference") equal to the Stated Value.

(b) Except as otherwise provided in Section 6(h), upon any Liquidation Event, after the payment of the Liquidation Preference the remaining assets of the Corporation available for distribution to its shareholders shall be distributed first to satisfy any preference of any other Preferred Stock that was junior to the Series C Convertible Preferred Stock and then among the Holders and the holders of the shares of Capital Stock, pro rata, based on the number of shares held by each such holder, treating for this purpose all such securities as if they had been converted to Common Stock pursuant to the terms of this Certificate of Designation (or any other applicable certificate of designation) immediately prior to such Liquidation Event without regard to any limitation on conversion set forth in Section 6(b) hereof.

6. Conversion.

(a) Holder's Right to Convert. Upon the Board's determination that an Optional Conversion Threshold has been met, subject to the provisions of Section 6(e) hereof, each Holder shall have the right, upon the delivery of a written notice to the Corporation, to convert any share of Series C Convertible Preferred Stock held by it into that number of fully paid and nonassessable shares of Common Stock ("Conversion Shares") equal to the Conversion Number at the time in effect. Any Holder may convert all or less than all of the shares of Series C Convertible Preferred Stock held by it at any time after such determination. Any Holder's conversion of shares of Series C Convertible Preferred Stock under this Section 6(a) shall not be effective unless such Holder has also complied with the provisions set forth in Section 6(e) hereof at the time of delivery of its aforesaid written notice to the Corporation. The initial "Conversion Number" per share of Series C Convertible Preferred Stock shall be one (1); provided, however, that the Conversion Number in effect from time to time shall be subject to adjustment as provided hereinafter.

(b) Automatic Conversion. The Class C Preferred Stock shall automatically be converted upon the occurrence of any of the following events:

(i) Each outstanding share of Class C Preferred Stock which is transferred to any holder other than an Eligible Class C Preferred Stock Holder shall automatically convert into that number of fully paid and nonassessable Conversion Shares equal to the Conversion Number at the time in effect.

(ii) If the aggregate number of shares of Common Stock plus Conversion Shares (issuable upon conversion of the Class B Convertible Preferred Stock and the Class C Convertible Preferred Stock) held by the Eligible Class C Preferred Stock Holders in the aggregate constitute 10% or less of the sum of (x) the outstanding shares of Common Stock of the Corporation plus (y) all Conversion Shares held by the Eligible Class C Preferred Stock Holders, then each outstanding Class C Convertible Preferred Stock then outstanding will automatically convert into that number of fully paid and nonassessable Conversion Shares equal to the Conversion Number at the time in effect.

(iii) At such time as a Holder of Class C Preferred Stock ceases to be an Eligible Class C Preferred Stock Holder, each share of Class C Preferred Stock held by such person or entity shall immediately convert into that number of fully paid and nonassessable Conversion Shares equal to the Conversion Number at the time in effect.

(c) Conversion Procedures. Each conversion of shares of Series C Convertible Preferred Stock into shares of Common Stock shall be effected by the surrender of the certificate(s) evidencing the shares of Series C Convertible Preferred Stock to be converted (the "Converting Shares") at the principal office of the Corporation (or such other office or agency of the Corporation as the Corporation may designate by notice in writing to the Holders of the Series C Convertible Preferred Stock) at any time during its usual business hours, together with written notice by the holder of such Converting Shares, (i) stating that the Holder desires to convert the Converting Shares, or a specified number of such Converting Shares, evidenced by such certificate(s) into shares of Common Stock (the "Converted Shares"), and (ii) giving the name(s) (with addresses) and denominations in which the Converted Shares should either be registered with the Corporation's transfer agent and registrar for the Common Stock (the "Common Stock Transfer Agent") on its records in book-entry form under The Direct Registration System or certificated, and, in either case, instructions for the delivery of a statement evidencing book-entry ownership of the Converted Shares or the certificates evidencing the Converted Shares. Upon receipt of the notice described in the first sentence of this Section 6(c), together with the certificate(s) evidencing the Converting Shares, the Corporation shall be obligated to, and shall, cause to be issued and delivered in accordance with such instructions, as applicable, either (x) a statement from the Common Stock Transfer Agent evidencing ownership of the Converted Shares, registered in the name of the Holder or its designee on the Common Stock Transfer Agent's records in book-entry form under The Direct Registration System or (y) certificate(s) evidencing the Converted Shares and, if applicable, a certificate (which shall contain such applicable legends, if any, as were set forth on the surrendered certificate(s)) representing any shares which were represented by the certificate(s) surrendered to the Corporation in connection with such conversion but which were not Converting Shares and, therefore, were not converted. All or some Converted Shares so issued whether in book-entry form under the Direct Registration System or in certificated form may be subject to restrictions on transfer as required by applicable federal and state securities laws. Any such Converted Shares subject to restrictions on transfer under applicable federal and state securities laws shall be encumbered by stop transfer orders and restrictive legends (or equivalent encumbrances). Such conversion, to the extent permitted by law, shall be deemed to have been effected as of the close of business on the date on which such certificate(s) shall have been surrendered and such written notice shall have been received by the Corporation unless a later date has been specified by such Holder, and at such time the rights of the Holder of such Converting Shares as such Holder shall cease, and the Person(s) in whose name or names the Converted Shares are to be issued either in book-entry form or certificated form, as applicable, upon such conversion shall be deemed to have become the holder(s) of record of the Converted Shares.

