

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

DOLPHIN DIGITAL MEDIA INC

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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2009

Or

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

Commission file number: 000-50621

DOLPHIN DIGITAL MEDIA, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

86-0787790
(I.R.S. Employer
Identification No.)

804 Douglas Road, Executive Tower Bldg., Ste. 365, Miami, Florida
(Address of principal executive offices)

33134
(Zip Code)

Registrant's telephone number (305) 774-0407

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

| Title of each class | Name of each exchange on which registered |
|---------------------|---|
| None | None |

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

Common Stock, \$0.015 par value
(Title of class)

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

Indicate by a check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

Issuer’s revenues for the year ended December 31, 2010, were \$0.

The aggregate market value of the voting and non-voting common equity held by nonaffiliates 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 is: \$11,397,816.

Indicate the number of shares outstanding of the registrant’s common stock as of March 31, 2009 is 60,717,499.

DOCUMENTS INCORPORATED BY REFERENCE—NONE

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PART I

ITEM 1. **BUSINESS.**

Introduction

Dolphin Digital Media, Inc. is dedicated to the cause of online safety for children. By creating and managing child-friendly social networking websites utilizing state-of the-art fingerprint identification technology, Dolphin Digital Media has taken an industry-leading position with respect to internet safety, as well as digital entertainment.

Our goal is to become the leader in social network and digital offerings to children both through organic growth and by effecting strategic acquisitions of unique e-commerce and security related companies with niche market opportunities and innovative technologies.

Business Model

We are focused on alleviating the safety concerns of parents whose children explore and communicate via the Internet. It is a widely held belief that mothers make most family decisions involving the expenditure of money on children. We believe that our model monetizes this parental need for safety and control, while also attracting children and teens to the exciting content and safe social interaction with peers provided by our products.

Need for Internet Security

Although the Internet was originally conceived of, and designed, as a research and education network, it is being utilized today in radically different ways. The Internet has become a home for private and commercial communication, as well as expanding areas of commerce and public service, all the time allowing for direct personalized communication through chat rooms and e-mails. Along with the convenience and easy access to information come new risks in the form of unauthorized intruders. Intruders come in many forms: an adolescent curious about what he or she can do on the Internet; a college student who has created a new software tool; an individual seeking personal gain; or a predator seeking unthinkable gratification. Our solutions prevent these wrongdoers from getting to your children online.

Our Product

Dolphin Secure is easy-to-use software that downloads onto any computer in a child's life, and gives parents the ability to guide where their children can go, and who they can talk to, while online.

Safer Surfing with Dolphin Secure:

During a registration process that takes less than 10 minutes, parents receive a "master white list" of pre-determined age-appropriate web sites for their child to visit. The Dolphin Secure "master white list" of pre-approved sites is updated daily, and ensures that children are free to explore and learn online more safely without the risk of stumbling onto pornography, inappropriate content or other illicit material. Parents can also customize the specific "white list" for each individual child, including the opportunity to add to, or delete from, the Dolphin Secure "master white list." So, a parent could add or allow specific sites for her teenager that would remain blocked for her younger children. With Dolphin Secure, children can only visit sites on their specific "white list," as customized (or not) by their parent.

Safer Chat with Dolphin Secure:

For the first time, parents have the option to set the boundaries of who their child can speak to, or who they can be approached by to speak with, online. Upon registration, parents have a wide variety of options to customize these parameters, from general groups to specific individuals, including:

- Everyone within the Dolphin Surf social network.
- Only children of a specific gender.
- Only other children within a specific age range chosen by the parent.
- Only a select group of hand-picked friends.
- No one at all.

All other chat applications otherwise installed on the applicable computer are blocked from a child's use, thereby ensuring that everyone that could approach the child with an IM request needs to be registered with Dolphin Secure.

How "Dolphin Secure" Works: Fingerprint Log-In

In a truly revolutionary offering, and one of the major aspects that makes Dolphin Secure a unique service, a child may fully utilize the "Dolphin Surf" social network and communicate with their friends only following Dolphin Secure fingerprint identification. Upon registration, a new user scans their finger using the Dolphin Secure UPEK fingerprint reader. The scanned fingerprint is then converted into a number and stored in a protected, remote database.

The child's account details (e.g. parental settings and personal preferences) are associated with this number, which is created by an irreversible algorithm. A copy (or a "print") of any user's actual fingerprint is never taken, let alone stored anywhere within the Dolphin Secure system. Only the unique number created by any user's unique fingerprint is kept.

After registration, each time an internet browser or an IM application is attempted to be used on the computer that is Dolphin Secure, a log-in page is triggered. Children simply enter their user name and scan their fingerprint. Dolphin Secure then verifies the child's identity by matching the unique number created by this fingerprint scan with the number associated with the child's user name in the Dolphin Secure database.

Once a match has been created, the Dolphin Secure system promptly loads each child's personal, customizable home page within Dolphin Surf. That child is now free to surf to websites, and free to seek other children to be friends with, that are within the controls established by the parent. When parents or other adults in the household want to use the same computer, a master username and password can be entered, which unlocks the computer and allows them to freely access the Internet. Once the parent logs out, Dolphin Secure is automatically back in place for the next session.

"Dolphin Surf"

"Dolphin Surf" is a social network featuring the advanced functionality associated with the leading online communities and virtual worlds. Kids have the opportunity to create a profile, IM with approved friends, search for new friends, upload photos, send e-mails and customize a homepage that includes a widget library of content, friend updates and much more, all under the protection of the Dolphin Secure system. Children can set their own site themes, backgrounds and add or delete widgets on their homepage, making their Dolphin Surf experience totally unique to them.

"Dolphin Surf" will be the online destination for children to create, explore, interact and play, with the assurance that access to their account is available only to them — unlike other social networking sites where users, and their personal content, are vulnerable to anyone who knows, or can guess, their password.

It is the sharing of passwords among the overwhelming majority of children that exposes them to so many dangers of cyber-bullying, including online impersonation (e.g. when a classmate or "friend" who knows their password goes into their social network account and sends out an embarrassing e-mail, photo or IM to their entire address book, pretending to be them while also switching their password so that they can't even access their account after the fact to try and limit the damage).

“Dolphin Groups”

The launch of Dolphin Groups in February 2010 allows all children’s organizations (e.g. schools, little leagues, after-school programs, charitable organizations, etc.) to create their own mini-sites within Dolphin Surf.

Any group will have the ability to upload content such as videos and photos to the group page, send out messages to the whole group, write on an individual member’s “wall,” create a calendar, schedule events, and much more. Of course, the group sites have the full instant messaging capability that is a revolutionary aspect of Dolphin Secure, thereby allowing the children to chat live with each other while viewing the group’s site. For the first time, a children’s organization can safely create their own environment with full online interactivity occurring by their children.

Dolphin Surf offers different levels of privacy for any group, including: (1) Open: where any child within Dolphin Surf can join (e.g. a “fan club” started by a child in support of a favorite television show), or (2) Semi-Private: where a group administrator can set parameters for who can join their group, such as age range or gender (e.g. a particular Little League Division only open to boys and girls twelve and under), or (3) Private: where a group administrator will have to review and approve each individual who requests to join the group (e.g.: a specific Little League team).

The Need for “Dolphin Secure”

Many parents want to protect their children online without feeling like they are spying on them. Spyware is difficult to use in the best of circumstances, but it has two even more fundamental problems. First, it is oftentimes reactive. It only tells a parent which sites their child has visited, and who their child has chatted with, after the damage has already been done. Secondly, by its very definition, spyware assumes the parent has the time to constantly review and monitor their children’s online activities.

Dolphin Secure was born out of a decision to provide aproactive solution for parents concerned with the online safety of their children. Busy parents need an easy-to-use system which gives them peace of mind that their rules for internet safety are being followed even when they are not around. Now, a mother busy doing the five hundred tasks in her typical day, usually all at once, doesn’t have to stop to worry that her 8 year-old daughter is receiving an instant message from someone that she doesn’t know, or that her 11 year-old son has incorrectly spelled the name of a new game and has wound up on a pornography site.

Pricing & Availability

An annual child membership to Dolphin Secure costs \$59.95 per year (approx. \$5 per month) plus an additional one-time fee of \$15.00 for a fingerprint reader. Each additional child membership is \$29.95 per year; a parent account is free. As of March 2010, a monthly subscription can be purchased for \$5.95 per month for the first child, and \$2.95 per month for each additional child in the household. Parents pay per child on their family account, not per software download. This way, a family can download Dolphin Secure onto every computer in the home for no additional charge. Extra fingerprint readers can be purchased for \$24.95 each.

Dolphin Secure currently works for PCs using Windows XP or Vista operating systems, as well as Mac computers using the Safari operating system.

Target Market

Our primary initial target market is North America. This market represents 43.85 million girls and boys aged 5-15. This number breaks down as follows:

- In Canada, there are 3.71 million girls and boys aged 5-15. This represents 11.19% of the Canadian population.
- In the United States, there are 40.13 million girls aged 5-15. This represents 13.21% of the US population.

Licensing & Branding

We hold a multiyear exclusive licensing agreement with Dolphin Entertainment (“DE”), a Miami-based, Emmy-award nominated production and distribution company of hit television programs for children, most notably Nickelodeon’s top-rated series Zoey 101 and hit show Ned’s Declassified School Survival Guide, among many others. Under the terms of our 10 year agreement, DE will work with us to create and manage several social networking websites which will be themed around DE’s own branded properties.

Dolphin Entertainment

Dolphin Entertainment, founded in 1996 by our Chairman, C.E.O. and President, Bill O’Dowd, is one of the world’s leading entertainment companies specializing in children’s and young adult live-action programming, with divisions dedicated to Television Production, Feature Film Production, International Distribution, and Merchandising and Licensing. DE served as Executive Producer to Nickelodeon’s Emmy™-nominated hit series Zoey 101 and Ned’s Declassified School Survival Guide, as well as eight different television movies that have premiered on Nickelodeon in the past two years. DE enjoys worldwide distribution of its programs, with sales in over 100 countries (reaching almost 300 million homes) for its current children’s properties, including Mexico, Italy, France, Spain, the United Kingdom, Germany, Canada, Australia, New Zealand, Brazil, and South Africa, among many others. DE has successfully launched international merchandising lines for its children’s properties in nearly every consumer category, including publishing, apparel, sleepwear, accessories, and cosmetics.

Approach to Market

We have retained the services of Manning, Salvage & Lee, headquartered in New York. MS&L has 54 offices throughout North America, Latin America, EMEA and Asia-Pacific, as well as an extensive global affiliate network. The agency meets the needs of global and local clients by providing best-in-class services in consumer marketing PR, healthcare PR, corporate communications and technology communications, as well as industry-leading work in digital communications. MS&L won PR Week’s Best Use of Internet/New Media Award in both 2006 and 2007. Clients include several of the world’s largest and most complex organizations including Procter & Gamble, Philips, Eli Lilly, General Motors, Hoffmann-La Roche, Allergan, Heineken, Best Buy, The Home Depot and Nestle.

We have also retained the services of Moxie Interactive, based in Atlanta, Georgia. Moxie Interactive is one of the industry’s leading interactive agencies, specializing in digital advertising and strategy, website design and development, eCRM programs, video production, and any and all digital-related activities. Top clients include Verizon Wireless, Coca-Cola, Home Depot, and Blockbuster.

Additional Revenue Streams

In February 2010, we announced a strategic partnership with the United Way of Miami-Dade to promote Dolphin Secure. The United Way of Miami-Dade is committed to helping Dolphin Digital Media in raising awareness around the importance of internet safety for children and the benefits of Dolphin Secure. Through this strategic partnership, the United Way of Miami-Dade will work with Dolphin Digital Media to expand its reach into key markets and audiences.

The first results of this strategic partnership were recognized later in February with the announcement that Dolphin Digital Media and the United Way of Miami-Dade had entered into an alliance with the Miami-Dade County Public Schools to promote Dolphin Secure. Miami-Dade County Public Schools is the fourth-largest public school system in the country, with a diverse enrollment of more than 342,000 students from over 100 countries at its 392 schools. Miami-Dade County Public Schools also has 50,271 employees, including 22,006 teachers. In addition to the safety benefits of Dolphin Secure, all parties are excited about utilizing Dolphin’s biometric authentication to help deliver on the promise of “virtual schooling,” including online classes available to all students, as well as live chat for homework help and tutoring.

In March 2010, we entered into a partnership with the Girl Scout Council of Tropical Florida to promote Dolphin Secure and to utilize Dolphin Secure’s group functionality. The campaign, “SOS: Speak Online Safely,” began March 25, 2010. The Girl Scout Council of Tropical Florida has over 700 troops and over 16,000 members between Miami-Dade County and Monroe County. Each troop will have their own group within Dolphin Surf, open only to their members, while the Council as a whole will have a group open to all 16,000 Girl Scouts in Miami-Dade and Monroe counties. Also, the Girl Scout Council of Tropical Florida will start other groups for additional programs they offer, all open only to the girls that participate in those programs, as well as groups open to all girls, whether they are current Girl Scouts or not. This partnership is a wonderful example of the clear benefits that the group functionality within Dolphin Secure offers to all children’s organizations, large or small.

Corporate History

Dolphin Digital Media, initially known as Rising Fortune Incorporated, was incorporated in the State of Nevada on March 7, 1995. We were inactive between the years 1996 and 2003.

On December 5, 2003, we amended our Articles of Incorporation to change our name to Maximum Awards Inc, Inc. in connection with the acquisition of all outstanding shares of Maximum Awards. Maximum Awards was an Australian company engaged in the business of operating a consumer rewards program through which consumers earned points by purchasing products and services offered by the company and its program partners.

On June 1, 2004, we acquired 100% of the issued and outstanding shares of Travel Easy Holidays Pty Ltd (“TEH”) and Global Business Group Pty Ltd (“GBH”) from Maxwell Thomas and Michael Sullivan. These corporations were involved in the travel industry and mail order industries and were acquired to add to our rewards program operations by providing an in-house travel agency and a consumer products retailer.

In June 2004 we acquired Global Business Group Pty Ltd, an Australian proprietary limited corporation, organized under the law of the Province of Queensland, Australia in June 2003. Global Business did business under the name Easy Shopper Direct and was engaged in the business of selling consumer goods on-line and through published catalogs.

On May 29, 2007, we amended our Articles of Incorporation to change our name from Maximum Awards Inc. to Logica Holdings, Inc.

On July 9, 2007, we acquired (i) Plays On The Net Plc and its subsidiary, Plays On The Net Inc., which provide a web based platform for writers to share their work, to communicate with fellow dramatists and to explore new ideas, which includes an extensive retail site for book, audio downloads and all-round theatre information; (ii) Curtain Rising Inc., which provides an online database for theatres and a bi-weekly online theatre magazine; and (iii) Anne’s World Limited, a company that holds the license for a secure social networking website for children, providing an interactive virtual world for young people, secured with cutting-edge biometric technology in the form of a personal fingerprint reader. We issued 12,000,000 shares of our common stock as consideration in the acquisitions. The acquisitions resulted in a change of control and were accounted for as a reverse merger.

On August 7, 2007, we amended our articles of incorporation to change the par value of our common stock from \$0.001 per share to \$0.015 per share.

On September 30, 2007, we sold 100% of our Australian subsidiaries; Maximum Awards Pty Limited, Travel Easy Holidays Pty Ltd and Global Business Group Pty Ltd to Elko Group Pty Limited, an Australian company controlled by Maxwell A. Thomas, a former executive officer of the Company.

On May 28, 2008, we entered into a Social Network Platform License Agreement with Dolphin Entertainment, Inc., a Florida corporation, and its affiliated companies, pursuant to which we granted to Dolphin Entertainment a three (3) year exclusive license to utilize our proprietary social network creation platform and visitor identification, authentication and authorization technology to create and operate several subscription-based social networking websites themed around Dolphin Entertainment’s premium family entertainment brand properties. This alliance permits the creation of highly secure social networking websites for children and young adults with the strong attraction of premium family entertainment brands, an Internet first. Dolphin Entertainment is wholly owned by William O’Dowd, IV, who became our majority shareholder, Chief Executive Officer and Chairman of the Board of Directors in connection with our acquisition of Dolphin Digital Media, Inc., a Delaware corporation, described below. Under the Social Network Platform License Agreement, we agreed to an even 50%-50% share with Dolphin Entertainment of subscription revenues generated by Dolphin Entertainment’s or its affiliates’ operation of social networking websites created with the platform, and to additional revenue shares to be determined by the parties in the event additional revenue streams other than subscription revenues (such as advertisement sales, merchandising and sublicensing) might be generated and received.

On June 23, 2008, we obtained an exclusive license to Dolphin Entertainment's family entertainment brand properties through the acquisition of 100% of the capital stock of Dolphin Digital Media ("DDM"), a newly formed Delaware corporation wholly owned by Mr. O'Dowd. In consideration of the acquisition, we issued 24,063,735 shares of our common stock (constituting fifty-one percent of our issued and outstanding common stock) to Mr. O'Dowd, and appointed Mr. O'Dowd our Chief Executive Officer and Chairman of the Board of Directors. At the time of the acquisition, DDM was the grantee of an exclusive ten-year worldwide license from Dolphin Entertainment, dated as of the date of the closing of the acquisition, to use Dolphin Entertainment's family entertainment brand properties. This license was the sole asset of DDM at the time of the acquisition, and DDM had not yet commenced planned principal operations. Under the license, we are authorized to use Dolphin Entertainment's brand properties in connection with the creation, promotion and operation of subscription based Internet social networking websites for children and young adults. The license requires that we pay to Dolphin Entertainment royalties at the rate of fifteen percent of our net sales from performance of the licensed activities. As Mr. O'Dowd is considered a related party under applicable accounting rules, we recorded the assets of DDM at their historical cost.

On July 29, 2008, we amended our Articles of Incorporation to change our name from Logica Holdings, Inc. to Dolphin Digital Media, Inc.

Corporate Offices

Our corporate headquarters is located 804 Douglas Road, Executive Tower Building, Suite 365, Coral Gables, Florida 33134. Our telephone number is (305) 774-0407.

ITEM 1A. RISK FACTORS.

We are a development stage company and we have limited historical operations. We urge you to consider our likelihood of success and prospects in light of the risks, expenses and difficulties frequently encountered by entities at similar stages of development. The following is a summary of certain risks we face. They are not the only risks we face. Additional risks of which we are not presently aware or that we currently believe are immaterial may also harm our business and results of operations. The trading price of our common stock could decline due to the occurrence of any of these risks, and investors could lose all or part of their investment. In assessing these risks, investors should also refer to the other information contained or incorporated by reference in our other filings with the Securities and Exchange Commission.

Certain Risk Factors Relating to our Business

We may need to raise additional capital in the near future, and, if we are unable to secure adequate funds on acceptable terms, we may be unable to support our business plan and be required to suspend operations.

We may need to raise additional capital in the near term, and may seek to do so by conducting one or more private placements of equity securities, selling additional securities in a registered public offering, or through a combination of one or more of such financing alternatives. There can be no assurance that any additional capital resources will be available to us as and when required, or on terms that will be acceptable to us.