(d) Effect of Conversion. Upon the issuance of the Converted Shares in accordance with Section 6, such shares shall be deemed to be duly authorized, validly issued, fully paid and non-assessable.

(e) Adjustments for Common Stock Dividends and Distributions. If the Corporation at any time or from time to time makes, or fixes a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in additional shares of Common Stock, in each such event the Conversion Number then in effect shall be increased as of the time of such issuance or, in the event such record date is fixed, as of the close of business on such record date, by multiplying the Conversion Number then in effect by a fraction (i) the numerator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution and (ii) the denominator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date. To the extent an adjustment is made in respect of the foregoing pursuant to Section 6(f) or the Holder actually receives the dividend to which any such adjustment relates, an adjustment shall not be made pursuant to this Section 6(e).

(f) Conversion Number Adjustments for Subdivisions, Combinations or Consolidations of Common Stock.

(i) In the event the Corporation should at any time or from time to time fix a record date for the effectuation of a split or subdivision of the outstanding shares of Common Stock or the determination of holders of shares of Common Stock entitled to receive a dividend or other distribution payable in additional Common Share Equivalents, without payment of any consideration by such holder for additional Common Share Equivalents (including the additional Common Stock issuable upon conversion, exchange or exercise thereof), then, as of such record date (or the date of such dividend, distribution, split or subdivision if no record date is fixed), the Conversion Number then in effect shall be appropriately increased so that the number of shares of Common Stock issuable on conversion of each such share of such Series C Convertible Preferred Stock shall be increased in proportion to such increase of outstanding shares of Common Stock and shares issuable with respect to Common Share Equivalents.

(ii) If the number of shares of Common Stock outstanding at any time is decreased by a combination, consolidation, reclassification or reverse stock split of the outstanding shares of Common Stock or other similar event, then, following the record date of such combination, the Conversion Number then in effect shall be appropriately decreased so that the number of shares of Common Stock issuable on conversion of each such share of such Series C Convertible Preferred Stock shall be decreased in proportion to such decrease in outstanding shares of Common Stock.

(g) Recapitalizations. If at any time or from time to time there shall be a recapitalization of the Common Stock (other than a subdivision, combination, merger or sale of assets transaction provided for elsewhere in this Section 6), provision shall be made so that the Holders shall thereafter be entitled to receive upon conversion of the Series C Convertible Preferred Stock the number of shares of Capital Stock or other securities or property of the Corporation to which a holder of Common Stock would have been entitled on recapitalization. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 6 with respect to the rights of the Holders after the recapitalization to the end that the provisions of this Section 6 (including adjustment of the Conversion Number then in effect and the number of shares issuable upon conversion of the Series C Convertible Preferred Stock) shall be applicable after that event as nearly equivalent as may be practicable.