The following terms of our October 2007 financing will make obtaining additional financing with acceptable terms more difficult and/or expensive: (i) no dividends may be paid with respect to common stock while the Preferred Stock is outstanding, unless said dividends are paid pro rata to the holders of the Preferred Stock; (ii) as long as the Preferred Stock is outstanding, the Company may not, without the approval of the holders of the Preferred Stock, authorize or create authorize or create any class of stock ranking as to dividends or distribution of assets upon a liquidation senior to or otherwise pari passu with the Preferred Stock, or any preferred stock possessing greater voting rights or the right to convert at a more favorable price than the Preferred Stock; (iii) the Preferred Stock is entitled to a \$1.00 per share preferred distribution, prior to any distribution to holders of common stock, upon a liquidation of the Company; (iv) for a period of 5 years post closing, the Company is prohibited from effecting or entering into an agreement to effect any subsequent financing involving a transaction in which the Company issues or sells 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, or, 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; (v) the Company, at any time while the Preferred Stock is outstanding, shall not issue rights, options or warrants to holders of common stock entitling them to subscribe for or purchase shares of common stock at a price per share less than the conversion value of the Preferred Stock; and (vi) the conversion value of the Preferred Stock and the Warrants is subject to a full ratchet adjustment if the Company issues shares of common stock or securities convertible into shares of common stock at an effective price per share that is less than the conversion value of the Preferred Stock (the ratchet with respect to the Preferred Stock is limited to 24 months after closing); and (vii) for a period of two years from the date of the closing, the Investor shall have the right to participate in any subsequent funding by the Company on a pro rata basis at one hundred percent (100%) of the offering price.

If we are unable to raise the capital required on a timely basis, we may not be able to fund our projects and the development of the businesses of our subsidiaries. In such event, we may be required to suspend our plan of operations. Moreover, even if the necessary funding is available to us, the issuance of additional securities would dilute the equity interests of our existing stockholders, perhaps substantially.

Our success depends on the attraction and retention of senior management and technicians with relevant expertise.

Our future success will depend to a significant extent on the continued services of William O'Dowd, IV who conceived the business and overall operating strategy, has been most instrumental in assisting us in raising capital and currently serves as our executive officer. We do not have an employment agreement with Mr. O'Dowd at present. We do not maintain key man life insurance for any executive officer. Our ability to execute our strategy also will depend on our ability to attract and retain qualified technicians and sales, marketing and additional managerial personnel. If we are unable to find, hire and retain qualified individuals, we could have difficulty implementing our business plan in a timely manner, or at all.

Our international operations expose us to risks associated with fluctuations in foreign currencies.

As part of our international operations, from time to time in the regular course of business, we convert dollars into foreign currencies and vice versa. The value of the dollar against other currencies is subject to market fluctuations, and the exchange rate may or may not be in our favor.

We may divest assets to reflect changes in our strategy.

We have begun divesting businesses and assets that we have determined no longer fit our strategy. For example, we sold our interests in three subsidiaries in September 2007. We may undertake divestiture transactions when we believe there is a financial or strategic benefit to us in doing so. Such divestitures, should they occur, may result in losses. There may also be costs and liabilities that we incur or retain in connection with these divestitures.

We may be unable to successfully divest non-strategic assets and, if we incorrectly evaluate the strategic fit and valuation of divested businesses or assets, we may forego opportunities that would otherwise have benefited our business.

A number of factors may cause our consolidated operating results to fluctuate on a quarterly or annual basis, which may make it difficult to predict our future operating results.

We expect our consolidated revenues and expenses to fluctuate, making it difficult to predict our future operating results. Factors that could cause our operating results to fluctuate include:

- demand in the markets that we serve;
- our ability to define, design and release new products that meet customer needs, and to do so quickly and cost effectively;
- market acceptance of new and enhanced versions of our products;
- variations in the performance of our businesses;
- our ability to forecast demand in the markets that we serve;
- general economic conditions in the countries where we operate; and
- changes in exchange rates, interest rates and tax rates.

Any of the above factors, many of which are beyond our control, could significantly harm our business and results of operations. The results of a prior quarter or annual period should not be relied upon as an indicator of future operating performance.

Certain Risk Factors Relating to our Common Stock

The market for common stock is limited, and you may not be able to sell the shares of our common stock that you hold.

Our common stock is currently traded on the OTC Bulletin Board, not on a national securities exchange. Therefore, our common stock is thinly traded, the market for purchases and sales of our common stock is limited and the sale of a limited number of shares could cause the price to fall significantly. Accordingly, it may be difficult to sell shares of our common stock quickly without significantly depressing the value of the stock. Unless we are successful in developing continued investor interest in our stock, sales of our stock could continue to result in major fluctuations in the price of the stock.

Stockholder interest in us may be substantially diluted as a result of the sale or issuance of additional securities pursuant to existing commitments and to fund our plan of operation.

Issuances of additional shares of common stock would result in dilution of the percentage interest in our common stock of all stockholders ratably and might result in dilution in the tangible net book value of a share of our common stock, depending upon the price and other terms on which the additional shares are issued. In addition, the issuance of additional shares of common stock upon exercise of the warrants or stock options, or even the prospect of such issuance, may have an effect on the market for our common stock and may have an adverse impact on the price at which shares of our common stock trade.

If securities or industry analysts do not publish research reports about our business or if they make adverse recommendations regarding an investment in our common stock, our stock price and trading volume may decline.

The trading market for our common stock will be influenced by the research reports that industry or securities analysts publish about our business. We do not currently have, and may never obtain, research coverage by industry or securities analysts. If no industry or securities analysts commence coverage of us, the trading price of our common stock could be negatively impacted. In the event, we obtain industry or security analyst coverage, and if one or more of the analysts downgrade our stock or comment negatively on our prospects, our stock price would likely decline. If one or more of these analysts cease to cover us or our industry or fails to publish reports about us regularly, our common stock could lose visibility in the financial markets, which could also cause our stock price or trading volume to decline.

We may be the subject of securities class action litigation due to future stock price volatility.

Our common stock price has fluctuated significantly and may continue to do so in the future. We expect that the market price of our common stock will likely continue to fluctuate significantly and remain highly volatile. We will not have control over the factors that cause such volatility. Historically, when the market price of a stock has been volatile, holders of that stock have often initiated securities class action litigation against the company that issued the stock. If any of our stockholders bring a similar lawsuit against us, we could incur substantial costs defending the lawsuit. The lawsuit could also divert the time and attention of our management from the operation of our business.

We do not intend to declare cash dividends on our common stock.

We will not distribute any cash to our stockholders until and unless we can develop sufficient funds from operations to meet our ongoing needs and implement our business plan. As a result, your only opportunity to achieve a return on your investment in us will be if the market price of our common stock appreciates and you sell your shares at a profit. The future market price for our common stock may never exceed the price that you pay for our common stock.

ITEM 2. PROPERTIES.

As of the date of this report, we do not own any real property. Our executive offices are now at 804 Douglas Road, Executive Tower Building, Suite 365, Coral Gables, Florida 33134. The Company does not have a lease agreement as it shares its offices with those of Dolphin Entertainment. We believe our current facilities are adequate for our operations for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS.

On October 15, 2008, a lawsuit was filed between the Company and Mirador Consulting, Inc., in the United States District Court for the Southern District of Florida. The Plaintiffs are alleging and seeking, among other things, that the Company had breached an agreement to pay Mirador Consulting, Inc., a finder's fee of \$1,000,000 in connection with the Dolphin Digital Media acquisition. The ultimate results of these proceedings against the Company cannot be predicted with certainty. Management has moved for dismissal as they believe the claims are without substance and that the resolution of these matters will not materially affect the accompanying consolidated financial statements.

On October 1, 2009, Dolphin Digital Media, Inc, Dolphin Entertainment, Inc. and Dolphin Entertainment Capital, Inc. brought suit in the U.S. District Court for the Southern District of Florida against Mark Peikin, Joshua M. Gold, Bespoke Growth Partners, Inc., GSquared, Ltd., Carta De Dinero, LLC, Nevada Agency And Transfer Co. and Merrill Lynch Pierce Fenner & Smith Incorporated. The suit seeks recovery of corporate stock and damages occasioned by the misfeasance of Peikin, Gold and the corporate entities over which they presided (Bespoke, GSquared, Carta De Dinero) and employed to divert Plaintiff's money and opportunities. As alleged in the complaint, Peikin and Gold served as outside and inside counsel to and officers of Plaintiffs in 2008 and 2009, as further alleged. In the course of their affiliation with Plaintiffs, they were able to use their positions of trust to gain access to Plaintiffs' assets and opportunities and divert same to Bespoke, GSquared and Carta De Dinero. Among their actions, the Company alleged Peikin and Gold improperly directed Nevada Agency And Transfer Co. to issue one million shares of Dolphin Digital Media, Inc.'s stock to Carta De Dinero, who then transferred such shares to its account at Merrill Lynch and sold them on the open market. In this lawsuit, Plaintiffs seek recovery of the damages occasioned by the improper issuance and sale of the Dolphin Digital Media, Inc. stock, as well as the value of the actual funds and opportunities misappropriated by Peikin and Gold.

On November 2, 2009, an action was initiated by Plaintiffs Malcolm Stockdale, the Winterman Group Ltd. and Anne's Diary, Inc. against Defendants William O'Dowd IV, Dolphin Entertainment, Inc. and Dolphin Digital Media, Inc. in the U.S. District Court for the Southern District of Florida. In their complaint, Plaintiffs alleged that O'Dowd, Dolphin Entertainment and Dolphin Digital Media conspired with the parties' mutual counsel, Mark Peikin (who is also one of the Defendants in the action styled *Dolphin Digital Media, Inc., et al. v. Mark Peikin, et al.*, Case No. 09-CIV-22964-KING/BANDSTRA) to acquire Logica Holdings, Inc. by fraud in 2008. Notably, Mark Peikin is not named in the suit as a Defendant. According to the complaint, Defendants conspired with Peikin to change the terms of the merger just before its closing, which change benefited O'Dowd by approximately \$4,000,000. Thereafter, Plaintiffs allege that O'Dowd stole shares of stock and mismanaged Logica. Causes of action alleging conspiracy, fraud, breach of fiduciary duty and violations of the Racketeer Influenced and Corrupt Organizations Act are alleged. No specific amount of damages sought was alleged in the complaint. On January 19, 2010, Plaintiffs unilaterally and without notice dismissed the lawsuit (without prejudice to their right to re-file the action at a later date, if they choose) and did so without obtaining a settlement of any kind from any of the Defendants.

ITEM 4. (REMOVED AND RESERVED).

PART II

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

Market for Our Common Stock

Our common stock has been traded on the over-the-counter market since November 2, 2006, and is quoted on the OTC Bulletin Board under the symbol "DPDM.OB." The high and low bid information for each quarter since January 1, 2008, as quoted on the OTC Bulletin Board, is as follows:

| Quarter | High Bid | Low Bid |
|--|----------|---------|
| Second Quarter 2010 (through April 12, 2010) | \$ 0.40 | \$ 0.31 |
| First Quarter 2010 | \$ 0.39 | \$ 0.20 |
| Fourth Quarter 2009 | \$ 0.49 | \$ 0.19 |
| Third Quarter 2009 | \$ 0.51 | \$ 0.30 |
| Second Quarter 2009 | \$ 0.71 | \$ 0.45 |
| First Quarter 2009 | \$ 0.80 | \$ 0.40 |
| Fourth Quarter 2008 | \$ 1.10 | \$ 0.45 |
| Third Quarter 2008 | \$ 1.25 | \$ 0.60 |
| Second Quarter 2008 | \$ 1.00 | \$ 0.30 |
| First Quarter 2008 | \$ 1.69 | \$ 0.75 |

The quotations above reflect inter-dealer prices, without retail mark-up, markdown or commissions and may not reflect actual transactions.

Holders

As of December 31, 2009, an aggregate of 56,959,454 shares of our common stock were issued and outstanding and were owned by approximately 266 stockholders of record, based on information provided by our transfer agent.

Dividends

We have never paid dividends on our common stock and do not anticipate that we will do so in the foreseeable future.

Equity Compensation Plan Information

The Company does not have any equity compensation plans.

Recent Sales of Unregistered Securities

The Company sold the following unregistered equity securities during 2009. Other unregistered equity securities sold by the Company during 2009 have been previously disclosed in the Company's quarterly periodic reports on Form 10-Q filed with the SEC during 2009.

On July 27, 2009 the Company issued a total of 500,000 shares of common stock valued at \$150,000 (\$.39 per share) for services.

On September 18, 2009 the Company issued a total of 79,800 shares of common stock valued at \$29,526 (\$.37 per share) for services.

On September 18, 2009 the Company issued a total of 136,986 shares of common stock valued at \$50,685 (\$.37 per share) for services.

On September 18, 2009 the Company issued a total of 68,493 shares of common stock valued at \$25,342 (\$.37 per share) for services.

During the three months ended December 31, 2009, the Company sold 2,250,000 shares of common stock for \$750,000 (\$.33 per share). In addition the Company issued 1,125,000 common stock warrants with an exercise price of \$1.00 expiring 2 years from the date of issuance.

During the three months ended December 31, 2009, the Company sold 600,000 shares of common stock for \$150,000 (\$.25 per share).

The issuance of securities described above were exempt from registration under the Securities Act of 1933 in reliance on Section 4(2) of the Securities Act of 1933 as transactions by an issuer not involving any public offering. The purchasers of the securities in these transactions represented that they were accredited investors or qualified institutional buyers and they were acquiring the securities for investment only and not with a view toward the public sale or distribution thereof. Such purchasers received written disclosures that the securities had not been registered under the Securities Act of 1933 and that any resale must be made pursuant to a registration statement or an available exemption from registration. All purchasers either received adequate access, through their relationship with the registrant, to financial statement or non-financial statement information about the registrant or had adequate access, through their relationship with the registrant, to financial statement or non-financial statement information about the registrant. The sale of these securities was made without general solicitation or advertising.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS.

Special Note Regarding Forward Looking Statements

Certain statements in this Form 10-K under "Management's Discussion and Analysis" constitute "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such statements are indicated by words or phrases such as "anticipates," "projects," "believes," "intends," "expects," and similar words or phrases. Such factors include, among others, the following: competition; seasonality; success of operating initiatives; new product development and introduction schedules; acceptance of new product offerings; advertising and promotional efforts; adverse publicity; availability, changes in business strategy or development plans; availability and terms of capital; labor and employee benefit costs; changes in government regulations; and other factors particular to the Company.

Should one or more of these risks, uncertainties or other factors materialize, or should underlying assumptions prove incorrect, actual results, performance, or achievements of the Company may vary materially from any future results, performance or achievements expressed or implied by such forward-looking statements. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements in this paragraph. The Company disclaims any obligation to publicly announce the results of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

Results for the year ended December 31, 2009 compared to December 31, 2008

Revenues for the year ended December 31, 2009 decreased by \$914,511 from \$914,551 for the year ended December 31, 2008. Due to the fact there was no web development services carried out for third parties.

The cost of sales for the year ended December 31, 2009 was \$0 opposed to \$346,406 for the year ended December 31, 2008. The \$346,406 decrease was entirely due to the fact that the Company did not carry out website development for third parties this quarter.

The Company's general and administration costs increased by \$1,686,692 from \$1,590,896 for the year ended December 31, 2008 to \$3,277,588 for the year ended December 31, 2009 as a result of increased marketing and administrative costs. The Company expects to incur significant marketing expense in preparation for the worldwide launch of Dolphin Secure.

The legal and professional fees decreased by \$845,627 from \$1,387,040 for the year ended December 31, 2008 to \$541,413 for the year ended December 31, 2009. This was as a result of legal cost incurred in the year ended December 31, 2008 for the acquisition of Dolphin Digital Media, corporate finance services and the contracted services of external consultants.

Impairment of intangible assets decreased by \$10,913,114 from \$11,719,732 for the year ended December 31, 2008 to \$806,618 for the year ended December 31, 2009 as a result of decreased legal costs. During the year ended December 31, 2008 the Company impaired the goodwill acquired with the reverse merger of Logica Holdings.

The total expenditure for the year ended December 31, 2008 was \$14,984,068 opposed to \$4,698,546 for the year ended December 31, 2009. The \$10,285,522 decrease was due to during the year ended December 31, 2008 the Company impaired the goodwill acquired with the reverse merger of Logica Holdings valued at \$11,719,732.

Liquidity and Capital Resources

For the year ended December 31, 2009 we have relied on advances of \$500,619 from our principal founders. We issued \$600,000 of convertible notes payable. We sold a total of 6,829,485 shares of common stock for proceeds of \$2,298,799. As of December 31, 2009, we had cash of \$3,218 and a working capital deficit of \$2,890,624.

We are in the process of rolling out Dolphin Secure and expanding our network of strategic partnerships. Our long term growth lies in the generation of subscription fees from memberships in Dolphin Secure. We expect to begin generating revenues from Dolphin Secure in the third quarter of 2010.

Critical Accounting Policies

Principles of Consolidation

The accompanying financial statements represent the consolidated financial position and results of operations of the Company and include the accounts and results of operations of the Company and its wholly owned subsidiary. The accompanying consolidated financial statements include the accounts of Dolphin Digital Media Inc and its subsidiaries Plays On The Net Plc, Dolphin Digital Media (Canada) Inc, Anne's World Limited, Curtain Rising Inc and Dolphin Digital media Inc. for the period January 1, 2009 to December 31, 2009. Intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. These estimates and assumptions also affect the reported amounts of revenues, costs and expenses during the reporting period. Management evaluates these estimates and assumptions on a regular basis. Actual results could differ from those estimates.

Reclassification

Certain prior period amounts have been reclassified to conform to December 31, 2008 presentations.

Revenue Recognition

The Company recognizes the monthly and annual subscription revenues over the service period. Advertising revenue is recognized over the period the advertisement is displayed. Online shopping revenues and affiliate commission income are both recognized when a customer incurs in a purchase.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At December 31, 2009, there were no cash and cash equivalents. Cash and cash equivalents are defined to include cash on hand and cash in the bank.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. These inventories consisted of fingerprint readers. At December 31 2009 and 2008, the value of the company's inventory was \$91,980 and \$94,048, respectively.

Property and Equipment

Property and equipment is recorded at cost and depreciated over the estimated useful lives of the assets using principally 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. The range of estimated useful lives to be used to calculate depreciation for principal items of property and equipment are as follow:

| Asset Category | Depreciation/ Amortization Period |
|------------------------|---|
| Furniture and Fixture | 5 Years |
| Computer equipment | 3 Years |
| Leasehold improvements | 5 Years |

Goodwill and Intangible Assets

The Company adopted Accounting Standard Codification (“ASC”) Topic 350, formerly, Statement of Financial Accounting Standard (“SFAS”) No 142, Goodwill and Other Intangible Assets, effective July 1, 2002. As a result, the Company discontinued amortization of goodwill, and instead annually evaluates the carrying value of goodwill for impairment, in accordance with the provisions of ACS Topic 350, formerly SFAS No. 142. Goodwill and indefinite-lived intangible represents the excess of the cost of investments in subsidiaries over the fair value of the net identifiable assets acquired. The Company holds licenses and expects both licenses and the cash flow generated by the use of the licenses in order to operate the platform to continue indefinitely due to the likelihood of continued renewal at little or no cost.