(h) Mergers and Other Reorganizations. If at any time or from time to time there shall be a reclassification of the Common Stock (other than a subdivision, combination, reclassification or exchange of shares provided for elsewhere in this Section 6) or a merger or consolidation of the Corporation with or into another entity or the sale of all or substantially all of the Corporation's properties and assets to any other Person, then, as a part of and as a condition to the effectiveness of such reclassification, merger, consolidation or sale, lawful and adequate provision shall be made so that the Holders shall thereafter be entitled to receive upon conversion of the Series C Convertible Preferred Stock the number of shares of Capital Stock or other securities or property, if any, of the Corporation or of the successor entity resulting from such reclassification, merger or consolidation or sale, to which a holder of Common Stock deliverable upon conversion would have been entitled in connection with such reclassification, merger, consolidation or sale. In any such case, appropriate provision shall be made with respect to the rights of the Holders after the reclassification, merger, consolidation or sale to the end that the provisions of this Section 6 (including, without limitation, provisions for adjustment of the Conversion Number and the number of shares purchasable upon conversion of the Series C Convertible Preferred Stock) shall thereafter be applicable, as nearly as may be, with respect to any shares of Capital Stock, securities or property to be deliverable thereafter upon the conversion of the Series C Convertible Preferred Stock.

Each Holder, upon the occurrence of a reclassification, merger or consolidation of the Corporation or the sale of all or substantially all its assets and properties, as such events are more fully set forth in the first paragraph of this Section 6(h), shall have the option of electing treatment of its shares of Series C Convertible Preferred Stock under either this Section 6(h) or Section 5 hereof, notice of which election shall be submitted in writing to the Corporation at its principal offices no later than ten (10) days before the effective date of such event, provided that any such notice of election shall be effective if given not later than fifteen (15) days after the date of the Corporation's notice pursuant to Section 6(i) hereof with respect to such event, and, provided, further, that if any Holder fails to give the Corporation such notice of election, the provisions of this Section 6(h) shall govern the treatment of such Holder's shares of Series C Convertible Preferred Stock upon the occurrence of such event.

(i) Issuances of Common Stock. If the Corporation, prior to the fifth (5th) anniversary of the issuance of the first share of Series C Convertible Preferred Stock issues shares of Common Stock (but not upon the issuance of Common Stock Equivalents) either (i) upon the conversion or exercise of any instrument currently or hereafter issued (but not upon the conversion of the Series C Convertible Preferred Stock), (ii) upon the exchange of debt for shares of common stock or (iii) in a private placement (a "Dilutive Issuance"), then the Conversion Number shall be adjusted to equal the sum of the amounts created by each individual Dilutive Issuance, wherein for each Dilutive Issuance the amount is determined from the result of:

- 1) The Product of the number of shares of Common Stock owned by the Eligible Series C Preferred Holder upon the issuance of the first share of Series C Convertible Preferred Stock *divided by* the aggregate number of shares of Common Stock outstanding upon the issuance of the first share of Series C Convertible Preferred Stock;
- 2) Then this Product *Multiplied by* the individual Dilutive Issuance;
- 3) Then this Product *Divided by* the amount created when the percentage created in step one is *Subtracted from* 100 percent;

- 4) Then this Product *Divided* by the number of shares of Series C Convertible Preferred Stock then outstanding.

(j) Notices of Record Date. In the event (i) the Corporation fixes a record date to determine the holders of Common Stock who are entitled to receive any dividend or other distribution, or (ii) there occurs any capital reorganization of the Corporation, any reclassification or recapitalization of the Common Stock of the Corporation, any merger or consolidation of the Corporation, or any voluntary or involuntary dissolution, liquidation or winding up of the Corporation, the Corporation shall mail to each Holder at least ten (10) days prior to the record date specified therein, a notice specifying (a) the date of such record date for the purpose of such dividend or distribution and a description of such dividend or distribution, (b) the date on which any such reorganization, reclassification, consolidation, merger, dissolution, liquidation or winding up is expected to become effective, and (c) the time, if any, that is to be fixed, as to when the holders of record of Common Stock (or other securities) shall be entitled to exchange their shares of Common Stock (or other securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, dissolution, liquidation or winding up.

(k) No Impairment. The Corporation will not, by amendment of its Certificate of Incorporation or through any reorganization, recapitalization, transfer of assets, consolidation, merger, 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 to be observed or performed hereunder by the Corporation, but will at all times in good faith assist in the carrying out of all the provisions of this Section 6 and in the taking of all such actions as may be necessary or appropriate in order to protect the conversion rights of the Holders against impairment.

(l) Fractional Shares and Certificate as to Adjustments. In lieu of any fractional shares to which a Holder would otherwise be entitled upon conversion, the Corporation shall pay cash equal to such fraction multiplied by the Market Price of one share of Common Stock, as determined in good faith by the Board of Directors. Whether or not fractional shares are issuable upon such conversion shall be determined on the basis of the total number of shares of Series C Convertible Preferred Stock of each Holder at the time converting into Common Stock and the number of shares of Common Stock issuable upon such aggregate conversion.

Upon the occurrence of each adjustment or readjustment of the Conversion Number of any share of Series C Convertible Preferred Stock pursuant to this Section 6, the Corporation, at its expense, shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each Holder a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any Holder, furnish or cause to be furnished to such Holder a like certificate setting forth (A) such adjustment and readjustment, (B) the Conversion Number at the time in effect, and (C) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of such Holder's shares of Series C Convertible Preferred Stock. The provisions of Section 6(c), (f), (g), (h) and (i) shall apply to any transaction and successively to any series of transactions that would require any adjustment pursuant thereto.

(m) Reservation of Stock Issuable Upon Conversion. The Corporation shall at all times reserve and keep available out of its authorized but unissued Common Stock, solely for the purpose of effecting the conversion of the shares of the Series C Convertible Preferred Stock (taking into account the adjustments required by this Section 6), such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Series C Convertible Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Series C Convertible Preferred

Stock, in addition to such other remedies as shall be available to the Holders, the Corporation will, as soon as is reasonably practicable, take all such action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes.

7. Voting Rights. Upon the Board's determination that an Optional Conversion Threshold has been met, each Holder, except as otherwise required under the FBCA or as set forth herein, shall be entitled or permitted to vote on all matters required or permitted to be voted on by the holders of Common Stock of the Corporation and shall be entitled to that number of votes equal to three votes for the number of Conversion Shares into which such Holder's shares of the Series C Convertible Preferred Stock could then be converted, pursuant to the provisions of Section 6 hereof, at the record date for the determination of shareholders entitled to vote on such matter or, if no such record date is established, at the date such vote is taken or any written consent of shareholders is solicited. Except as otherwise expressly provided herein or as otherwise required by law, the Series C Convertible Preferred Stock and the Common Stock shall vote together (or render written consents in lieu of a vote) as a single class on all matters upon which the Common Stock is entitled to vote.

8. Reissuance of Shares of Series C Convertible Preferred Stock.

Shares of Series C Convertible Preferred Stock that have been issued and reacquired in any manner, including shares purchased, redeemed, converted or exchanged, shall (upon compliance with any applicable provisions of the FBCA) be permanently retired or cancelled and shall not under any circumstances be reissued. The Corporation shall from time to time take such appropriate action as may be required by applicable law to reduce the authorized number of shares of Series C Convertible Preferred Stock by the number of shares that have been so reacquired.

9. Notices.

Any and all notices, consents, approval or other communications or deliveries required or permitted to be provided under this Certificate of Designation shall be in writing and shall be deemed given and effective on the earliest of (a) the date of receipt, if such notice, consent, approval or other communication is delivered by hand (with written confirmation of receipt) or via facsimile to the Corporation or the Holders, as applicable, at the facsimile number specified in the register of Holders of Series C Convertible Preferred Stock maintained by the Transfer Agent prior to 5:00 p.m. (New York City time) on a Business Day, (b) the next Business Day after the date of receipt, if such notice, consent, approval or other communication is delivered via facsimile to the Corporation or the Holder, as applicable, at the facsimile number specified in the register of Holders of Series C Convertible Preferred Stock maintained by the Transfer Agent on a day that is not a Business Day or later than 5:00 p.m. (New York City time) on any Business Day, or (c) the third Business Day following the date of deposit with a nationally recognized overnight courier service for next Business Day delivery and addressed to the Corporation or the Holder, as applicable, at the address specified in the register of Holders of Series C Convertible Preferred Stock maintained by the Transfer Agent.