Impairment of Long-Lived Assets

The Company accounts for long-lived assets under the FASB Accounting Standards Codification No.’s 350 and 360 Intangibles — Goodwill and Other and Property, Plant and Equipment. In accordance with FASB ASC No.’s 350 and 360, long-lived assets, Goodwill and indefinite-lived intangible assets are reviewed for impairment by applying a fair-value based test on an annual basis or more frequently if circumstances indicate a potential impairment. If it is determined that an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its estimated fair value and classified as “Impairment” in the consolidated statement of operations. A 100% or \$92,111 impairment charge was recorded in 2009 for the Novell access manager acquired during the year 2007 as it was determined by management that the future value was impaired.

Income Taxes

Deferred income taxes are recognized based on the provisions of ASC Topic 740, formerly, SFAS No. 109, “Accounting for Income Taxes” (“SFAS 109”) for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Other

Comprehensive Income

The Company has adopted ACS Topic 220, formerly SFAS No. 130, “Reporting Comprehensive Income” (“SFAS 130”), which establishes standards for reporting and display of comprehensive income, its components and accumulated balances. The Company is disclosing this information on its Statement of Stockholders’ Equity.

Comprehensive income comprises a gain on foreign translation.

Foreign Currency Translation

The functional currency of the Company is the United States Dollar. The financial statements of the Company’s Canadian subsidiary translated to the United States dollars using the period exchange rates as to assets and liabilities and average exchange rates as to revenues and expenses. Capital accounts are translated at their historical exchange rates when the capital transaction occurred. Net gains and losses resulting from foreign exchange translations are included in the statements of operations and stockholders’ equity as other comprehensive income (loss).

Loss per share

The Company has adopted FASB Accounting Standards Codification No. 260 Earnings Per Share, Loss per common share is computed by dividing loss available to common shareholders by the weighted average number of common shares outstanding during the period. Stock warrants were not included in the computation of loss per share for the periods presented because their inclusion is anti-dilutive.

Recent Accounting Pronouncements

In June 2009, the FASB issued Financial Accounting Standards Codification No. 860 — Transfers and Servicing. FASB ASC No. 860 improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. FASB ASC No. 860 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. The Company is evaluating the impact the adoption of FASB ASC No. 860 will have on its financial statements.

In June 2009, the FASB issued Financial Accounting Standards Codification No. 810 — Consolidation. FASB ASC No. 810 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The Company is evaluating the impact the adoption of FASB ASC No. 810 will have on its financial statements.

In June 2009, the FASB issued Financial Accounting Standards Codification No. 105-GAAP. The FASB Accounting Standards Codification ("Codification") will be the single source of authoritative nongovernmental U.S. generally accepted accounting principles. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. FASB ASC No. 105 is effective for interim and annual periods ending after September 15, 2009. All existing accounting standards are superseded as described in FASB ASC No. 105. All other accounting literature not included in the Codification is nonauthoritative. The adoption of FASB ASC No. 105 did not have a impact on our financial statements.

Off-Balance Sheet Arrangements

As of December 31, 2009, we did not have any off-balance sheet arrangements.

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> |
|--|-------------|
| AUDITED FINANCIAL STATEMENTS: | |
| Report of Independent Registered Public Accounting Firm(s) | F-1 |
| Consolidated Balance Sheets as of December 31, 2009 | F-2 |
| Consolidated Income Statements for the year ended December 31, 2009 and 2008 | F-3 |
| Consolidated Statement of Changes Stockholders Deficit for the year ended December 31, 2009 and 2008 | F-4 |
| Consolidated Statement of Cash Flows for the year ended December 31, 2009 and 2008 | F-5 |
| Notes to Consolidated Audited Financial Statements | F-6 |

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

None.

ITEM 9A(T). CONTROLS AND PROCEDURES.**Evaluation of Disclosure Controls and Procedures**

We maintain “disclosure controls and procedures” as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934. In designing and evaluating our disclosure controls and procedures, our management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also 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. Based on his evaluation as of the end of the period covered by this Annual Report on Form 10-K, and with the participation of our consultant who also provides outsourced accounting services to us, our President who also serves as our principal financial and accounting officer, has concluded that our disclosure controls and procedures were effective.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2009. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in Internal Control-Integrated Framework. Based on the assessment using those criteria, our management concluded that the internal control over financial reporting was effective at December 31, 2009. This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Our management’s report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management’s report in this annual report.

Changes in Internal Control over Financial Reporting.

There have been no changes in our internal control over financial reporting during our fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT.****Directors and Officers**

The Directors and Executive Officers of the Company and the positions held by each of them are as follows. All directors serve until the Company’s next annual meeting of shareholders.

| <u>NAME</u> | <u>AGE</u> | <u>PRINCIPAL OCCUPATION</u> |
|--------------------|------------|---|
| William O’Dowd, IV | 40 | Chief Executive Officer, CFO and Chairman of the Board of Directors |
| Michael Espensen | 59 | Director |

Biographical Information

Mr. O'Dowd graduated with honors from Harvard Law School, has received a master's degree in modern European history from Creighton University, and was named 1st-Team Academic All-American by USA Today while an undergraduate at Creighton. He was appointed Chief Executive Officer and Chairman of the Board of Directors on June 25, 2008. Mr. O'Dowd founded Dolphin Entertainment, Inc. in 1996 and has served as its principal executive officer and chairman since that date. Dolphin Entertainment is an entertainment company specializing in children's and young adult's live-action programming.

Mr. Espensen was appointed a Director of the Company on June 25, 2008. Mr. Espensen has been a real estate developer for over thirty years. In that time he has developed over 5,000 multi-family units, twenty-nine office buildings, and over 2,500 residential lots in Texas, Florida, North Carolina, and South Carolina. Aside from real estate development and investment, Mr. Espensen is also involved as a producer and investor in family entertainment for television and feature films. Mr. Espensen attended Trinity University and the University of Texas at Austin. Past titles include: President of the San Antonio Homebuilders Association, Director of the Texas Association of Homebuilders, and Director of the National Title Company. Currently, he is the Director of Keraplast Technologies, LTD.

Code of Ethics

We have adopted a code of ethics for our officers and directors. The Code of Ethics was filed with the SEC on February 11, 2008, as an exhibit to our Form S-1 Registration Statement.

Committees of the Board

Our Board of Directors does not currently have any committees. The roles and responsibilities of an audit committee, nominating committee and compensation committee are conducted by our full Board. Our sole director is not independent.

Compliance with Section 16(a) of the Exchange Act

Based solely upon a review of Forms 3 and 4 and amendments thereto furnished to the Company under Rule 16a-3(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") during the year ended December 31, 2009. Mr. O'Dowd and Mr. Espensen have not filed on a timely basis the reports required by section 16(a) of the Exchange Act.

ITEM 11. EXECUTIVE COMPENSATION.**Employment Agreements**

None.

Summary Compensation Table

| <u>Name and Principal Position</u> | <u>Year</u> | <u>Salary (\$)</u> | <u>Bonus (\$)</u> | <u>Stock Awards (\$)</u> | <u>Option Awards (\$)</u> | <u>All Other Compensation (\$)</u> | <u>Total (\$)</u> |
|--|-------------|------------------------|-----------------------|----------------------------------|-----------------------------------|--|-----------------------|
| William O'Dowd, IV, CEO, President and Chairman | 2009 | \$ 0 | 0 | 0 | 0 | 0 | 0 |
| | 2008 | \$ 0 | 0 | 0 | 0 | 0 | \$ 0 |

Outstanding Equity Awards at Fiscal Year-End

None of the executive officers named in the table above have any outstanding equity awards.

Director Compensation

We have not paid either of our directors any compensation for serving on our Board of Directors.

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

The following table sets forth the beneficial ownership of our common stock as of March 31, 2010 by each person known by us to be the beneficial owner of more than five percent (5%) of our common stock, by each director, by each named executive officer, and by all directors and executive officers as a group.

Except as otherwise indicated in the footnotes to the table, we believe that each of the persons or entities named in the table exercises sole voting and investment power over the shares of common stock that each of them beneficially owns, subject to community property laws where applicable. A person is deemed to be the beneficial owner of securities owned or which can be acquired by such person within 60 days of the measurement date upon the exercise of stock options. Each person's percentage ownership is determined by assuming that stock options beneficially owned by such person (but not those owned by any other person) have been exercised. The percentages in the table are based upon 60,717,499 shares of our common stock outstanding as of March 31, 2010.

| NAME AND ADDRESS OF OWNER (1) | SHARES | PERCENTAGE OF TOTAL SHARES OUTSTANDING |
|---|------------|---|
| William O'Dowd, IV | 24,142,069 | 39.8% |
| Michael Espensen | 0 | * |
| T Squared Investments LLC (2) | 15,423,366 | 21.7% |
| All Directors and Named Executive Officers as a Group (2 persons) | 24,142,069 | 39.8% |

* Less than 1%

- (1) Unless otherwise indicated in the footnotes below, the address of each stockholder is c/o Dolphin Digital Media, Inc., 804 Douglas Road, Executive Tower Bldg., Ste. 365, Miami, Florida, 33134.
- (2) Mark Jensen and Thomas M. Suave are both principals of T Squared Investments LLC (1325 Sixth Avenue, Floor 28, New York, NY 10019). Includes: (i) 1,666,667 shares issuable upon conversion of 500,000 shares of Series A Convertible Preferred Stock; (ii) 666,667 shares issuable upon conversion of a convertible note in the principal amount of \$200,000; (iii) 769,231 shares issuable upon conversion of a convertible note in the principal amount of \$300,000; 7,000,000 shares issuable upon exercise of a common stock purchase warrant with an exercise price of \$0.1928 per share; and (iv) 231,000 shares issuable upon exercise of a common stock purchase warrant with an exercise price of \$0.0001 per share.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On May 28, 2008, we entered into a Social Network Platform License Agreement with Dolphin Entertainment, Inc., a Florida corporation, and its affiliated companies, pursuant to which we granted to Dolphin Entertainment a three (3) year exclusive license to utilize our proprietary social network creation platform and visitor identification, authentication and authorization technology to create and operate several subscription-based social networking websites themed around Dolphin Entertainment's premium family entertainment brand properties. This alliance permits the creation of highly secure social networking websites for children and young adults with the strong attraction of premium family entertainment brands, an Internet first. Dolphin Entertainment is wholly owned by William O'Dowd, IV, who became our majority shareholder, Chief Executive Officer and Chairman of the Board of Directors in connection with our acquisition of Dolphin Digital Media, Inc., a Delaware corporation, described below. Under the Social Network Platform License Agreement, we agreed to an even 50%-50% share with Dolphin Entertainment of subscription revenues generated by Dolphin Entertainment's or its affiliates' operation of social networking websites created with the platform, and to additional revenue shares to be determined by the parties in the event additional revenue streams other than subscription revenues (such as advertisement sales, merchandising and sublicensing) might be generated and received.

On June 23, 2008, we obtained an exclusive license to Dolphin Entertainment's family entertainment brand properties through the acquisition of 100% of the capital stock of Dolphin Digital Media ("DDM"), a newly formed Delaware corporation wholly owned by Mr. O'Dowd. At the time of the acquisition, DDM was the grantee of an exclusive ten-year worldwide license from Dolphin Entertainment, dated as of the date of the closing of the acquisition, to use Dolphin Entertainment's family entertainment brand properties. This license was the sole asset of DDM at the time of the acquisition, and DDM had not yet commenced planned principal operations. Under the license, we are authorized to use Dolphin Entertainment's brand properties in connection with the creation, promotion and operation of subscription based Internet social networking websites for children and young adults. The license requires that we pay to Dolphin Entertainment royalties at the rate of fifteen percent of our net sales from performance of the licensed activities.

In consideration of the acquisition, we issued 24,063,735 shares of our common stock (constituting fifty-one percent of our issued and outstanding common stock) to Mr. O'Dowd. Additionally, in connection with the acquisition, we appointed Mr. O'Dowd our Chief Executive Officer and Chairman of the Board of Directors. In addition, we granted to Mr. O'Dowd certain anti-dilution protection for five (5) years from the date of the acquisition under which we agreed to issue such number of shares of our common stock as necessary for Mr. O'Dowd to maintain his fifty-one percent ownership any time that we issue additional shares to a party other than Mr. O'Dowd, or upon the exercise by any such party of options, warrants, notes or other securities exercisable or exchangeable for, or convertible into, any share of our common stock. As consideration for the agreement the shareholder has agreed to become the Chairman and CEO of the Company. As the shareholder is considered a related party on SAB 48 the Company has recorded the assets of Dolphin Digital Media, Inc at their historical cost.

Related party transactions with Mr. William O'Dowd IV, CEO of the Company:

On July 8, 2008, Mr. William O'Dowd IV loaned the Company \$70,000 at a rate of 10% per annum. It was agreed that the loans would be on demand or converted into common restricted stock at a conversion rate of 50 cents per share. At December 31, 2008 the principle amount had accrued interest amounting to \$3,363 and which \$2,191 was paid back.

On October 6, 2008, Mr. William O'Dowd IV loaned the Company \$250,000 at a rate of 10% per annum. It was agreed that the loans would be on demand or converted into common restricted stock at a conversion rate of 50 cents per share. At December 31, 2008 the principle amount had accrued interest amounting to \$5,903.

On December 1, 2008, Mr. William O'Dowd IV loaned the Company \$50,000 at a rate of 10% per annum. It was agreed that the loans would be on demand or converted into common restricted stock at a conversion rate of 50 cents per share. At December 31, 2008 the principle amount had accrued interest amounting to \$417.

On December 15, 2008, Mr. William O'Dowd IV loaned the Company \$200,000 at a rate of 10% per annum. It was agreed that the loans would be on demand or converted into common restricted stock at a conversion rate of 50 cents per share. At December 31, 2008 the principle amount had accrued interest amounting to \$889.

Related party transactions with Mr. Malcolm H. Stockdale:

The Company retained Mr. Stockdale as consultant in July of 2007 for 24 months, with monthly compensation of \$16,667. The Company granted 203,503 restricted shares to Mr. Stockdale in compensation of the first 12 months fees plus 10% interest. The fees amounted to \$200,004, plus \$8,509.43 of interest hence the average conversion rate was \$1.02 per share.

Related party transactions with Anne's Diary Inc.:

The Company has a an exclusive 7 year license from Anne's Diary Inc allowing the Company to exploit technologies for secure biometric log in internet sites as well as any child and young adult related social networking platform.

Also, Anne's Diary Inc has issued various invoices during 2008 to the Company for upgrades to the biometric login technology on the Dolphin Secure websites.

ITEM 14. EXHIBITS.

Exhibit No.

- 2.1 Exchange Agreement dated December 9, 2003, between Maximum Awards, Inc. and Maximum Awards Pty Ltd. (1)
- 2.2 Share Purchase Agreement dated June 1, 2004, between Maxwell Thomas and Michael Sullivan and Maximum Awards, Inc. (for Global Business Group Pty, Ltd.) (2)
- 2.3 Share Purchase Agreement dated June 1, 2004, between Maxwell Thomas and Michael Sullivan and Maximum Awards, Inc. (for Travel Easy Pty, Ltd.) (2)
- 2.4 Share Exchange Agreement dated July 9, 2007, between Maximum Awards, Inc., Plays on the Net, PLC, Anne's World Limited, Curtains Rising, Inc., and the Winterman Group Ltd. (3)
- 2.5 Stock Purchase Agreement dated September 24, 2007, between Logica Holdings, Inc. and Eko Group Pty Limited (4)
- 2.6 Preferred Stock Purchase Agreement dated October 4, 2007, between Logica Holdings Inc., T Squared Partners LLC, and T Squared Investments LLC (5)
- 3.1 Articles of Incorporation of Rising Fortune Incorporated, as filed on March 7, 1995 (1)
- 3.2 Amendment to Articles of Incorporation, as filed on December 5, 2003 (1)
- 3.3 Amendment to Articles of Incorporation, as filed on May 29, 2007 (6)
- 3.4 Amendment to Articles of Incorporation, as filed on August 7, 2007 (6)
- 3.5 Certificate of Amendment to the Article of Incorporation, as filed on July 29, 2008 (7)
- 3.6 Bylaws (1)
- 4.1 Registration Rights Agreement dated October 4, 2007, between Logica Holdings and T Squared Partners LLC, and T Squared Investments LLC (5)
- 4.2 Certificate of Designations of Series A Preferred Stock, filed October 10, 2007 (5)
- 4.3 Common Stock Purchase Warrant A (5)
- 4.4 Common Stock Purchase Warrant B (5)
- 4.5 Common Stock Purchase Warrant C (5)
- 4.6 Letter Agreement with T Squared Investments, LLC, dated July 29, 2009
- 4.7 Subscription Agreement with T Squared Investments, LLC, dated July 29, 2009
- 4.8 Common Stock Purchase Warrant "D" with T Squared Investments, LLC, dated July 29, 2009
- 4.9 Letter Agreement with T Squared Investments, LLC, dated March 10, 2010
- 4.10 Common Stock Purchase Warrant "E" with T Squared Investments, LLC, dated March 10, 2010

| Exhibit No. | |
|-------------|--|
| 31 | Certification of the Principal Executive Officer and Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32 | Certification of the Principal Executive Officer and Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (This exhibit shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed incorporated by reference into any other filing under the Security Act of 1933, as amended, or by the Security Exchange Act of 1934, as amended.) |
| (1) | Incorporated by reference to Exhibits set forth in the Company’s Registration Statement on Form 10-SB, filed with the Securities and Exchange Commission on March 4, 2004. |
| (2) | Incorporated by reference to exhibits set forth in the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on November 8, 2004. |
| (3) | Incorporated by reference to Exhibit 99.1 of the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 13, 2007. |
| (4) | Incorporated by reference to Exhibit 2.1 of the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 5, 2007. |
| (5) | Incorporated by reference to exhibits set forth in the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 15, 2007. |
| (6) | Incorporated by reference to Exhibits set forth in the Company’s Registration Statement on Form S1, filed with the Securities and Exchange Commission on February 11, 2008. |
| (7) | Incorporated by reference to Exhibits set forth in the Company’s Form 10-Q for the three months ended June 30, 2008, filed with the Securities and Exchange Commission on August 18, 2008. |

ITEM 15. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The following table shows the fees that we were billed for audit and other services provided by our independent auditors for the periods set forth.

| | Year Ended 12/31/2009 | Year Ended 12/31/2008 |
|----------------------|-----------------------------|-----------------------------|
| Audit Fees | \$ 40,000 | \$ 37,000 |
| Audited-Related Fees | 0 | 10,000 |
| Tax Fees | 0 | 0 |
| All Other Fees | 0 | 4,000 |
| Total | \$ 40,000 | \$ 51,000 |

Audit Fees—This category includes the audit of the Company’s annual financial statements, review of financial statements included in the Company’s Form 10-Q Quarterly Reports and services that are normally provided by the independent auditors in connection with engagements for those fiscal years.

Audit-Related Fees—This category consists of assurance and related services by the independent auditors that are reasonably related to the performance of the audit or review of the Company’s financial statements and are not reported above under “Audit Fees.”

Tax Fees—This category consists of fees billed for professional services rendered by the independent auditors for tax compliance, tax advice, and tax planning. These services include assistance regarding federal, state and international tax compliance, assistance with tax reporting requirements and audit compliance, and mergers and acquisitions tax compliance.

All Other Fees—This category consists of fees for services rendered by the independent auditors in addition to those reported above.