10. Headings.

The headings of the various sections and subsections hereof are for convenience of reference only and shall not affect the interpretation of any of the provisions hereof.

11. Severability of Provisions.

If any powers, preferences and relative, participating, optional and other special rights of the Series C Convertible Preferred Stock and the qualifications, limitations and restrictions thereof set forth in this Certificate of Designation (as it may be amended from time to time) is invalid, unlawful or incapable of being enforced by reason of any rule or law or public policy, all other powers, preferences and relative, participating, optional and other special rights of the Series C Convertible Preferred Stock and the qualifications, limitations and restrictions thereof set forth in this Certificate of Designation (as so amended) which can be given effect without the invalid, unlawful or unenforceable powers, preferences and relative, participating, optional and other special rights of the Series C Convertible Preferred Stock and the qualifications, limitations and restrictions thereof shall, nevertheless, remain in full force and effect, and no powers, preferences and relative, participating, optional or other special rights of the Series C Convertible Preferred Stock and the qualifications, limitations and restrictions thereof herein set forth shall be deemed dependent upon any other such powers, preferences and relative, participating, optional or other special rights of Preferred Stock and qualifications, limitations and restrictions thereof unless so expressed herein.

ARTICLE IV.

Existence

The Corporation shall exist perpetually unless sooner dissolved according to law.

ARTICLE V.

Management of the Corporation

The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and shareholders:

A. BOARD OF DIRECTORS

The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authority expressly conferred upon them by Statute or by these Articles of Incorporation or the Bylaws of the Corporation, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation. A director shall hold office until the annual meeting of the shareholders or until his successors shall be elected and qualified, subject, however, to the director's prior death, resignation, retirement, disqualification or removal from office.

B. SPECIAL MEETINGS CALLED BY BOARD OF DIRECTORS OR SHAREHOLDERS

Special Meetings of Shareholders of the Corporation may be called by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption) (the "Full Board"), or by the holders of not less than forty percent (40%) of all the votes entitled to be cast on any issue at the proposed special meeting if such holders of stock sign, date and deliver to the Corporation's Secretary one or more written demands for the meeting describing the purpose or purposes for which the special meeting is to be held. The Bylaws of the Corporation shall fully set forth the manner in which Special Meetings of Shareholders of the Corporation may be called.

ARTICLE VI.

Number of Directors

The number of directors may be either increased or diminished from time to time in the manner provided in the Bylaws, but shall never be less than one (1).

ARTICLE VII.

Indemnification

Provided the person proposed to be indemnified satisfies the requisite standard of conduct for permissive indemnification by a corporation as specifically set forth in the applicable provisions of the Florida Business Corporation Act (currently, Section 607.0850(7) of the Florida Statutes), as the same may be amended from time to time, the Corporation shall indemnify its officers and directors, and may indemnify its employees and agents, to the fullest extent provided, authorized, permitted or not prohibited by the provisions of the Florida Business Corporation Act and the Bylaws of the Corporation, as the same may be amended and supplemented, from and against any and all of the expenses or liabilities incurred in defending a civil or criminal proceeding, or other matters referred to in or covered by said provisions, including advancement of expenses prior to the final disposition of such proceedings and amounts paid in settlement of such proceedings, both as to action in his or her official capacity and as to action in another capacity while an officer, director, employee or other agent. The indemnification provided for herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any bylaw, agreement, vote of shareholders or Disinterested Directors or otherwise. Such indemnification 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 and personal representatives of such a person. Except as otherwise required by law, an adjudication of liability shall not affect the right to indemnification for those indemnified.

ARTICLE VIII.

Amendment

The Corporation reserves the right to amend or repeal any provision contained in these Articles of Incorporation in the manner prescribed by the laws of the State of Florida and all rights conferred upon shareholders are granted subject to this reservation.

IN WITNESS WHEREOF, these Amended and Restated Articles of Incorporation of the Corporation have been executed by a duly authorized officer of this Corporation on this 30th day of June, 2017.

DOLPHIN DIGITAL MEDIA, INC.