Overview—The Board reviews, and in its sole discretion pre-approves, our independent auditors' annual engagement letter including proposed fees and all audit and non-audit services provided by the independent auditors. Accordingly, all services described under "Audit Fees," "Audit-Related Fees," "Tax Fees" and "All Other Fees" were pre-approved by our Board. The Board may not engage the independent auditors to perform the non-audit services proscribed by law or regulation.

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 DIGITAL MEDIA, INC.

By: /s/ William O'Dowd IV
William O'Dowd IV
Chief Executive Officer

Dated: April 15, 2010

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.

By: /s/ William O'Dowd IV
William O'Dowd IV
Chairman, Chief Executive Officer and President
(principal executive officer and
principal financial officer)

Dated: April 15, 2010

By: /s/ Michael Espensen
Michael Espensen
Director

Dated: April 15, 2010

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Dolphin Digital Media, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Dolphin Digital Media, Inc. and Subsidiaries as of December 31, 2009 and 2008 and the related consolidated statements of operations, changes in shareholders' deficit and cash flows for the two years ended December 31, 2009 and 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provided a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dolphin Digital Media, Inc and Subsidiaries as of December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

These consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has operating and liquidity concerns, has incurred net losses approximating \$27,500,000 as of December 31, 2009. These factors raise substantial doubt about the ability of the Company to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. In this regard, Management is proposing to raise any necessary additional funds through loans and additional sales of its common stock. There is no assurance that the Company will be successful in raising additional capital.

/s/ Jewett, Schwartz, Wolfe & Associates

Jewett, Schwartz, Wolfe & Associates

Hollywood, Florida
April 15, 2010

200 South Park Road, SUITE 150 • HOLLYWOOD, FLORIDA 33021 • TELEPHONE (954) 922-5885 • FAX
(954) 922-5957

MEMBER — AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
PRIVATE COMPANIES PRACTICE SECTION OF THE AICPA • REGISTERED WITH THE PUBLIC COMPANY
ACCOUNTING OVERSIGHT BOARD OF THE SEC

DOLPHIN DIGITAL MEDIA INC AND SUBSIDIARIES
Consolidated Balance Sheets

| | December 31, | |
|--|---------------------|-------------------|
| | 2009 | 2008 |
| ASSETS | | |
| Current | | |
| Cash | \$ 3,218 | \$ 51,014 |
| Inventory | 91,860 | 94,048 |
| Prepaid Expenses | 211,128 | 69 |
| Other Current assets | 635 | 678 |
| Total Current Assets | 306,841 | 145,809 |
| Property, Plant and equipment | — | 64,789 |
| Intangible Assets | 1,208,268 | 654,538 |
| Total Assets | \$ 1,515,109 | \$ 865,136 |
| LIABILITIES | | |
| Current | | |
| Cash overdraft | \$ 14,087 | \$ — |
| Accounts payable | 1,573,028 | 862,742 |
| Payroll Liabilities | — | 10,375 |
| Other current liabilities | 315,350 | 64,532 |
| Advances from Related Parties | 1,079,000 | 578,381 |
| Notes payable (Net of discount of \$84,000) | 216,000 | — |
| Total Current Liabilities | 3,197,465 | 1,516,030 |
| Long Term Liabilities | | |
| Notes payable convertible (Net of discount of \$73,032) | 230,143 | — |
| Total Long Term Liabilities | 230,143 | — |
| Total Liabilities | 3,427,608 | 1,516,030 |
| STOCKHOLDERS' DEFICIT | | |
| Common Share Capital, \$0.015 par value, 100,000,000 shares authorized, 56,959,454 issued and outstanding as of December 31, 2009 and 49,236,904 issued and outstanding as of December 31 2008 | 897,141 | 738,553 |
| Preferred Share Capital \$0.001 par value, 10,000,000 shares authorized, 500,000 shares issued and outstanding | 500 | 500 |
| Additional Paid-In Capital | 24,854,441 | 21,360,530 |
| Accumulated Deficit | (27,529,526) | (22,609,785) |
| Comprehensive Loss / Income | (135,055) | (140,692) |
| Total Stockholders' Deficit | (1,912,499) | (650,894) |
| Total Liabilities and Stockholders' Deficit | \$ 1,515,109 | \$ 865,136 |

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

DOLPHIN DIGITAL MEDIA INC AND SUBSIDIARIES
Consolidated Income Statements
For the years ended December 31, 2009 and 2008

| | For the Years ended December 31, | |
|--|---|-----------------------|
| | 2009 | 2008 |
| Revenues | \$ — | \$ 914,551 |
| Cost of Sales | <u>—</u> | <u>346,406</u> |
| Gross Profit | <u>—</u> | <u>568,145</u> |
| Expenditures: | | |
| General and Administrative | 3,277,588 | 1,590,896 |
| Legal and Professional Fees | 541,413 | 1,387,040 |
| Depreciation | 23,229 | 32,328 |
| Impairment of Intangible Assets | 806,618 | 11,719,732 |
| Impairment of Fixed Assets | 49,698 | |
| Amortization of Stock Compensation | <u>—</u> | <u>254,072</u> |
| Total Expense | <u>4,698,546</u> | <u>14,984,068</u> |
| Loss from Operations | <u>(4,698,546)</u> | <u>\$(14,415,923)</u> |
| Other Expenses | | |
| Interest Expense | 221,195 | 38,458 |
| Liquidated Damages | <u>—</u> | <u>262,500</u> |
| Total Other Expenses | <u>221,195</u> | <u>300,958</u> |
| Net (Loss) / Profit from operations | <u>\$ (4,919,741)</u> | <u>\$(14,716,881)</u> |
| Foreign Currency Adjustments | <u>5,637</u> | <u>(40,667)</u> |
| Comprehensive (Loss) / Profit | <u>\$ (4,914,104)</u> | <u>\$(14,757,548)</u> |
| Basic and Diluted Loss per Share | <u>\$ (0.09)</u> | <u>\$ (0.42)</u> |
| Basic and Diluted Weighted Average Number of Shares Outstanding during the Period | <u>53,926,712</u> | <u>35,521,287</u> |

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

Dolphin Digital Media Inc and Subsidiaries
Consolidated Statement of Changes in Stockholders' Deficit
For the years ended December 31, 2009 and 2008

| | Preferred Stock | | Common Stock | | Additional Paid-in Capital | Deferred Compensation | Accumulated Comprehensive Loss / Gain | Accumulated Defecit | Total Stockholders Deficit |
|--|-----------------|---------------|-------------------|------------------|----------------------------------|--------------------------|---|------------------------|----------------------------------|
| | Shares | Amount | Shares | Amount | | | | | |
| Balance | | | | | | | | | |
| December 31, 2007 | 500,000 | \$ 500 | 20,500,642 | \$307,565 | \$ 7,941,022 | \$ (254,072) | (100,025) | (7,852,237) | \$ 42,753 |
| Shares Issued for Cash | — | — | 300,000 | 4,500 | 25,500 | — | — | — | 30,000 |
| Shares Issued for Liquidated Damages | — | — | 187,500 | 2,813 | 259,688 | — | — | — | 262,501 |
| Shares Issued for Acquisitions | — | — | 24,063,735 | 360,956 | 10,997,819 | — | — | — | 11,358,775 |
| Shares issued for Services & Payables | — | — | 272,021 | 4,024 | 238,693 | — | — | — | 242,717 |
| Shares issued for cash | — | — | 3,913,006 | 58,695 | 1,897,808 | — | — | — | 1,956,503 |
| Deferred Compensation | — | — | — | — | — | — | — | — | — |
| Amortization of Deferred Compensation | — | — | — | — | — | 254,072 | — | — | 254,072 |
| Comprehensive Loss / Gain | — | — | — | — | — | — | (40,667) | — | (40,667) |
| Net loss for the year ended December 31, 2008 | — | — | — | — | — | — | — | (14,757,548) | (14,757,548) |
| Balance | | | | | | | | | |
| December 31, 2008 | 500,000 | \$ 500 | 49,236,904 | \$738,553 | \$21,360,530 | \$ — | (140,692) | \$(22,609,785) | \$ (650,894) |
| Shares issued for Services | — | — | 3,743,065 | 56,146 | 1,053,347 | — | — | — | 1,109,493 |
| Shares Issued for Cash | — | — | 6,829,485 | 102,442 | 2,196,357 | — | — | — | 2,298,799 |
| Warrants issued for notes payable | — | — | — | — | 76,207 | — | — | — | 76,207 |
| Beneficial conversion on convertible notes | — | — | — | — | 168,000 | — | — | — | 168,000 |
| Comprehensive Loss / Gain | — | — | — | — | — | — | 5,637 | — | 5,637 |
| Net loss for the year ended December 31, 2009 | — | — | — | — | — | — | — | (4,919,741) | (4,919,741) |
| | 500,000 | \$ 500 | 59,809,454 | \$897,141 | \$24,854,441 | \$ — | (135,055) | \$(27,529,526) | \$ (1,912,499) |

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

DOLPHIN DIGITAL MEDIA INC. AND SUBSIDIARIES
Consolidated Statements of Cashflows
For the years ended December 31, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|--|---------------------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$(4,919,741) | \$(14,757,548) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation | 23,229 | 32,328 |
| Amortization of debt discount | 90,350 | — |
| Impairment of fixed assets | 56,602 | — |
| Impairment of intangibles | 99,211 | — |
| Amortization of common stock compensation | — | 254,072 |
| Common Stock issued for compensation | 1,109,493 | — |
| Shares Issued — Liquidated Damages | — | 262,501 |
| Shares Issued — Services Rendered | — | 242,717 |
| Impairment of goodwill | — | 11,358,776 |
| Changes in operating assets and liabilities: | | |
| Increase / (Decrease) in prepaid expenses | (211,059) | 399 |
| Increase / (Decrease) in other current assets | 43 | 11,218 |
| Increase / (Decrease) in Inventory | 2,188 | (91,819) |
| Increase / (Decrease) in accounts payable | 710,286 | 638,850 |
| Increase / (Decrease) in payroll liabilities | (10,375) | — |
| Increase / (Decrease) in other current liabilities | 250,818 | 66,870 |
| Net Cash (Used In) Operating Activities | <u>(2,798,955)</u> | <u>(1,981,636)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of computers | (15,042) | (3,314) |
| Purchase of intangible assets | (652,941) | (525,403) |
| Net Cash (Used In) Investing Activities | <u>(667,983)</u> | <u>(528,717)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Increase in cash overdraft | 14,087 | — |
| Proceeds from convertible notes payable | 300,000 | — |
| Proceeds from sale of common stock | 2,298,799 | 30,000 |
| Advances from Related Parties | 500,619 | 578,381 |
| Proceeds from note payable | 300,000 | 1,956,503 |
| Net Cash Provided By Financing Activities | <u>3,413,505</u> | <u>2,564,884</u> |
| Foreign Currency Adjustments | <u>5,637</u> | <u>(40,667)</u> |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (47,796) | 13,864 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | <u>51,014</u> | <u>37,150</u> |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | <u>\$ 3,218</u> | <u>\$ 51,014</u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION: | | |
| Interest paid | \$ — | \$ 38,458 |
| Income taxes | \$ — | \$ — |
| SUPPLEMENTAL DISCLOSURES OF NON CASH FLOWS | | |
| INVESTING AND FINANCING ACTIVITIES: | | |
| Liquidated Damages | \$ — | \$ 262,501 |
| Conversion of debt to equity | \$ — | \$ 1,956,503 |
| Conversion of accounts payable to equity | \$ — | \$ 242,717 |

DOLPHIN DIGITAL MEDIA, INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 1 — ORGANIZATION AND BASIS OF PRESENTATION:

Basis of Presentation and Organization

Dolphin Digital Media Inc (the “Company”), initially known as Rising Fortune Incorporated, was incorporated in the State of Nevada on March 7, 1995. The Company was inactive between the years 1996 and 2003. On November 19th, 2003, the Company amended its Articles of Incorporation to change its name to Maximum Awards Inc. On July 3 2007 the Company amended its Articles of Incorporation again to change its name to Logica Holdings Inc. On July 29 2008, the Company amended its Articles of Incorporation again to change its name to Dolphin Digital Media Inc

Dolphin Digital Media Inc is a holding company whose primary focus is in the e-commerce and information technology sector.

Plays On The Net Plc was incorporated in London (United Kingdom) on May 23 2006. The company began as an online database for unpublished playwrights. A platform for writers to share their work, to communicate with fellow dramatists and to explore new ideas, it has since grown into an extensive retail site for book and audio downloads and all-round theatre information site.

Dolphin Digital Media (Canada) Inc (Former Plays On The Net Inc) was incorporated in Ontario (Canada) on July 27 2006. It is a fully owned subsidiary of Plays On the Net Plc and is considered as the North American arm of its parent company which also develops from time to time websites for sale to third parties. The Company changes its name on October 28, 2008.

Anne’s World Limited was incorporated in Ontario (Canada) on August 3 2006. The company obtained the license for a secure social networking website for children. The website is an interactive virtual world for young people, secured with cutting-edge biometric technology in the form of a personal fingerprint reader.

Curtain Rising Inc was incorporated in Ontario (Canada) on October 19 2006. The company’s main activity is an online database for theatres and a bi-weekly online theatre magazine. Organized by city, the concept was a user-friendly search engine which would enable theatergoers to locate productions, venues and information with ease.

Dolphin Digital Media Inc (Delaware subsidiary) was incorporated in Delaware in June of 2008. The company owns a 10 year exclusive world-wide license and right to utilize the Property of Dolphin Entertainment Inc but solely upon and in connection the creation, promotion and operation of its Internet social networking websites.

On June 23 2008 the Company purchased 100% of Dolphin Digital Media Inc. The Company issued a total of 24,063,735 of common shares of 51% of its outstanding common stock for the acquisition of Dolphin Digital Media Inc resulting in a change of control. The total amount of issued and outstanding share for the period ended June 30, 2008 was 47,183,793. The acquisition was accounted for as a reverse merger transaction with Logica Holdings. Historical financials are those of Logica Holdings.

NOTE 2 — GOING CONCERN

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America which contemplate continuation of the Company as a going concern. The Company has yearend losses from operations for 2009 and 2008. During the year ended December 31, 2009 the Company recorded an accumulated deficit of approximating \$27,0529,526. Further, the Company has inadequate working capital to maintain or develop its operations, and is dependent upon funds from private investors and the support of certain stockholders.

These factors raise substantial doubt about the ability of the Company to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of these uncertainties. In this regard, Management is planning to raise any necessary additional funds through loans and additional sales of its common stock. There is no assurance that the Company will be successful in raising additional capital.

NOTE 3 — SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States of America. Significant accounting policies are as follows:

Principles of Consolidation

The accompanying financial statements represent the consolidated financial position and results of operations of the Company and include the accounts and results of operations of the Company and its wholly owned subsidiary. The accompanying consolidated financial statements include the accounts of Dolphin Digital Media Inc and its subsidiaries Plays On The Net Plc, Dolphin Digital Media (Canada) Inc, Anne's World Limited, Curtain Rising Inc and Dolphin Digital media Inc. for the period January 1, 2009 to December 31, 2009. Intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. These estimates and assumptions also affect the reported amounts of revenues, costs and expenses during the reporting period. Management evaluates these estimates and assumptions on a regular basis. Actual results could differ from those estimates.

Reclassification

Certain prior period amounts have been reclassified to conform to December 31, 2008 presentations.

Revenue Recognition

The Company recognizes the monthly and annual subscription revenues over the service period. Advertising revenue is recognized over the period the advertisement is displayed. Online shopping revenues and affiliate commission income are both recognized when a customer incurs in a purchase.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At December 31, 2009, there were no cash and cash equivalents. Cash and cash equivalents are defined to include cash on hand and cash in the bank.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. These inventories consisted of fingerprint readers. At December 31 2009 and 2008, the value of the company's inventory was \$91,980 and \$94,048, respectively.

Property and Equipment

Property and equipment is recorded at cost and depreciated over the estimated useful lives of the assets using principally 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. The range of estimated useful lives to be used to calculate depreciation for principal items of property and equipment are as follow:

| Asset Category | Depreciation/ Amortization Period |
|------------------------|---|
| Furniture and Fixture | 5 Years |
| Computer equipment | 3 Years |
| Leasehold improvements | 5 Years |

Goodwill and Intangible Assets

The Company adopted Accounting Standard Codification (“ASC”) Topic 350, formerly, Statement of Financial Accounting Standard (“SFAS”) No. 142, Goodwill and Other Intangible Assets, effective July 1, 2002. As a result, the Company discontinued amortization of goodwill, and instead annually evaluates the carrying value of goodwill for impairment, in accordance with the provisions of ACS Topic 350, formerly SFAS No. 142. Goodwill and indefinite-lived intangible represents the excess of the cost of investments in subsidiaries over the fair value of the net identifiable assets acquired. The Company holds licenses and expects both licenses and the cash flow generated by the use of the licenses in order to operate the platform to continue indefinitely due to the likelihood of continued renewal at little or no cost.

Impairment of Long-Lived Assets

The Company accounts for long-lived assets under the FASB Accounting Standards Codification No.’s 350 and 360 Intangibles — Goodwill and Other and Property, Plant and Equipment. In accordance with FASB ASC No.’s 350 and 360, long-lived assets, Goodwill and indefinite-lived intangible assets are reviewed for impairment by applying a fair-value based test on an annual basis or more frequently if circumstances indicate a potential impairment. If it is determined that an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its estimated fair value and classified as “Impairment” in the consolidated statement of operations. A 100% or \$92,111 impairment charge was recorded in 2009 for the Novell access manager acquired during the year 2007 as it was determined by management that the future value was impaired.

Income Taxes

Deferred income taxes are recognized based on the provisions of ASC Topic 740, formerly, SFAS No. 109, “Accounting for Income Taxes” (“SFAS 109”) for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Other

Comprehensive Income

The Company has adopted ACS Topic 220, formerly SFAS No. 130, “Reporting Comprehensive Income” (“SFAS 130”), which establishes standards for reporting and display of comprehensive income, its components and accumulated balances. The Company is disclosing this information on its Statement of Stockholders’ Equity.

Comprehensive income comprises a gain on foreign translation.

Foreign Currency Translation

The functional currency of the Company is the United States Dollar. The financial statements of the Company's Canadian subsidiary translated to the United States dollars using the period exchange rates as to assets and liabilities and average exchange rates as to revenues and expenses. Capital accounts are translated at their historical exchange rates when the capital transaction occurred. Net gains and losses resulting from foreign exchange translations are included in the statements of operations and stockholders' equity as other comprehensive income (loss).

Loss per share

The Company has adopted FASB Accounting Standards Codification No. 260 Earnings Per Share, Loss per common share is computed by dividing loss available to common shareholders by the weighted average number of common shares outstanding during the period. Stock warrants were not included in the computation of loss per share for the periods presented because their inclusion is anti-dilutive. The total potential dilutive warrants and stock options outstanding at December 31, 2009 and 2008, were 7,036,414 and 4,100,000 warrants, respectively. There were no dilutive securities outstanding for the period ended December 31, 2009.

Business Segments

The Company operates the following business segments:

- 1) Dolphin Digital Media (USA): The Company's primary business model is monthly and annual membership fees in the US for subscription to Dolphinsecure.com, DolphinSurf.com and Dolphinsurfkids.com.
- 2) Dolphin Digital Media (Canada): The Company's primary business model is monthly and annual membership fees in Canada for subscription to Dolphinsecure.com, DolphinSurf.com and Dolphinsurfkids.com. The Company's secondary business model is web design for third parties.
- 3) Curtain Rising: the Company's primary business model is advertising in the online by weekly theatre magazine.

Fair Value of Financial Instruments

Fair value of certain of the Company's financial instruments including cash and cash equivalents, inventory, account payable, accrued expenses, notes payables, and other accrued liabilities approximate cost because of their short maturities. The Company measures and reports fair value in accordance with ASC 820, "Fair Value Measurements and Disclosure" defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value investments.

Fair value, as defined in ASC 820, is 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. The fair value of an asset should reflect its highest and best use by market participants, principal (or most advantageous) markets, and an in-use or an in-exchange valuation premise. The fair value of a liability should reflect the risk of nonperformance, which includes, among other things, the Company's credit risk.

Valuation techniques are generally classified into three categories: the market approach; the income approach; and the cost approach. The selection and application of one or more of the techniques may require significant judgment and are primarily dependent upon the characteristics of the asset or liability, and the quality and availability of inputs. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also provides fair value hierarchy for inputs and resulting measurement as follows:

Level 1

Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities;

Level 2

Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3

Unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair values.

Fair value measurements are required to be disclosed by the Level within the fair value hierarchy in which the fair value measurements in their entirety fall. Fair value measurements using significant unobservable inputs (in Level 3 measurements) are subject to expanded disclosure requirements including a reconciliation of the beginning and ending balances, separately presenting changes during the period attributable to the following: (i) total gains or losses for the period (realized and unrealized), segregating those gains or losses included in earnings, and a description of where those gains or losses included in earnings are reported in the statement of income.

Concentration of Credit Risk

The Company did not have cash in banks in excess of FDIC insurance limits. During the year ended December 31, 2008, one customer accounted for 99% of the Company's sales. During the year ended December 31, 2009 the Company did not have any sales.

Recent Accounting Pronouncements

Recent accounting pronouncements that the Company has adopted or will be required to adopt in the future are summarized below.

In June 2009, the FASB issued Financial Accounting Standards Codification No. 860 — Transfers and Servicing. FASB ASC No. 860 improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. FASB ASC No. 860 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. The Company is evaluating the impact the adoption of FASB ASC No. 860 will have on its financial statements.

In June 2009, the FASB issued Financial Accounting Standards Codification No. 810 — Consolidation. FASB ASC No. 810 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The Company is evaluating the impact the adoption of FASB ASC No. 810 will have on its financial statements.

In June 2009, the FASB issued Financial Accounting Standards Codification No. 105-GAAP. The FASB Accounting Standards Codification ("Codification") will be the single source of authoritative nongovernmental U.S. generally accepted accounting principles. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. FASB ASC No. 105 is effective for interim and annual periods ending after September 15, 2009. All existing accounting standards are superseded as described in FASB ASC No. 105. All other accounting literature not included in the Codification is nonauthoritative. The Adoption of FASB ASC No. 105 did not have a impact on our financial statements.

NOTE 4 — PROPERTY, PLANT AND EQUIPMENT

The Company has fixed assets as of December 31, 2009 and 2008 as follows:

| | December 31, 2009 | December 31, 2008 |
|-------------------------------|----------------------|----------------------|
| Property, plant and equipment | \$ 122,042 | \$ 122,042 |
| Accumulated depreciation | <u>(122,042)</u> | <u>(57,253)</u> |
| Total | <u>\$ —</u> | <u>\$ 64,789</u> |

Depreciation Expense is \$64,789 and \$32,328 for December 31, 2009 and 2008, respectively.

NOTE 5 — INTANGIBLE ASSETS

The Company has intangible assets as of December 31, 2009 and 2008 as follows:

| | December 31, 2009 | December 31, 2008 |
|-------------------------|----------------------|----------------------|
| Novell access manager | \$ — | \$ 99,211 |
| Other intangible assets | 29,924 | 29,924 |
| Dolphin Secure Websites | <u>1,178,344</u> | <u>525,403</u> |
| Total | <u>\$ 1,208,268</u> | <u>\$ 654,538</u> |

A 100% or \$92,111 impairment charge was recorded in 2009 for the Novell access manager acquired during the year 2007 as it was determined by management that the future value was impaired.

NOTE 6 — NOTES PAYABLE — CONVERTIBLE

| | <u>December 31, 2009</u> |
|-------------|--------------------------|
| Note Amount | \$ 300,000 |
| Discount | <u>(84,000)</u> |
| Net | <u>\$ 216,000</u> |

In January 2009 the Company received proceeds of \$200,000 from a note payable. The note bears interest at a rate of 10% per annum and is convertible at \$.50 per share. The note is due two years from the date of issuance. Accrued interest at December 31, 2009 amount to \$19,616. The Company recorded beneficial conversion of \$112,000. The Company is amortizing the beneficial conversion over the term of the note. Amortization expense at December 31, 2009 amounted to \$56,000.

In March 2009 the Company received proceeds of \$100,000 from a note payable. The note bears interest at a rate of 10% and is convertible at \$.50 per share. The note is due two years from the date of issuance. Accrued interest at December 31, 2009 amount to \$7,534. The Company recorded beneficial conversion of \$56,000. The Company is amortizing the beneficial conversion over the term of the note. Amortization expense at December 31, 2009 amounted to \$28,000.

NOTE 7 — NOTE PAYABLE RELATED PARTY

At December 31, 2009 The Company's CEO had loaned the Company a total of \$1,079,000. This amount has accrued interest at a rate of 10%. The outstanding amount indebted to Mr. William O'Dowd includes accrued interest of \$111,278 at December 31, 2009.

NOTE 8 — NOTE PAYABLE — CONVERTIBLE

In July 2009 the Company entered into a convertible promissory note in the amount of \$300,000. The Company has agreed to issue 231,000 common stock warrants at an exercise price of \$.0001 pursuant to the note agreement. The note is convertible into 769,231 shares of common (\$.39 per share) and 384,616 common stock warrants with an exercise price of \$.80. The Note is due July 29, 2015. The fair value of the warrants was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield 0%, volatility 121%, risk-free interest rate of 1%, and expected warrant life of 6 months The fair value of the warrants on the date of issuance was \$76,207. The Company will amortize the value of the warrants over the term of the note. As of December 31, 2009 the Company recorded amortization expense of \$6,350 related to the note.

| | <u>December 31, 2009</u> |
|-------------|--------------------------|
| Note Amount | \$ 300,000 |
| Discount | <u>(69,857)</u> |
| Net | <u>\$ 230,143</u> |

NOTE 9 — LICENSING AGREEMENTS

The Company recognizes a ten year licensing agreement between Dolphin Entertainment Inc. and Dolphin Digital Media Inc. Under the license, the Company is authorized to use Dolphin Entertainment's brand properties in connection with the creation, promotion and operation of subscription based Internet social networking websites for children and young adults. The license requires that the Company pays to Dolphin Entertainment royalties at the rate of fifteen percent of net sales from performance of the licensed activities. No sales were recorded during the year ended December 31, 2009.

NOTE 10 — STOCKHOLDERS EQUITY

A) Preferred Stock

The Company's Articles of Incorporation authorize the issuance of 10,000,000 shares of \$0.001 par value preferred stock. The Board of Directors has the power to designate the rights and preferences of the preferred stock and issue the preferred stock in one or more series.

a) On October 4, 2007 the Company issued 250,000 preferred shares for a cash consideration of \$250,000. These preferred shares are convertible by the investor into 2.5 shares of common stock or \$.40 per share.

b) On November 7, 2007 the Company issued 250,000 preferred shares for a cash consideration of \$250,000. These preferred shares are convertible by the investor into 2.0833 shares of common stock or \$.48 per share.

As of December 31, 2007, the Company had 500,000 preferred shares issued and outstanding.

On October 4th 2007, the company entered into a financing agreement whereby Warrants were issued to an investor to purchase the following amounts of common stock:

- a) 650,000 shares of common stock exercisable at \$0.72 per share.
- b) 1,500,000 shares of common stock exercisable at \$1.00 per share.
- c) 1,500,000 shares of common stock exercisable at \$2.00 per share.

The Warrants contain cashless exercise provisions and are exercisable until October 4th, 2011.

B) Common Stock

The company's Articles of Incorporation authorize the issuance of 100,000,000 shares at \$0.015 par value.

The following transactions occurred during 2009 and 2008:

On January 14 2008, the company issued 187,500 common shares as part of a liquidated damages indemnity clause due to late filing of a registration statement. The Dollar value of this transaction was \$262,500.

On February 14 2008, the Company sold 300,000 common shares for cash at \$.50 cents per share.

On March 3 2008, the Company sold 1,000,000 common shares for cash at \$.50 cents per share.

On April 29, 2008, the Company sold 2,560 common shares for cash at \$.50 cents per share. Total cash received was \$1,260.

On May 1st 2008, the company issued to T Squared Investments LLC 300,000 common shares of Dolphin Digital Media Inc for a consideration of \$.10 per share, the total consideration was \$30,000.

On May 1, 2008, the Company issued 25,000 common shares for \$.50 for \$12,500 of marketing & consulting services rendered.

On June 6, 2008, the Company sold 25,000 common shares for cash at \$.50 cents per share. Total cash received was \$12,500.

On June 6, 2008, the Company issued 43,518 common shares at \$.50 for \$21,704 of consulting services rendered to the Company.

On June 17, 2008, the Company issued 203,504 common shares for \$1.02 for \$208,513 of marketing & consulting services rendered.

On June 19, 2008, the Company sold 557,335 common shares for cash at \$.50 cents per share. Total cash received was \$278,668.

On June 23 2008 the Company issued 24,063,735 common shares for the acquisition of Dolphin Digital Media Inc.

On September 30 2008, the Company sold 1,463,922 common shares at \$.50 cents per share. Total cash received was \$731,961.

On December 31, 2008, the Company sold 564,188 common shares for \$.50 cents per share. Total cash received was \$282,094.

On April 9, 2009 the Company sold 256,410 shares of common for \$100,000 (\$.39 per share). In addition the Company issued 128,502 common stock warrants with an exercise price of \$.80.

On April 9, 2009 the Company sold 67,103 shares of common for \$26,170 (\$.39 per share). In addition the Company issued 33,552 common stock warrants with an exercise price of \$.80.

On April 10, 2009 the Company sold 1,000,000 shares of common for \$250,000 (\$.25 per share).

On May 20, 2009 the Company sold 128,205 shares of common for \$50,000 (\$.39 per share). In addition the Company issued 64,103 common stock warrants with an exercise price of \$.80.

On June 10, 2009 the Company sold 50,000 shares of common for \$19,500 (\$.39 per share). In addition the Company issued 25,000 common stock warrants with an exercise price of \$.80.

On June 30, 2009 the Company sold 500,000 shares of common for \$195,000 (\$.39 per share). In addition the Company issued 250,000 common stock warrants with an exercise price of \$.80.

On July 2, 2009 the Company sold 120,000 shares of common for \$33,600 (\$.28 per share).

On August 26, 2009 the Company sold 51,282 shares of common for \$20,000 (\$.39 per share). In addition the Company issued 25,641 common stock warrants with an exercise price of \$.80.

On August 31, 2009 the Company sold 1,000,000 shares of common for \$390,000 (\$.39 per share). In addition the Company issued 500,000 common stock warrants with an exercise price of \$.80.

On September 18, 2009 the Company sold 500,000 shares of common for \$195,000 (\$.39 per share). In addition the Company issued 250,000 common stock warrants with an exercise price of \$.80.

On September 28, 2009 the Company sold 300,000 shares of common for \$117,000 (\$.39 per share). In addition the Company issued 150,000 common stock warrants with an exercise price of \$.80.

During the three months ended December 31, 2009 the Company sold 2,250,000 shares of common for \$750,000 (\$.33 per share). In addition the Company issued 1,125,000 common stock warrants with an exercise price of \$1.00 expiring 2 years from the date of issuance.

During the three months ended December 31, 2009 the Company sold 600,000 shares of common for \$150,000 (\$.25 per share).

Common stock issued for services

On March 20, 2009 the Company issued a total of 1,350,000 shares of common stock valued at \$270,000 (\$.20 per share) for services.

On March 20, 2009 the Company issued a total of 500,000 shares of common stock valued at \$100,000 (\$.20 per share) for services.

On July 10, 2009 the Company issued a total of 86,000 shares of common stock valued at \$37,840 (\$.44 per share) for services.

On July 10, 2009 the Company issued a total of 1,000,000 shares of common stock valued at \$440,000 (\$.44 per share) services. The foregoing shares are the subject of ongoing litigation, in which the Company claims that the shares were improperly issued.

On July 27, 2009 the Company issued a total of 21,786 shares of common stock valued at \$37,840 (\$.44 per share) for services.

On July 27, 2009 the Company issued a total of 500,000 shares of common stock valued at \$150,000 (\$.39 per share) for services.

On September 18, 2009 the Company issued a total of 79,800 shares of common stock valued at \$29,526 (\$.37 per share) for services.

On September 18, 2009 the Company issued a total of 136,986 shares of common stock valued at \$50,685 (\$.37 per share) for services.

On September 18, 2009 the Company issued a total of 68,493 shares of common stock valued at \$25,342 (\$.37 per share) for services.

During 2007, the Company entered into a consulting agreement with a consultant to provide management and public relations services. The agreement calls for the consultant to provide services for a period of one year and the consultant to receive: 400,000 shares of common stock and warrants to purchase 50,000 shares of common stock at an exercise price of \$2.50 for a period of two years, and warrants to purchase 50,000 shares of common stock at an exercise price of \$5.00 for a period of two years. The common stock has a fair value of \$200,000 based on recent cash offerings and will be amortized over the life of the agreement (\$0.50 per share). The fair value of the warrants was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield 0%, volatility 123%, risk-free interest rate of 3.94%, and expected warrant life of two years. The value of the warrants on the date of issuance was \$103,686. For the year ended December 31, 2008, the Company has recognized consulting expense of \$297,684 under the agreement. During the year 2008 the Company has recorded deferred stock compensation of \$254,072.

In June of 2008, the Company obtained an exclusive license to Dolphin Entertainment Inc.'s family entertainment brand properties through the acquisition of 100% of the capital stock of Dolphin Digital Media, a newly formed Delaware corporation wholly owned by William O'Dowd, IV. At the time of the acquisition, Dolphin Digital was the grantee of an exclusive ten-year worldwide license from Dolphin Entertainment, dated as of the date of the closing of the acquisition, to use Dolphin Entertainment's family entertainment brand properties relating to certain live-action television and film productions, including: Zoey 101, Ned's De-Classified School Survival Guide, Roxy Hunter, Shredderman Rules, Last Day of Summer, Gym Teacher, Spectacular, Soul Surfer: The Bethany Hamilton Story, and Millennium Kiss. This license was the sole asset of Dolphin Digital at the time of the acquisition, and Dolphin Digital had not yet commenced its planned principal operations. Under the license, the Company is authorized to use Dolphin Entertainment's brand properties in connection with the creation, promotion and operation of subscription based Internet social networking websites for children and young adults. The license requires that the Company pays to Dolphin Entertainment royalties at the rate of fifteen percent (15%) of our net sales from performance of the licensed activities. Net Sales is defined in the license as meaning the number of units sold by Dolphin Digital arising from the performance of the licensed activities multiplied by Dolphin Digital's established prices as published on the Dolphin Digital websites or other official Dolphin Digital pricing publications in force at the time of sale. No set-offs, third-party royalties, or deductions of any kind may be taken in the determination of net sales or the royalties due to Dolphin Entertainment.

Also, on June 23 2008 the Company purchased 100% of Dolphin Digital Media Inc. The Company issued a total of 24,063,735 of common shares of 51% of its outstanding common stock for the acquisition of Dolphin Digital Media Inc resulting in a change of control. In addition the Company also agreed to an anti-dilution provision for the shareholder of Dolphin Digital Media, Inc. As consideration for the agreement the shareholder has agreed to become the Chairman and CEO of the Company. As the shareholder is considered a related party on SAB 48 the Company has recorded the assets of Dolphin Digital Media, Inc at their historical cost. The total amount of issued and outstanding share for the period ended June 30, 2008 was 47,183,793. The acquisition was accounted for as reverse merger transaction with Logica Holdings. The acquisition was value at \$11,560,029 at a price of \$.50 per share the most recent cash sale of common stock.

| | <u>June 23, 2008</u> |
|-------------------------------------|----------------------|
| Cash | \$ 3,584 |
| Inventory | 100,997 |
| Prepaid expenses | 572 |
| Other assets | 727 |
| Fixed assets | 76,868 |
| Intangible assets | <u>132,582</u> |
| Total assets | 315,330 |
| Less: Liabilities and notes payable | <u>(475,033)</u> |
| Net liabilities acquired | (159,703) |
| Value of stock issued | 11,560,029 |
| Liabilities acquired | <u>159,703</u> |
| Goodwill | <u>\$ 11,719,732</u> |

The goodwill recorded represented the control premium paid in the transaction. As required by ASC 350, the Company assessed the goodwill at December 31, 2008 and based upon this assessment the Company determined there was no future economic value in the goodwill resulting from the reverse merger with Logica Holdings. Accordingly, the Company fully impaired the value as of December 31, 2008.

NOTE 11 — INCOME TAXES

The provision (benefit) for income taxes from continued operations for the years ended December 31, 2009 and 2008 consist of the following:

| | December 31, | |
|---|--------------|--------------|
| | <u>2009</u> | <u>2008</u> |
| Current: | — | — |
| Deferred benefit: | \$ 1,777,000 | \$ 5,200,000 |
| Valuation allowance | (1,777,000) | (5,200,000) |
| (Benefit) provision for income taxes, net | <u>\$ —</u> | <u>\$ —</u> |

The difference between income tax expense computed by applying the federal statutory corporate tax rate and actual income tax expense is as follows:

| | December 31, | |
|------------------------------------|-----------------|-----------------|
| | <u>2009</u> | <u>2008</u> |
| Combined statutory income tax rate | 36.12% | 36.12 |
| Valuation allowance | <u>(36.12)%</u> | <u>(36.12)%</u> |
| Effective tax rate | <u>—</u> | <u>—</u> |

Deferred income taxes result from temporary differences in the recognition of income and expenses for the financial reporting purposes and for tax purposes. The tax effect of these temporary differences representing deferred tax asset and liabilities result principally from the following:

| | December 31, | |
|----------------------------------|--------------------|---------------------|
| | <u>2009</u> | <u>2008</u> |
| Net operating loss carry-forward | | 14,400,000 |
| Valuation allowance | <u>(1,777,000)</u> | <u>(14,400,000)</u> |
| Deferred income tax asset | <u>\$ —</u> | <u>\$ —</u> |

The Company has a net operating loss carry-forward of approximately \$16,100,000 available to offset future taxable income through 2029.

NOTE 12 — STOCK OPTION PLAN

For the period ended December 31st 2009, the Company had not implemented a stock option plan.

NOTE 13 — COMMITMENTS AND CONTINGENCIES

LEASE COMMITMENTS

The Company headquarters is in Miami, Florida, where it leases office space at \$3,237 per month.