By: William O'Dowd

Name: William O'Dowd, IV
Title: President and Chief Executive Officer

ARTICLES OF AMENDMENT
TO THE
AMENDED AND RESTATED ARTICLES OF INCORPORATION
OF
DOLPHIN ENTERTAINMENT, INC.

FILED
2017 SEP 13 AM 9:09
DEPT. OF STATE
TALLAHASSEE, FLORIDA

Pursuant to the provisions of Sections 607.0123 and 607.1006 of the Florida Business Corporation Act, this Florida Corporation will adopt the following amendment (the "Articles of Amendment") to its articles of incorporation, as amended and restated (the "Articles of Incorporation") on September 14, 2017:

1. The name of the corporation is Dolphin Entertainment, Inc. (the "Company").
2. These Articles of Amendment were adopted by the board of directors of the Company on August 10, 2017 without shareholder action and shareholder action was not required.
3. Article III of the Articles of Incorporation is hereby amended by replacing the first paragraph of Section A thereof with the following:

"The total number of shares of all classes of stock that the Corporation shall have the authority to issue is Two Hundred Ten Million (210,000,000) shares, of which Two Hundred Million (200,000,000) shares shall be Common Stock, par value \$0.015 per share ("Common Stock") and Ten Million (10,000,000) shares shall be Preferred Stock, having a par value of \$0.001 per share ("Preferred Stock"). The Board of Directors is expressly authorized to provide for the classification and reclassification of any unissued shares of Common Stock or Preferred Stock and the issuance thereof in one or more classes or series without the approval of the stockholders of the Corporation. Of the Preferred Stock, 50,000 shares have been designated Series C Convertible Preferred Stock, par value \$0.001 per share."

4. Article III of the Articles of Incorporation is hereby amended by adding the following paragraph at the end of Section A thereof:

"On the close of business on September 14, 2017, (the "Second Effective Date"), each two (2) shares of Common Stock issued and outstanding or held by the Company in treasury stock immediately prior to the Second Effective Date shall, automatically and without any action on the part of the respective holders thereof or the Company, be combined and converted into one (1) share of Common Stock, subject to the treatment of fractional share interests as described below (the "Second Reverse Stock Split"). No fractional shares of Common Stock shall be issued in connection with the Second Reverse Stock Split. Rather, fractional shares created as a result of the Second Reverse Stock Split shall be rounded up to the next whole number, such that, in lieu of fractional shares, each shareholder who would have otherwise been entitled to receive a fractional share of Common Stock as a result of the Second Reverse Stock Split shall instead be entitled to receive a whole share of Common Stock in respect thereof."

IN WITNESS WHEREOF, these Articles of Amendment to the Amended and Restated Articles of Incorporation of Dolphin Entertainment, Inc. have been executed by a duly authorized officer of this Company on September 13, 2017, and will become effective on September 14, 2017.

By: William O'Dea
Name: William O'Dea
Title: CEO

H20000403769 3

**ARTICLES OF AMENDMENT TO
AMENDED AND RESTATED ARTICLES OF INCORPORATION OF
DOLPHIN ENTERTAINMENT, INC.
A FLORIDA CORPORATION**

Pursuant to the provisions of Sections 607.1006 and 607.10025, Florida Statutes, Dolphin Entertainment, Inc., a Florida corporation (the "Corporation"), Florida Document Number P1400009781 adopts the following amendment (the "Amendment") to its Amended and Restated Articles of Incorporation:

2020 NOV 27 PM 1:39
FILED

Section A of Article III, Capital Stock, shall be amended to read as follows:

A. AUTHORIZED SHARES

The total number of shares of all classes of stock that the Corporation shall have the authority to issue is Fifty Million (50,000,000) shares, of which Forty Million (40,000,000) shares shall be Common Stock having a par value of \$0.015 per share and Ten Million (10,000,000) shares shall be Preferred Stock having a par value of \$0.001 per share. The Board of Directors of the Corporation is expressly authorized to provide for the classification and reclassification of any unissued shares of Common Stock or Preferred Stock and the issuance thereof in one or more classes or series without the approval of the shareholders of the Corporation. Of the Preferred Stock, 50,000 shares have been designated Series C Convertible Preferred Stock having a par value of \$0.001 per share.

At 12:01 AM on November 27, 2020 (the "Effective Date"), each five (5) shares of common stock issued and outstanding or held by the Corporation as treasury stock immediately prior to the Effective Date shall, automatically and without any action on the part of the respective holders thereof or the Corporation, be combined and converted into one (1) share of Common Stock subject to the treatment of fractional share interests as described below (the "Reverse Stock Split"). No fractional shares of Common Stock shall be issued in connection with the Reverse Stock Split; rather, the fractional shares of Common Stock created as a result of the Reverse Stock Split shall be rounded up to the next whole number such that in lieu of fractional shares, each shareholder who would have otherwise been entitled to receive a fractional share of Common Stock shall instead receive a whole share of Common Stock as a result of the Reverse Stock Split.

The foregoing Amendment was adopted by the Board of Directors of the Corporation on November 12, 2020, without shareholder action and shareholder action was not required.

The Amendment does not adversely affect the rights or preferences of the holders of outstanding shares of any class or series and does not result in the percentage of authorized shares that remain unissued after the division or combination exceeding the percentage of authorized shares that were unissued before the division or combination.

Kim Tadlock 8004323622

(04/04) 11/23/2020 01:19:27 PM

H20000403769 3

Date: November 23, 2020

DOLPHIN ENTERTAINMENT, INC.

BY: Downloaded by:
Bill O'Dowd
3277CEFA2E98CA

NAME: William O'Dowd

TITLE: CEO

2020 NOV 23 PM 1:39

FILED

308231648.1

H20000403769 3

**ARTICLES OF AMENDMENT TO
AMENDED AND RESTATED ARTICLES OF INCORPORATION OF
DOLPHIN ENTERTAINMENT, INC.
A FLORIDA CORPORATION**

Pursuant to the provisions of Sections 607.1003 and 607.1006 of the Florida Business Corporation Act, Statutes, Dolphin Entertainment, Inc., a Florida corporation (the "Corporation" Florida Document Number P14000097818, adopts the following amendment (the "Amendment" to its Amended and Restated Articles of Incorporation:

FILED
SECRETARY OF STATE
DIVISION OF CORPORATIONS
2021 SEP 23 AM 10:17

Section A, Authorized Shares, of Article III, Capital Stock, shall be amended to read as follows:

A. AUTHORIZED SHARES

The total number of shares of all classes of stock that the Corporation shall have the authority to issue is Two Hundred Ten Million (210,000,000), of which Two Hundred Million (200,000,000) shares shall be Common Stock having a par value of \$0.015 per share and Ten Million (10,000,000) shares shall be Preferred Stock having a par value of \$0.001 per share. The Board of Directors of the Corporation is expressly authorized to provide for the classification and reclassification of any unissued shares of Common Stock or Preferred Stock and the issuance thereof in one or more classes or series without the approval of the shareholders of the Corporation. Of the Preferred Stock, 50,000 shares have been designated Series C Convertible Preferred Stock having a par value of \$0.001 per share.

The foregoing Amendment was adopted by Shareholders of the Corporation on September 23, 2021, and the number of shares cast in favor of the Amendment was sufficient for approval.

Date: September 24, 2021

DOLPHIN ENTERTAINMENT, INC.

BY: 
NAME: Miria A Negroni
TITLE: CFO

**ARTICLES OF AMENDMENT TO
AMENDED AND RESTATED ARTICLES OF INCORPORATION OF
DOLPHIN ENTERTAINMENT, INC.,
A FLORIDA CORPORATION**

Pursuant to the provisions of Section 607.1006 of the Florida Business Corporation Act, Dolphin Entertainment, Inc., a Florida corporation, Florida Document Number P14000097818, hereby adopts the following amendment to its Amended and Restated Articles of Incorporation:

Article III(D)(7) is hereby amended to read as follows:

7. Voting Rights. Upon the Board's determination that an Optional Conversion Threshold has been met, each Holder, except as otherwise required under the FBCA or as set forth herein shall be entitled or permitted to vote on all matters required or permitted to be voted on by the holders of Common Stock of the Corporation and shall be entitled to that number of votes equal to five votes for the number of Conversion Shares into which such Holder's shares of the Series C Convertible Preferred Stock could then be converted, pursuant to the provisions of Section 6 hereof at the record date for the determination of shareholders entitled to vote on such matter or, if no such record date is established, at the date such vote is taken or any written consent of shareholders is collected. Except as otherwise expressly provided herein or as otherwise required by law, the Series C convertible Preferred Stock and the Common Stock shall vote together (or render written consents in lieu of a vote) as a single class on all matters upon which the Common Stock is entitled to vote.