NOTE 14 — LITIGATION

Dolphin Digital Media, Inc., et al/v. Mark Peikin, et al. - Case No. 09-CIV-22964-KING/BANDSTRA

On October 1, 2009, Dolphin Digital Media, Inc, Dolphin Entertainment, Inc. and Dolphin Entertainment Capital, Inc. brought suit in the U.S. District Court for the Southern District of Florida against Mark Peikin, Joshua M. Gold, Bespoke Growth Partners, Inc., GSquared, Ltd., Carta De Dinero, LLC, Nevada Agency And Transfer Co. and Merrill Lynch Pierce Fenner & Smith Incorporated. The suit seeks recovery of corporate stock and damages occasioned by the misfeasance of Peikin, Gold and the corporate entities over which they presided (Bespoke, GSquared, Carta De Dinero) and employed to divert Plaintiff's money and opportunities. As alleged in the complaint, Peikin and Gold served as outside and inside counsel to and officers of Plaintiffs in 2008 and 2009. As further alleged, in the course of their affiliation with Plaintiffs, they were able to use their positions of trust to gain access to Plaintiffs' assets and opportunities and divert same to Bespoke, GSquared and Carta De Dinero. Among their actions, the Company alleged Peikin and Gold improperly directed Nevada Agency And Transfer Co. to issue one million shares of Dolphin Digital Media, Inc.'s stock to Carta De Dinero, who then transferred such shares to its account at Merrill Lynch and sold them on the open market. In this lawsuit, Plaintiffs seek recovery of the damages occasioned by the improper issuance and sale of the Dolphin Digital Media, Inc. stock, as well as the value of the actual funds and opportunities misappropriated by Peikin and Gold.

Malcolm Stockdale, et al. v. William O'Dowd, et al., Case No. 09-23338-CIV-JORDAN

This action was initiated on November 2, 2009. Therein Plaintiffs Malcolm Stockdale, the Winterman Group Ltd. and Anne's Diary, Inc. sued Defendants William O'Dowd IV, Dolphin Entertainment, Inc. and Dolphin Digital Media, Inc. in the U.S. District Court for the Southern District of Florida. In their complaint, Plaintiffs alleged that O'Dowd, Dolphin Entertainment and Dolphin Digital Media conspired with the parties' mutual counsel, Mark Peikin (who is also one of the Defendants in the action styled *Dolphin Digital Media, Inc., et al. v. Mark Peikin, et al.*, Case No. 09-CIV-22964-KING/BANDSTRA) to acquire Logica Holdings, Inc. by fraud in 2008. Notably, Mark Peikin is not named in the suit as a Defendant. According to the complaint, Defendants conspired with Peikin to change the terms of the merger just before its closing, which change benefited O'Dowd by approximately \$4,000,000.00. Thereafter, Plaintiffs allege that O'Dowd stole shares of stock and mismanaged Logica. Causes of action alleging conspiracy, fraud breach of fiduciary duty and violations of the Racketeer Influenced and Corrupt Organizations Act are alleged. No specific amount of damages sought was alleged in the complaint. On January 19, 2010, Plaintiffs unilaterally and without notice dismissed the lawsuit (without prejudice to their right to re-file the action at a later date, if they choose) and did so without obtaining a settlement of any kind from any of the Defendants.

NOTE 15 — RELATED PARTY TRANSACTIONS

Related party transactions with Mr. William O'Dowd IV, CEO of the Company:

On July 8, 2008, The Company's CEO loaned the Company \$70,000 at a rate of 10% per annum. It was agreed that the loans would be on demand or converted into common restricted stock at a conversion rate of 50 cents per share. At December 31, 2008 the principle amount had accrued interest amounting to \$3,363 and which \$2,191 was paid back.

On October 6, 2008, The Company's CEO loaned the Company \$250,000 at a rate of 10% per annum. It was agreed that the loans would be on demand or converted into common restricted stock at a conversion rate of 50 cents per share. At December 31, 2008 the principle amount had accrued interest amounting to \$5,903.

On December 1, 2008, The Company's CEO loaned the Company \$50,000 at a rate of 10% per annum. It was agreed that the loans would be on demand or converted into common restricted stock at a conversion rate of 50 cents per share. At December 31, 2008 the principle amount had accrued interest amounting to \$417.

On December 15, 2008, The Company's CEO loaned the Company \$200,000 at a rate of 10% per annum. It was agreed that the loans would be on demand or converted into common restricted stock at a conversion rate of 50 cents per share. At December 31, 2008 the principle amount had accrued interest amounting to \$889.

At December 31, 2009 The Company's CEO had loaned the Company a total of \$1,079,000. This amount has accrued interest at a rate of 10%. The outstanding amount indebted to Mr. William O'Dowd includes accrued interest of \$111,278 at December 31, 2009.

Related party transactions with Mr. Malcolm H. Stockdale:

The Company retained Mr. Stockdale as consultant in July of 2007 for 24 months. The agreed monthly compensation was \$16,667. The Company granted 203,503 restricted shares to Mr. Stockdale in compensation of the first 12 months fees plus 10% interest. The fees amounted to \$200,004, plus \$8,509.43 of interest hence the average conversion rate was \$1.02 per share.

Related party transactions with Anne's Diary Inc.:

The Company has a an exclusive 7 year license from Anne's Diary Inc allowing the Company to exploit technologies for secure biometric log in internet sites as well as any child and young adult related social networking platform.

Also, Anne's Diary Inc has issued various invoices during 2008 to the Company for upgrades to the biometric login technology on the Dolphin Secure websites.

NOTE 16 — SUBSEQUENT EVENTS

Subsequent to year end the Company sold to two individuals a total of 600,000 shares of common for \$150,000 (\$.25 per share).

Subsequent to year end the Company sold to nine individuals a total of 1,546,974 shares of common for \$510,500 (\$.33 per share). In addition the Company issued 773,487 common stock warrants with an exercise price of \$1.00.

Subsequent to year end the Company sold to an investor 64,103 shares of common for \$25,000 (\$.39 per share). In addition the Company issued 64,103 common stock warrants with an exercise price of \$.80.

Subsequent to year end the Company issued a total of 250,000 shares of common stock for services.

On March 10, 2010 the Company and T Squared Investments LLC agrees to cancel the following warrants:

- Warrant "A" for 650,000 shares;
- Warrant "B" for 1,500,000 shares;
- Warrant "C" for 1,500,000 shares; and,
- Warrant "4" for 384,615 shares.

Post such cancellation, the only warrants held by T Squared Investments LLC is their existing Warrant "D" for 231,000 shares with an exercise price of \$0.0001 per share and the following warrant below. Pursuant to this agreement the expiration date of Warrant "D" will be reduced from July 28, 2014 to December 31, 2012.

In consideration for the cancellation of such warrants above and for the payment to the DPDM described below, T Squared Investments LLC will be issued a new Warrant "E" for 7,000,000 shares of DPDM with an expiration date of December 31, 2012 and an exercise price of \$0.25 per share.

Upon execution T Squared Investments LLC will immediately wire Two Hundred Thousand Dollars (\$200,000) to the Company, which will result in the effective reduction of the exercise price of Warrant "E" from \$0.25 per share to \$0.2214 per share. T Squared Investments LLC can continually pay the Company an amount of money to reduce the exercise price of Warrant "E" until such time as the exercise price of Warrant "E" is effectively \$0.0001 per share. Each time a payment by T Squared Investments LLC is made to DPDM, a side letter will be executed by both parties that states the new effective exercise price of Warrant "E" at that time. At such time when T Squared Investments LLC has paid down Warrant "E" to an exercise price of \$0.0001 per share or less, T Squared Investments LLC shall have the right to exercise Warrant "E" via a cashless provision and hold for six months to remove the legend under Rule 144.

T Squared Investments LLC may not exercise such warrant if post the exercise, T Squared Investments LLC would be above the 9.99% ownership level of the Company. All terms of this letter and Warrant E (as laid out in the Warrant "E") are effective upon execution by both parties as of the date written above. T Squared Investments LLC will make a good faith effort to exercise or pay the applicable amount to reduce the exercise price of Warrant "E" by \$750,000 by September 30th, 2010.

Immediately upon signing this agreement and wiring DPDM \$200,000.00, T Squared Investments LLC will have the following warrants outstanding.

| | | |
|------------------|------------------|--------------------|
| New Warrant "E": | Amount: | 7,000,000 shares |
| | Exercise price: | \$0.2214 per share |
| | Expiration Date: | 12/31/2012 |
| | | |
| New Warrant "D": | Amount: | 231,000 shares |
| | Exercise price: | \$0.0001 per share |
| | Expiration Date: | 12/31/2012 |

On April 6, 2010 T-Squared Investments, LLC paid down an additional \$200,000 reducing the exercise price on the warrants to \$.1928.

The company evaluated subsequent events through the filing date of April, 14 2010.



July 29, 2009

Bill O'Dowd; CEO, Dolphin Digital Media, Inc.
804 Douglas Rd., Suite 365, Executive Tower Building
Coral Gables, FL 33134

REF: Conversion and Exercise price re-set

Dear Bill,

This letter, once executed, serves as an agreement between T Squared Investment LLC ("TSP") and Dolphin Digital Media, Inc. (the "Company") whereby the Company agrees to immediately reduce and reset the following conversion prices of securities held by TSP:

1. The conversion price to common stock within the Preferred Stock Purchase Agreement dated October 4, 2007, and the additional investment right dated November 7, 2007 shall both be set to \$0.30 per share. All other terms of the Preferred Stock Purchase Agreement shall remain the same; plus
2. The conversion price on the \$200,000 convertible note dated January 6, 2009 shall be set to \$0.30 per share. All other terms of the convertible note shall remain the same; plus
3. The exercise prices of Warrants "A", "B", and "C", all dated October 4, 2007 shall be set to \$0.30 per share. All other terms of the Warrants remain the same.

In addition, the Company immediately agrees to cause to be issue to T Squared Investments LLC a new warrant to purchase up to 231,000 common shares in the Company for a period of Five (5) years from the date of this letter. Such warrant will have an exercise price of \$0.0001 per share and contain a cashless exercise provision, as further detailed in the attached Warrant "D" Agreement.

In addition, the Directors of the Company agree to invest, either personally or through family and close friends, a minimum of \$200,000 into the Company under the terms of the subscription agreement at \$0.39 per share (plus half-warrant at an exercise price of \$0.80 per share), as more fully described within the subscription agreement. Such investment shall be made within 60 days of the date of this letter or the conversion and exercise prices described in points 1, 2, and 3 above reduce to \$0.20 per share, and TSP reserves the right to request proof of such minimum subscription received by the Company.

Please indicate your acknowledgement of this letter and agreement of the above-mentioned terms by signing below.

Please call us if you have any questions.

Sincerely,

T Squared Investments LLC
By: T Squared Capital LLC, Managing Member

By:

/s/ Thomas Sauve
By: Thomas Sauve, Managing Member

Dolphin Digital Media, Inc.

By:

/s/ Bill O'Dowd
By: Bill O'Dowd, CEO

SUBSCRIPTION AGREEMENT

OF

DOLPHIN DIGITAL MEDIA, INC.
(DPDM.OB)

SUBSCRIPTION AGREEMENT

July 29, 2009

Dolphin Digital Media, Inc.
804 Douglas Road
Executive Tower Building, Suite 365
Coral Gables, Florida 33134

1. **Investment.** Subject to and in reliance upon the representations, warranties, terms and conditions of this Subscription Agreement (the "Agreement"), Dolphin Digital Media, Inc., a Nevada corporation (the "Company") hereby agrees, on the Purchase Date (as defined below), to sell, assign, transfer and deliver to Investor (as defined below), and the undersigned (sometimes referred to herein as "I" or the "Investor") hereby agrees, on the Purchase Date (as defined below), to purchase and accept from the Company convertible debt of the Company in the total amount of Three Hundred Thousand Dollars (\$300,000.00) (the "Convertible Debt"), with such Convertible Debt converted into shares of Company stock at a conversion price of \$0.39 per share. Such Convertible Debt is due on July 29, 2015, holds a Zero Percent (0.0%) annual interest rate, and cannot be pre-paid to the Investor without the consent of the Investor. The Company also agrees to issue to the Investor a warrant in the amount of 384,615 shares, exercisable at \$0.80 per share and having a term of Three Years from the date set forth above, as set forth on Schedule I attached hereto at the Purchase Price (as set forth below) and on the terms and conditions described herein. The Convertible Debt and Warrants purchased by the Investor shall be herein defined as the "Purchased Securities".

For purposes of this Agreement, (i) "Purchase Date" shall be such date as determined by the Company and Investor as the date upon which to consummate the purchase of the Purchased Securities as evidenced by the execution of this Agreement; and (ii) "Purchase Price" shall be the \$300,000.00 in Convertible Debt. The minimum investment is fifty thousand dollars (\$50,000). The maximum is three million two hundred thousand dollars (\$3,200,000), subject to waiver by the Company.

2. **Payment.** I hereby tender to the Company on the Purchase Date (i) the Purchase Price in full by wire transfer of immediately available funds to the account designated to me by the Company on Annex A hereto, (ii) one manually executed copy of this Subscription Agreement and (iii) an executed copy of my Accredited Investor Questionnaire which is attached hereto as Annex B.

I fully understand that the Company has a limited operating history and that the Purchased Securities are a speculative investment which involve a high degree of risk of loss of my entire investment. I fully understand the nature of the risks involved in purchasing the Purchased Securities from the Company and I am qualified by my knowledge and experience to evaluate investments of this type. I have carefully considered the potential risks relating to the Company and purchasing the Purchased Securities from the Company and have, in particular, reviewed each of the risks set forth in Annex C attached hereto and the SEC filings described in Annex C attached hereto which may be obtained at www.sec.gov. Both my advisors and I have had the opportunity to ask questions of and receive answers from representatives of the Company or persons acting on its behalf concerning the Company and the terms and conditions of a proposed investment in the Company and my advisors and I have also had the opportunity to obtain additional information necessary to verify the accuracy of information furnished about the Company. Accordingly, I have independently evaluated the risks of purchasing the Purchased Securities from the Company.

3. Investor Representations and Warranties. I acknowledge, represent and warrant to, and agree with, the Company as follows:

(a) I am aware that my investment involves a high degree of risk, certain of which risks are disclosed in the Risk Factors attached hereto as Annex C. I am aware that the Company has incurred significant losses during each fiscal year since its inception and will likely require additional financing.

(b) I acknowledge and am aware that there is no assurance as to the future performance of the Company.

(c) I acknowledge that there may be certain adverse tax consequences to me in connection with my purchasing the Purchased Securities from the Company, and the Company has advised me to seek the advice of experts in such areas prior to making this investment.

(d) I am purchasing the Purchased Securities from the Company for my own account for investment and not with a view to or for sale in connection with the receipt of the Purchased Securities, nor with any present intention of selling or otherwise disposing of all or any part of the Purchased Securities. I agree that I must bear the economic risk of my investment for an indefinite period of time because, among other reasons, none of the Purchased Securities have been registered under the Securities Act of 1933, as amended (the "Securities Act") or under the securities laws of any state and, therefore, cannot be resold, pledged, assigned or otherwise disposed of unless they are subsequently registered under the Securities Act and under applicable securities laws of certain states or an exemption from such registration is available. I understand that the Company is under no obligation to register any of the Purchased Securities on my behalf or to assist me in complying with any exemption from such registration under the Securities Act or any state securities laws. I hereby authorize the Company to place a legend denoting the foregoing restrictions on any of the Purchased Securities.

(e) I am not a member of the National Association of Securities Dealers, Inc. ("NASD"); I am not and have not, for a period of 12 months prior to the date of this Subscription Agreement, been affiliated or associated with any company, firm, or other entity which is a member of the NASD; and I do not own any stock or other interest in any member of the NASD (other than interests acquired in open market purchases).

(f) I recognize that the Purchased Securities, as an investment, involve a high degree of risk including, but not limited to, the risk of economic losses from operations of the Company and the total loss of my investment. I believe that an investment in the Purchased Securities is suitable for me based upon my investment objectives and financial needs, and I have adequate means for providing for my current financial needs and contingencies and have no need for liquidity with respect to my investment in the Purchased Securities.

(g) I have been given access to full and complete information regarding the Company and the Purchased Securities and have utilized such access to my satisfaction for the purpose of obtaining information, and I have either met with or been given reasonable opportunity to meet with officers of the Company for the purpose of asking questions and receiving answers from, such officers concerning the terms and conditions of the issuance of the Purchased Securities and the business and operations of the Company and to obtain any additional information, to the extent reasonably available.

(h) I have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of purchasing the Purchased Securities, and thereby investing in the Purchased Securities and have obtained, in my judgment, sufficient information from the Company to evaluate the merits and risks of an investment in the Purchased Securities. I have not utilized any person as my purchaser representative as defined in Regulation D promulgated by the Securities Exchange Commission pursuant to the Securities Act in connection with evaluating such merits and risks.

(i) I have relied solely upon my own investigation in making a decision to invest in the Purchased Securities.

(j) I have received no representation or warranty from the Company or any of its respective officers, directors, employees, consultants or agents in respect of my investment in the Purchased Securities and I have received no information (written or otherwise) from them relating to the Company or its business other than the information contained in the SEC filings described on Annex D attached hereto. I am not participating in the offer as a result of or subsequent to: (i) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio or (ii) any seminar or meeting whose attendees have been invited by any general solicitation or general advertising.

(k) I have had full opportunity to ask questions and to receive satisfactory answers concerning the offering and other matters pertaining to my investment and all such questions have been answered to my full satisfaction.

(l) I have been provided an opportunity to obtain any additional information concerning the Purchased Securities and the Company and all other information to the extent the Company possesses such information or can acquire it without unreasonable effort or expense.

(m) I am an "accredited investor" as defined in Section 2(15) of the Securities Act and in Rule 501 promulgated thereunder.

(n) I understand that (i) the Purchased Securities have not been registered under the Securities Act, or the securities laws of any state in reliance on specific exemptions from registration, (ii) no securities administrator of any state or the federal government has recommended or endorsed the offering of the Purchased Securities or made any finding or determination relating to the fairness of an investment in the Company and (iii) the Company is relying on my representations, warranties and agreements for the purpose of determining whether this transaction meets the requirements of the exemptions afforded by the Securities Act and certain state securities laws.

(o) I understand that since neither the offer nor sale of the Purchased Securities has been registered under the Securities Act or the securities laws of any state, the Purchased Securities may not be sold, assigned, pledged or otherwise disposed of unless they are so registered or an exemption from such registration is available.

(p) I have been urged to seek independent advice from my professional advisors relating to the suitability of an investment in the Company in view of my overall financial needs and with respect to the legal and tax implications of such investment.

(q) If the undersigned is a corporation, company, trust, employee benefit plan, individual retirement account, Keogh Plan, or other tax-exempt entity, it is authorized and qualified to become an investor in the Company and the person signing this Subscription Agreement on behalf of such entity has been duly authorized by such entity to do so.

(r) The information contained in my Accredited Investor Questionnaire, as well as any information which I have furnished to the Company with respect to my financial position and business experience, is correct and complete as of the date of this Subscription Agreement and, if there should be any material change in such information prior to the consummation of the transactions contemplated hereby, I will furnish such revised or corrected information to the Company.

I hereby acknowledge and am aware that except for any rescission rights that may be provided under applicable laws, I am not entitled to cancel, terminate or revoke this subscription, and any agreements made in connection herewith shall survive my death or disability.

5. **Indemnification.** I hereby agree to indemnify and hold harmless the Company and its officers, directors, shareholders, employees, agents, and attorneys against any and all losses, claims, demands, liabilities, and expenses (including reasonable legal or other expenses, including reasonable attorneys' fees) incurred by each such person in connection with defending or investigating any such claims or liabilities, whether or not resulting in any liability to such person, to which any such indemnified party may become subject under the Securities Act, under any other statute, at common law or otherwise, insofar as such losses, claims, demands, liabilities and expenses (a) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact made by me and contained in this Subscription Agreement or my Accredited Investor Questionnaire, or (b) arise out of or are based upon any breach by me of any representation, warranty, or agreement made by me contained herein.

6. **Severability.** In the event any parts of this Subscription Agreement are found to be void, the remaining provisions of this Subscription Agreement shall nevertheless be binding with the same effect as though the void parts were deleted.

7. **Choice of Law and Jurisdiction; Arbitration** This Subscription Agreement will be deemed to have been made and delivered in the state of the Investor's residence as set forth on the signature page hereto and will be governed as to validity, interpretation, construction, effect and in all other respects by the internal laws of the State of Nevada.

8. **Counterparts.** This Subscription Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. The execution of this Subscription Agreement may be by actual or facsimile signature.

9. **Benefit.** This Subscription Agreement shall be binding upon and inure to the benefit of the parties hereto.

10. **Notices and Addresses.** All notices, offers, acceptance and any other acts under this Subscription Agreement (except payment) shall be in writing, and shall be sufficiently given if delivered to the addresses in person, by Federal Express or similar courier delivery, or, if mailed, postage prepaid, by certified mail, return receipt requested, as follows:

Investor: At the address designated on the signature page of this Subscription Agreement.

the Company: Dolphin Digital Media, Inc.
804 Douglas Road
Executive Tower Building, Suite 365
Coral Gables, Florida 33134
Tel: (305) 774-0407

or to such other address as any of them, by notice to the others may designate from time to time. The transmission confirmation receipt from the sender's facsimile machine shall be conclusive evidence of successful facsimile delivery.

11. **Oral Evidence.** This Subscription Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior oral and written agreements between the parties hereto with respect to the subject matter hereof. This Subscription Agreement may not be changed, waived, discharged, or terminated orally but, rather, only by a statement in writing signed by the party or parties against whom enforcement or the change, waiver, discharge or termination is sought.

12. **Section Headings.** Section headings herein have been inserted for reference only and shall not be deemed to limit or otherwise affect, in any matter, or be deemed to interpret in whole or in part, any of the terms or provisions of this Subscription Agreement.

13. **Survival of Representations, Warranties and Agreements** The representations, warranties and agreements contained herein shall survive the delivery of, and the payment for, the Purchased Securities.

14. **Acceptance of Purchase.** The Company may accept this Subscription Agreement by executing a copy hereof as provided and notifying the Investor within a reasonable time thereafter.

RESIDENTS OF ALL STATES: THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS. THE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER SAID ACT AND SUCH LAWS PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS SUBSCRIPTION AGREEMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

**PLEASE RETURN THIS SIGNATURE PAGE VIA FAX TO:
DOLPHIN ENTERTAINMENT CAPITAL, INC.
FAX NUMBER (305) 774-0405**

Dated: July 29, 2009

Manner in Which Title to the Securities is to be Held (check one)

- Individual Ownership
- Community Property
- Joint Tenant with Right of Survivorship (both parties must sign)
- Partnership
- Tenants in common
- Corporation
- Trust
- Other (Please indicate)

INDIVIDUAL INVESTORS:

Signature (Individual)

Signature (Joint)
(all record holders must sign)

Name(s) Typed or Printed

Address to Which Correspondence
Should be Directed

Tax Identification or
Social Security Number

ENTITY INVESTORS:

By: /s/ Thomas Sauve _____

Name: Thomas Sauve
Title: Managing Member,
T Squared Investments LLC

Address to Which Correspondence
Should be Directed

T Squared Investments LLC
1325 Sixth Ave., Fl. 27
New York, NY 10019
26-0147159
Tax Identification or
Social Security Number

The foregoing subscription is accepted and the Company hereby agrees to be bound by its terms.

DOLPHIN DIGITAL MEDIA, INC.

Dated: July 29, 2009

By: /s/ Bill O'Dowd _____

Name:
Title:

ANNEX A

DESIGNATED ACCOUNT WIRE INSTRUCTIONS

Name of Bank: Wachovia
Address of Bank: 2555 Ponce De Leon Blvd.
Coral Gables, FL 33134
Name of Account: Logica Holdings, Inc.
Address of Company: 804 Douglas Road
Suite 365
Coral Gables, FL 33134
ABA Number: 063-000-021
Account Number: 200-004-428-2332

ANNEX B

ACCREDITED INVESTOR QUESTIONNAIRE

ACCREDITED INVESTOR QUESTIONNAIRE

Purpose of this Questionnaire

Certain securities (the "Purchased Securities") of Dolphin Digital Media, Inc., a Nevada corporation (the "Company"), are being offered without registration under the Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state, in reliance on the exemptions contained in Sections 4(2) and 4(6) of the Securities Act and on similar exemptions under applicable state laws. Under Sections 4(2) and 4(6) and/or certain state laws, the Company may be required to determine that an individual or an individual together with a "purchaser representative" or each individual equity owner of an investing entity meets certain suitability requirements before selling the Purchased Securities to such individual or entity. THE COMPANY MAY, AT ITS ELECTION, NOT SELL THE PURCHASED SECURITIES TO A SUBSCRIBER WHO HAS NOT THOROUGHLY FILLED OUT A QUESTIONNAIRE. IN THE CASE OF AN INVESTOR THAT IS A PARTNERSHIP, TRUST, OR CORPORATION, EACH EQUITY OWNER MUST COMPLETE A QUESTIONNAIRE. This Questionnaire does not constitute an offer to sell or a solicitation of an offer to buy the Purchased Securities or any other security.

Instructions

One (1) copy of this Questionnaire should be completed, signed, dated, and delivered to:

Joshua M. Gold, Esq.
Dolphin Digital Media, Inc.
804 Douglas Road, Suite 365
Coral Gables, FL 33134
Fax: (305) 774-0405

Please feel free to contact Mr. Gold directly at (862) 216-6343 if you have any questions with respect to the Questionnaire.

Please Answer All Questions

If the appropriate answer is "None" or "Not Applicable," so state. Please print or type your answers to all questions. Attach additional sheets if necessary to complete your answers to any item.

Your answers will be kept strictly confidential at all times; however, the Company may present this Questionnaire to such parties as it deems appropriate, including its counsel, in order to assure itself that the offer and sale of the Purchased Securities will not result in a violation of the registration provisions of the Securities Act or a violation of the securities laws of any state.

1. Please provide the following personal information:

Name: T Squared Investments LLC

Age: n/a

Residence Address

(including zip code): 1325 Sixth Ave., Fl. 27, NY, NY 10019

Telephone Numbers:

Residence: n/a

Business: 212-763-8616

2. I am an accredited investor (as defined in Rule 501(a) of Reg. D) because (check each appropriate description):

- I am a natural person whose individual net worth, or joint net worth with my spouse, exceeds \$1,000,000.
 - I am a natural person who had individual income exceeding \$200,000 in each of the two most recent years or joint income with my spouse exceeding \$300,000 in each of those years and I have a reasonable expectation of reaching the same income level in the current year.
 - I am a broker-dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934.
 - I am an organization described in Section 501(c)(3) of the Internal Revenue Code, not formed for the specific purpose of acquiring the Securities, with total assets exceeding \$5,000,000.
 - I am a corporation, Massachusetts or similar business trust or partnership, not formed for the specific purpose of acquiring the Securities, with total assets exceeding \$5,000,000.
 - I am a trust, not formed for the specific purpose of acquiring the Securities, with total assets exceeding \$5,000,000 and whose purchase is directed by a "sophisticated person," as defined in Rule 506(b)(2)(ii) of Reg. D. (For the purposes of this questionnaire, a "sophisticated person" means any person who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the prospective investment.)
-

I am an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 and (i) investment decisions for such plan are made by a plan fiduciary, as defined in Section 3(21) of such Act, which is a bank, savings and loan association, insurance company or registered investment advisor or (ii) such plan has total assets exceeding \$5,000,000 or (iii) if a self directed plan, investment decisions are made solely by accredited investors.

I am an entity in which all of the equity owners are accredited investors.

I am an accredited investor for the following reasons:

3. Check, if appropriate:

I hereby represent and warrant that I have such knowledge and experience in financial and business matters that I am capable of evaluating the merits and risks of any prospective investment in the Company.

4 If you did not check the box to Question 3, please answer the following additional questions:

4.1 Please describe any pre-existing personal or business relationship that you have with the Company or any of its officers and directors.

Entity is prior investors in the Company

4.2 Please describe any business or financial experience that you have had that would allow the Company to reasonably conclude that you are capable of protecting your interests in connection with your prospective investment in the Company. If none, so state.

Entity is an investment advisor

4.3 If your answer to Question 4.2 above was "None," in order to evaluate the merits and risks of the investment, will you be relying upon the advice of any other person(s) who will be acting as your purchaser representative(s)?

Yes

No

If "yes," please identify each such person and indicate his or her business address and telephone number in the space below (each such person must complete, and you must review and acknowledge, a separate purchaser representative questionnaire which will be supplied at your request and which must be returned to the Company prior to the sale of any Purchased Securities to you).

5. By signing this Questionnaire, I hereby confirm the following statements:

I am aware that the offering of the Purchased Securities pursuant to the accompanying Subscription Agreement which I hereby acknowledge as received and reviewed, will involve an investment in securities for which no market currently exists, thereby requiring any investment to be maintained for an indefinite period of time, and I have no need to liquidate the investment.

I acknowledge that any delivery to me of any documentation relating to the Purchased Securities prior to the determination by the Company of my suitability as an investor shall not constitute an offer of the Purchased Securities until such determination of suitability shall be made, and I agree that I shall promptly return all such documentation to the Company upon request.

Neither I nor any of my associates or affiliates: (i) are a member or a person associated with a member firm of the NASD, (ii) own any stock or other securities of any NASD member, or (iii) made subordinated loans to any NASD member.

My answers to the foregoing questions are true and complete to the best of my information and belief, and I will promptly notify the Company of any changes in the information I have provided.

I also understand and agree that, although the Company will use its best efforts to keep the information provided in answers to this Questionnaire strictly confidential, the Company may present this Questionnaire and the information provided in answers to it to such parties as it may deem advisable if called upon to establish the availability under any federal or state securities laws of an exemption from registration of the private placement or if the contents thereof are relevant to any issue in any action, suit, or proceeding to which the Company is a party or by which it or they are or may be bound.

I realize that this Questionnaire does not constitute an offer by the Company to sell the Purchased Securities but is merely a request for information.

Thomas Sauve
Printed Name

Signature

26-0147159
Social Security Number or
Employee Identification Number:

Date and Place Executed:

Date:

Place: Corporate offices of T Squared Investments LLC

ANNEX C

RISK FACTORS

The Securities to be issued by the Company are speculative and involve a high degree of risk Each investor is urged to carefully read the “Risk Factors” set forth below. As used herein, the terms “we”, “the Company” and “our” refer to Dolphin Digital Media, Inc.

There Are Risks Associated With Our Stock Trading On The NASD OTC Bulletin Board Rather Than A National Exchange.

There are significant consequences associated with our stock trading on the NASD OTC Bulletin Board rather than a national exchange. The effects of not being able to list our securities on a national exchange include:

- Limited release of the market prices of our securities;
- Limited news coverage of us;
- Limited interest by investors in our securities;
- Volatility of our stock price due to low trading volume;
- Increased difficulty in selling our securities in certain states due to “blue sky” restrictions; and
- Limited ability to issue additional securities or to secure additional financing.

“Penny Stock” Regulations May Impose Certain Restrictions On The Marketability of Our Securities.

The Securities and Exchange Commission (the “Commission”) has adopted regulations which generally define “penny stock” to be any equity security that has a market price (as defined) less than \$5.00 per share, subject to certain exceptions. The Company’s Common Stock is presently subject to these regulations which impose additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and accredited investors (generally those with assets in excess of \$1,000,000 or annual income exceeding \$200,000, or \$300,000 together with their spouse). For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchase of such securities and have received the purchaser’s written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the rules require the delivery, prior to the transaction, of a risk disclosure document mandated by the Commission relating to the penny stock market. The broker-dealer must also disclose the commission payable to both the broker-dealer and the registered representative, current quotations for the securities and, if the broker-dealer is the sole market maker, the broker-dealer must disclose this fact and the broker-dealer’s presumed control over the market. Finally, monthly statements must be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. Consequently, the “penny stock” rules may restrict the ability of broker-dealers to sell the Company’s securities and may negatively affect the ability of purchasers of the Company’s shares of Common Stock to sell such securities.

Limited Trading Market; Restrictions on Transferability. The Company's shares of Common Stock trade on the OTC Bulletin Board with limited daily trading volume. However, the Purchased Securities have not been registered under the Securities Act, and accordingly, are subject to restrictions on transferability and resale and may not be transferred or sold except as permitted under the Securities Act and applicable state securities laws, pursuant to registration or exemption therefrom. Investors should be aware that they will be required to bear the financial risk of this investment for an indefinite period of time.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATES AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS. THE SECURITIES ARE SUBJECT TO RESTRICTION ON TRANSFERABILITY AND RESALE AND MAY NOT BE PLEDGED, TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER SAID ACT AND SUCH LAWS PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THE OFFERING DOCUMENTS. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

IT IS INTENDED THAT THE PURCHASED SECURITIES OFFERED HEREBY WILL BE MADE AVAILABLE ONLY TO ACCREDITED INVESTORS, AS DEFINED IN SECTION 2(15) OF THE SECURITIES ACT AND RULE 501 THEREUNDER. THE SECURITIES OFFERED HEREBY ARE BEING OFFERED PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS FOR NON-PUBLIC OFFERINGS. SUCH EXEMPTIONS LIMIT THE NUMBER AND TYPES OF INVESTORS TO WHICH THE OFFERING WILL BE MADE AND RESTRICT SUBSEQUENT TRANSFER OF THE SECURITIES.

INVESTMENT IN THE SECURITIES OFFERED HEREBY SHOULD BE CONSIDERED ONLY BY PERSONS WHO CAN AFFORD TO SUSTAIN A LOSS OF THEIR ENTIRE INVESTMENT. INVESTORS WILL BE REQUIRED TO REPRESENT THAT THEY ARE FAMILIAR WITH AND UNDERSTAND THE TERMS OF THIS OFFERING, AND THAT THEY HAVE SUCH KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS THAT THEY ARE CAPABLE OF EVALUATING THE MERITS AND RISKS OF THIS INVESTMENT.

NO SECURITIES MAY BE RESOLD OR OTHERWISE DISPOSED OF BY AN INVESTOR UNLESS, IN THE OPINION OF COUNSEL SATISFACTORY TO THE COMPANY, REGISTRATION UNDER THE APPLICABLE FEDERAL AND STATE SECURITIES LAWS IS NOT REQUIRED OR COMPLIANCE IS MADE WITH SUCH REGISTRATION REQUIREMENTS. THE OFFEREE, BY ACCEPTING DELIVERY OF THESE MATERIALS, AGREES TO RETURN THE OFFERING MATERIALS AND ALL ACCOMPANYING OR RELATED DOCUMENTS TO THE COMPANY UPON REQUEST IF THE OFFEREE DOES NOT AGREE TO PURCHASE ANY OF THE SHARES OFFERED HEREBY.

THESE MATERIALS ARE SUBMITTED IN CONNECTION WITH THE PRIVATE OFFERING OF THE SECURITIES AND DO NOT CONSTITUTE AN OFFER OR SOLICITATION BY ANYONE IN ANY JURISDICTION IN WHICH SUCH AN OFFER OR SOLICITATION IS NOT AUTHORIZED. ANY REPRODUCTION OR DISTRIBUTION OF THE SUBSCRIPTION AGREEMENT IN WHOLE OR IN PART, OR THE DIVULGENCE OF ANY OF ITS CONTENTS, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMPANY, IS PROHIBITED. ANY PERSON ACTING CONTRARY TO THE FOREGOING RESTRICTIONS MAY PLACE HIMSELF AND THE COMPANY IN VIOLATION OF FEDERAL OR STATE SECURITIES LAWS.

EACH OFFEREE MAY, IF HE OR SHE SO DESIRES, MAKE INQUIRIES OF MANAGEMENT OF THE COMPANY WITH RESPECT TO THE COMPANY'S BUSINESS OR ANY OTHER MATTERS SET FORTH HEREIN, AND MAY OBTAIN ANY ADDITIONAL INFORMATION WHICH SUCH PERSON DEEMS TO BE NECESSARY IN ORDER TO VERIFY THE ACCURACY OF THE INFORMATION CONTAINED HEREIN AND TO MAKE AN INVESTMENT DECISION (TO THE EXTENT THAT THE COMPANY POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE). IN CONNECTION WITH SUCH INQUIRY, ANY DOCUMENTS WHICH ANY OFFEREE WISHES TO REVIEW WILL BE MADE AVAILABLE FOR INSPECTION AND COPYING OR PROVIDED, UPON REQUEST, SUBJECT TO THE OFFEREES AGREEMENT TO MAINTAIN SUCH INFORMATION IN CONFIDENCE AND TO RETURN THE SAME TO THE COMPANY IF THE RECIPIENT DOES NOT PURCHASE THE SECURITIES OFFERED HEREUNDER. ANY SUCH INQUIRIES OR REQUESTS FOR ADDITIONAL INFORMATION OR DOCUMENTS SHOULD BE MADE IN WRITING TO THE COMPANY AT THE COMPANY'S ADDRESS.

ANNEX D

SEC FILINGS

Annual Report on Form 10-K for the fiscal year ended December 31, 2008, filed on April 14, 2009 with the Securities and Exchange Commission.

PURCHASED SECURITIES

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), OR ANY STATE SECURITIES LAWS AND NEITHER SUCH SHARES NOR ANY INTEREST THEREIN MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED OR OTHERWISE TRANSFERRED UNLESS (1) A REGISTRATION STATEMENT WITH RESPECT THERETO IS EFFECTIVE UNDER THE 1933 ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR (2) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE 1933 ACT.

Dolphin Digital Media, Inc.