The Amendment was adopted by the shareholders of the Corporation on September 27, 2022. The number of votes cast in favor of the Amendment by the shareholders was sufficient for its approval.

Dated: September 29, 2022

/s/ Mirta A. Negrini

Name: Mirta A. Negrini

Title: Chief Financial Officer

SUBSIDIARIES OF DOLPHIN ENTERTAINMENT, INC

42WEST, LLC
THE DOOR MARKETING GROUP, LLC
VIEWPOINT COMPUTER ANIMATION, INCORPORATED
SHORE FIRE MEDIA, LTD
BE SOCIAL PUBLIC RELATIONS, LLC
CYBERGEDDON PRODUCTIONS, LLC
DOLPHIN WOODSTOCK PRODUCTIONS, LLC
DOLPHIN FILMS, INC
B/HI COMMUNICATIONS, INC.
DLPN PRODUCTIONS LLC
DOLPHIN NFT STUDIOS, INC
SOCIALYTE, LLC

The following are subsidiaries of Dolphin Films, Inc

YOUNGBLOOD PRODUCTIONS LLC
DOLPHIN MAX STEEL HOLDINGS LLC
DOLPHIN JB BELIEVE FINANCING LLC
THE WISHING SEASON PRODUCTIONS LLC
DOLPHIN CP PRODUCTIONS LLC

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 31, 2023, with respect to the consolidated financial statements included in the Annual Report of Dolphin Entertainment, Inc. on Form 10-K for the year ended December 31, 2022. We consent to the incorporation by reference of said report in these Registration Statements of Dolphin Entertainment, Inc. on Form S-1 (File No. 333-267336) and Form S-8 (File No. 333-219770).

/s/ GRANT THORNTON LLP
Fort Lauderdale, Florida
March 31, 2023

Consent of Independent Registered Public Accounting Firm

Dolphin Entertainment, Inc.
Coral Gables, Florida

We hereby consent to the incorporation by reference in the Registration Statements on Form S-1 No. 333-267336 and Form S-8 No. 333-219770 of Dolphin Entertainment, Inc. of our report dated May 25, 2022, relating to the consolidated financial statements of Dolphin Entertainment Inc., which appears in this Form 10-K.

/s/ BDO USA, LLP

Miami, Florida
March 31, 2023

CHIEF EXECUTIVE OFFICER
CERTIFICATION PURSUANT TO SECTION 302

I, William O'Dowd IV, Chief Executive Officer, certify that:

1. I have reviewed this Annual Report on Form 10-K of Dolphin Entertainment, Inc.;
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report.
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under 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 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 Registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: March 31, 2023

/s/ William O'Dowd IV
William O'Dowd IV
Chief Executive Officer

CHIEF FINANCIAL OFFICER
CERTIFICATION PURSUANT TO SECTION 302

I, Mirta A Negrini, Chief Financial Officer, certify that:

1. I have reviewed this Annual Report on Form 10-K of Dolphin Entertainment, Inc.;
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report.
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under 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 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 Registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: March 31, 2023

/s/ Mirta A Negrini
Mirta A Negrini
Chief Financial Officer

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

In connection with the accompanying Annual Report of Dolphin Entertainment, Inc. (the "Company") on Form 10-K for the year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William O'Dowd IV, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ William O'Dowd IV
William O'Dowd IV
Chief Executive Officer
March 31, 2023

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

In connection with the accompanying Annual Report of Dolphin Entertainment, Inc. (the "Company") on Form 10-K for the year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mirta A Negrini, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Mirta A Negrini
Mirta A Negrini
Chief Financial Officer
March 31, 2023