COMMON STOCK PURCHASE WARRANT "D"

| | | |
|---------------------------|---------------|--|
| Number of Shares: | 231,000 | Holder: T Squared Investments LLC c/o T Squared Capital LLC |
| Original Issue Date: | July 29, 2009 | Attn: Thomas M. Sauve Title: Managing Member |
| Expiration Date: | July 29, 2014 | 1325 Sixth Avenue, Floor 27 New York, NY 10019 |
| Exercise Price per Share: | \$0.0001 | Tel: 212-763-8615 Fax: 212-671-1403 |

Dolphin Digital Media, Inc., a company organized and existing under the laws of the State of Nevada (the "**Company**"), hereby certifies that, for value received, **T Squared Investments LLC**, or its registered assigns (the "**Warrant Holder**"), is entitled, subject to the terms set forth below, to purchase from the Company up to Two Hundred Thirty-One Thousand (231,000) shares (as adjusted from time to time as provided in Section 7, the "**Warrant Shares**") of common stock, \$0.015 par value (the "**Common Stock**"), of the Company at a price of One-Hundredth of One Cent (\$0.0001) per Warrant Share (as adjusted from time to time as provided in Section 7, the "**Exercise Price**"), at any time and from time to time from and after the date thereof and through and including 5:00 p.m. New York City time on July 29, 2014 (the "Expiration Date"), and subject to the following terms and conditions:

1. **Registration of Warrant.** The Company shall register this Warrant upon records to be maintained by the Company for that purpose (the "**Warrant Register**"), in the name of the record Warrant Holder hereof from time to time. The Company may deem and treat the registered Warrant Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Warrant Holder, and for all other purposes, and the Company shall not be affected by notice to the contrary.

**WARRANT AGREEMENT BETWEEN DOLPHIN DIGITAL MEDIA INC
AND T SQUARED INVESTMENTS LLC**

PAGE 1 OF 9

2. **Investment Representation.** The Warrant Holder by accepting this Warrant represents that the Warrant Holder is acquiring this Warrant for its own account or the account of an affiliate for investment purposes and not with the view to any offering or distribution and that the Warrant Holder will not sell or otherwise dispose of this Warrant or the underlying Warrant Shares in violation of applicable securities laws. The Warrant Holder acknowledges that the certificates representing any Warrant Shares will bear a legend indicating that they have not been registered under the United States Securities Act of 1933, as amended (the “**1933 Act**”) and may not be sold by the Warrant Holder except pursuant to an effective registration statement or pursuant to an exemption from registration requirements of the 1933 Act and in accordance with federal and state securities laws. If this Warrant was acquired by the Warrant Holder pursuant to the exemption from the registration requirements of the 1933 Act afforded by Regulation S thereunder, the Warrant Holder acknowledges and covenants that this Warrant may not be exercised by or on behalf of a Person during the one year distribution compliance period (as defined in Regulation S) following the date hereof. “**Person**” means an individual, partnership, firm, limited liability company, trust, joint venture, association, corporation, or any other legal entity.

3. **Validity of Warrant and Issue of Shares** The Company represents and warrants that this Warrant has been duly authorized and validly issued and warrants and agrees that all of Common Stock that may be issued upon the exercise of the rights represented by this Warrant will, when issued upon such exercise, be duly authorized, validly issued, fully paid and non-assessable and free from all taxes, liens and charges with respect to the issue thereof. The Company further warrants and agrees that during the period within which the rights represented by this Warrant may be exercised, the Company will at all times have authorized and reserved a sufficient number of Common Stock to provide for the exercise of the rights represented by this Warrant.

4. **Registration of Transfers and Exchange of Warrants**

a. Subject to compliance with the legend set forth on the face of this Warrant, the Company shall register the transfer of any portion of this Warrant in the Warrant Register, upon surrender of this Warrant with the Form of Assignment attached hereto duly completed and signed, to the Company at the office specified in or pursuant to Section 12. Upon any such registration or transfer, a new warrant to purchase Common Stock, in substantially the form of this Warrant (any such new warrant, a “**New Warrant**”), evidencing the portion of this Warrant so transferred shall be issued to the transferee and a New Warrant evidencing the remaining portion of this Warrant not so transferred, if any, shall be issued to the transferring Warrant Holder. The acceptance of the New Warrant by the transferee thereof shall be deemed the acceptance of such transferee of all of the rights and obligations of a Warrant Holder of a Warrant.

b. This Warrant is exchangeable, upon the surrender hereof by the Warrant Holder to the office of the Company specified in or pursuant to Section 9 for one or more New Warrants, evidencing in the aggregate the right to purchase the number of Warrant Shares which may then be purchased hereunder. Any such New Warrant will be dated the date of such exchange.

5. Exercise of Warrants

a. Upon surrender of this Warrant with the Form of Election to Purchase attached hereto duly completed and signed to the Company, at its address set forth in Section 12, and upon payment and delivery of the Exercise Price per Warrant Share multiplied by the number of Warrant Shares that the Warrant Holder intends to purchase hereunder, in lawful money of the United States of America, in cash or by certified or official bank check or checks, to the Company, all as specified by the Warrant Holder in the Form of Election to Purchase, the Company shall promptly (but in no event later than 7 business days after the Date of Exercise (as defined herein)) issue or cause to be issued and cause to be delivered to or upon the written order of the Warrant Holder and in such name or names as the Warrant Holder may designate (subject to the restrictions on transfer described in the legend set forth on the face of this Warrant), a certificate for the Warrant Shares issuable upon such exercise, with such restrictive legend as required by the 1933 Act. Any person so designated by the Warrant Holder to receive Warrant Shares shall be deemed to have become holder of record of such Warrant Shares as of the Date of Exercise of this Warrant.

b. A "Date of Exercise" means the date on which the Company shall have received (i) this Warrant (or any New Warrant, as applicable), with the Form of Election to Purchase attached hereto (or attached to such New Warrant) appropriately completed and duly signed, and (ii) payment of the Exercise Price for the number of Warrant Shares so indicated by the Warrant Holder to be purchased.

c. This Warrant shall be exercisable at any time and from time to time for such number of Warrant Shares as is indicated in the attached Form of Election To Purchase. If less than all of the Warrant Shares which may be purchased under this Warrant are exercised at any time, the Company shall issue or cause to be issued, at its expense, a New Warrant evidencing the right to purchase the remaining number of Warrant Shares for which no exercise has been evidenced by this Warrant.

d. (i) Notwithstanding anything contained herein to the contrary but subject to Section 6, the holder of this Warrant may, at its election exercised in its sole discretion, exercise this Warrant in whole or in part and, in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the Aggregate Exercise Price, elect instead to receive upon such exercise the "Net Number" of shares of Common Stock determined according to the following formula (a "Cashless Exercise"):

$$\text{Net Number} = (A \times (B - C)) / B$$

(ii) For purposes of the foregoing formula:

A= the total number shares with respect to which this Warrant is then being exercised.

B= the last reported sale price (as reported by Bloomberg) of the Common Stock on the trading day immediately preceding the date of the Exercise Notice.

C= the Warrant Exercise Price then in effect at the time of such exercise.

e. The holder of this Warrant agrees not to elect a Cashless Exercise for a period of one (1) year. The holder of this Warrant also agrees not to elect a Cashless Exercise so long as there is an effective registration statement for the Warrant Shares.

6. Maximum Exercise. The Warrant Holder shall not be entitled to exercise this Warrant on a Date of Exercise in connection with that number of shares of Common Stock which would be in excess of the sum of (i) the number of shares of Common Stock beneficially owned by the Warrant Holder and its affiliates on an exercise date, and (ii) the number of shares of Common Stock issuable upon the exercise of this Warrant with respect to which the determination of this limitation is being made on an exercise date, which would result in beneficial ownership by the Warrant Holder and its affiliates of more than 9.9% of the outstanding shares of Common Stock on such date. This Section 6 may be waived or amended only with the consent of the Holder and the Board of Directors of the Company. For the purposes of the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and Regulation 13d-3 there under.

7. Adjustment of Exercise Price and Number of Shares The character of the shares of stock or other securities at the time issuable upon exercise of this Warrant and the Exercise Price therefore, are subject to adjustment upon the occurrence of the following events, and all such adjustments shall be cumulative:

a. **Adjustment for Stock Splits, Stock Dividends, Recapitalizations, Etc.** The Exercise Price of this Warrant and the number of shares of Common Stock or other securities at the time issuable upon exercise of this Warrant shall be appropriately adjusted to reflect any stock dividend, stock split, combination of shares, reclassification, recapitalization or other similar event affecting the number of outstanding shares of stock or securities.

b. **Adjustment for Reorganization, Consolidation, Merger, Etc.** In case of any consolidation or merger of the Company with or into any other corporation, entity or person, or any other corporate reorganization, in which the Company shall not be the continuing or surviving entity of such consolidation, merger or reorganization (any such transaction being hereinafter referred to as a "**Reorganization**"), then, in each case, the holder of this Warrant, on exercise hereof at any time after the consummation or effective date of such Reorganization (the "**Effective Date**"), shall receive, in lieu of the shares of stock or other securities at any time issuable upon the exercise of the Warrant issuable on such exercise prior to the Effective Date, the stock and other securities and property (including cash) to which such holder would have been entitled upon the Effective Date if such holder had exercised this Warrant immediately prior thereto (all subject to further adjustment as provided in this Warrant).

c. **Certificate as to Adjustments.** In case of any adjustment or readjustment in the price or kind of securities issuable on the exercise of this Warrant, the Company will promptly give written notice thereof to the holder of this Warrant in the form of a certificate, certified and confirmed by the Board of Directors of the Company, setting forth such adjustment or readjustment and showing in reasonable detail the facts upon which such adjustment or readjustment is based.

ii. The Company sells grants or issues any shares, options, warrants, or any instrument convertible into shares or equity in any form below the exercise price per share of the warrant. In the event the Company sells, grants or issues any shares, options, warrants, or any instrument convertible into shares or equity in any form below the current exercise price per share of the warrant, then the current exercise price per share for the warrant that are outstanding shall be reduced to such lower price per share. Such reduction shall be made at the time such transaction is executed.

8. **Fractional Shares.** The Company shall not be required to issue or cause to be issued fractional Warrant Shares on the exercise of this Warrant. The number of full Warrant Shares that shall be issuable upon the exercise of this Warrant shall be computed on the basis of the aggregate number of Warrants Shares purchasable on exercise of this Warrant so presented. If any fraction of a Warrant Share would, except for the provisions of this Section 8, be issuable on the exercise of this Warrant, the Company shall, at its option, (i) pay an amount in cash equal to the Exercise Price multiplied by such fraction or (ii) round the number of Warrant Shares issuable, up to the next whole number.

9. **Sale or Merger of the Company.** Upon a Change in Control, the restriction contained in Section 6 shall immediately be released and the Warrant Holder will have the right to exercise this Warrant concurrently with such Change in Control event. For purposes of this Warrant, the term "Change in Control" shall mean a consolidation or merger of the Company with or into another company or entity in which the Company is not the surviving entity or 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.

10. **Notice of Intent to Sell or Merge the Company.** The Company will give Warrant Holder ten (10) business days notice before the event of a sale of all or substantially all of the assets of the Company or the merger or consolidation of the Company in a transaction in which the Company is not the surviving entity.

11. **Issuance of Substitute Warrant.** In the event of a merger, consolidation, recapitalization or reorganization of the Company or a reclassification of Company shares of stock, which results in an adjustment to the number of shares subject to this Warrant and/or the Exercise Price hereunder, the Company agrees to issue to the Warrant Holder a substitute Warrant reflecting the adjusted number of shares and/or Exercise Price upon the surrender of this Warrant to the Company.

12. **Notice.** All notices and other communications hereunder shall be in writing and shall be deemed to have been given (i) on the date they are delivered if delivered in person; (ii) on the date initially received if delivered by facsimile transmission followed by registered or certified mail confirmation; (iii) on the date delivered by an overnight courier service; or (iv) on the third business day after it is mailed by registered or certified mail, return receipt requested with postage and other fees prepaid as follows:

If to the Company:

Dolphin Digital Media, Inc
804 Douglas Road, Suite 365
Coral Gables, Florida 33134
Attn. Bill O'Dowd

If to the Warrant Holder:

T Squared Investments LLC
c/o T Squared Capital LLC
1325 Sixth Avenue, Floor 28
New York, New York 10019
Attn: Thomas M. Sauve

13. **Miscellaneous.**

a. This Warrant shall be binding on and inure to the benefit of the parties hereto and their respective successors and permitted assigns. This Warrant may be amended only by a writing signed by the Company and the Warrant Holder.

b. Nothing in this Warrant shall be construed to give to any person or corporation other than the Company and the Warrant Holder any legal or equitable right, remedy or cause of action under this Warrant; this Warrant shall be for the sole and exclusive benefit of the Company and the Warrant Holder.

c. This Warrant shall be governed by, construed and enforced in accordance with the internal laws of the State of New York without regard to the principles of conflicts of law thereof.

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

e. In case any one or more of the provisions of this Warrant shall be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Warrant shall not in any way be affected or impaired thereby and the parties will attempt in good faith to agree upon a valid and enforceable provision which shall be a commercially reasonable substitute therefore, and upon so agreeing, shall incorporate such substitute provision in this Warrant.

f. The Warrant Holder shall not, by virtue hereof, be entitled to any voting or other rights of a shareholder of the Company, either at law or equity, and the rights of the Warrant Holder are limited to those expressed in this Warrant.

[SIGNATURES ON FOLLOWING PAGE]

**WARRANT AGREEMENT BETWEEN DOLPHIN DIGITAL MEDIA INC
AND T SQUARED INVESTMENTS LLC
PAGE 7 OF 9**

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by the authorized officer as of the date first above stated.

Dolphin Digital Media Inc, a Nevada corporation

By: /s/ Bill O'Dowd

Name: Bill O'Dowd

Its: Chief Executive Officer

**WARRANT AGREEMENT BETWEEN DOLPHIN DIGITAL MEDIA INC
AND T SQUARED INVESTMENTS LLC
PAGE 8 OF 9**

FORM OF ELECTION TO PURCHASE

(To be executed by the Warrant Holder to exercise the right to purchase shares of Common Stock under the foregoing Warrant)

To: **Dolphin Digital Media Inc.:**

In accordance with the Warrant enclosed with this Form of Election to Purchase, the undersigned hereby irrevocably elects to purchase _____ shares of Common Stock ("Common Stock"), \$.001 par value, of the Company and encloses the warrant and \$_____ for each Warrant Share being purchased or an aggregate of \$_____ in cash or certified or official bank check or checks, which sum represents the aggregate Exercise Price (as defined in the Warrant) together with any applicable taxes payable by the undersigned pursuant to the Warrant.

The undersigned requests that certificates for the shares of Common Stock issuable upon this exercise be issued in the name of:

(Please print name and address)

(Please insert Social Security or Tax Identification Number)

If the number of shares of Common Stock issuable upon this exercise shall not be all of the shares of Common Stock which the undersigned is entitled to purchase in accordance with the enclosed Warrant, the undersigned requests that a New Warrant (as defined in the Warrant) evidencing the right to purchase the shares of Common Stock not issuable pursuant to the exercise evidenced hereby be issued in the name of and delivered to:

(Please print name and address)

Dated: _____

Name of Warrant Holder:

(Print) _____

(By:) _____

(Name:) _____

(Title:) _____

Signature must conform in all respects to name of Warrant Holder as specified on the face of the Warrants.



March 10, 2010

Bill O'Dowd
 CEO, Dolphin Digital Media
 804 Douglas Rd., Suite 365
 Coral Gables, FL 33134

REF: Warrant Restructure Agreement

Pursuant to this agreement T Squared Investments LLC agrees to cancel the following warrants held in Dolphin Digital Media, Inc. (DPDM):

- Warrant "A" for 650,000 shares;
- Warrant "B" for 1,500,000 shares;
- Warrant "C" for 1,500,000 shares; and,
- Warrant "4" for 384,615 shares.

Post such cancellation, the only warrants held by T Squared Investments LLC is their existing Warrant "D" for 231,000 shares with an exercise price of \$0.0001 per share and the following warrant below. Pursuant to this agreement the expiration date of Warrant "D" will be reduced from July 28, 2014 to December 31, 2012.

In consideration for the cancellation of such warrants above and for the payment to the DPDM described below, T Squared Investments LLC will be issued a new Warrant "E" for 7,000,000 shares of DPDM with an expiration date of December 31, 2012 and an exercise price of \$0.25 per share.

Upon execution of this letter, T Squared Investments LLC will immediately wire Two Hundred Thousand Dollars (\$200,000) to the Company, which will result in the effective reduction of the exercise price of Warrant "E" from \$0.25 per share to \$0.2214 per share. T Squared Investments LLC can continually pay DPDM an amount of money to reduce the exercise price of Warrant "E" until such time as the exercise price of Warrant "E" is effectively \$0.0001 per share. Each time a payment by T Squared Investments LLC is made to DPDM, a side letter will be executed by both parties that states the new effective exercise price of Warrant "E" at that time. At such time when T Squared Investments LLC has paid down Warrant "E" to an exercise price of \$0.0001 per share or less, T Squared Investments LLC shall have the right to exercise Warrant "E" via a cashless provision and hold for six months to remove the legend under Rule 144.

T Squared Investments LLC may not exercise such warrant if post the exercise, T Squared Investments LLC would be above the 9.99% ownership level of the Company. All terms of this letter and Warrant E (as laid out in the Warrant "E") are effective upon execution by both parties as of the date written above. T Squared Investments LLC will make a good faith effort to exercise or pay the applicable amount to reduce the exercise price of Warrant "E" by \$750,000 by September 30th, 2010.

Immediately upon signing this agreement and wiring DPDM \$200,000.00, T Squared Investments LLC will have the following warrants outstanding.

| | | |
|------------------|------------------|--------------------|
| New Warrant "E": | Amount: | 7,000,000 shares |
| | Exercise price: | \$0.2214 per share |
| | Expiration Date: | 12/31/2012 |

| | | |
|------------------|------------------|--------------------|
| New Warrant "D": | Amount: | 231,000 shares |
| | Exercise price: | \$0.0001 per share |
| | Expiration Date: | 12/31/2012 |

Please indicate your acceptance of these terms by signing below:

T Squared Investments LLC
 By: T Squared Capital LLC, Managing Member

Dolphin Digital Media, Inc.

By:

By:

By: Thomas Sauve

By: Bill O'Dowd

Title: Managing Member

Title: CEO

T Squared Investments LLC • 1325 Sixth Avenue, Floor 27 • New York, NY 10019 • Tel: (212) 763-8615 •
Fax: (212) 671-1403

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), OR ANY STATE SECURITIES LAWS AND NEITHER SUCH SHARES NOR ANY INTEREST THEREIN MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED OR OTHERWISE TRANSFERRED UNLESS (1) A REGISTRATION STATEMENT WITH RESPECT THERETO IS EFFECTIVE UNDER THE 1933 ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR (2) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE 1933 ACT.

Dolphin Digital Media, Inc.

COMMON STOCK PURCHASE WARRANT "E"

| | | |
|-----------------------------------|----------------------------------|--|
| Number of Shares: | 7,000,000 | Holder: T Squared Investments LLC c/o T Squared Capital LLC |
| Original Issue Date: | March 10 th , 2010 | Attn: Thomas M. Sauve Title: Managing Member |
| Expiration Date: | December 31 st , 2012 | 1325 Sixth Avenue, Floor 27 New York, NY 10019 |
| Initial Exercise Price per Share: | \$0.2214 | Tel: 212-763-8615 Fax: 212-671-1403 |

Dolphin Digital Media, Inc., a company organized and existing under the laws of the State of Nevada (the "**Company**"), hereby certifies that, for value received, **T Squared Investments LLC**, or its registered assigns (the "**Warrant Holder**"), is entitled, subject to the terms set forth below, to purchase from the Company up to Seven Million (7,000,000) shares (as adjusted from time to time as provided in Section 7, the "**Warrant Shares**") of common stock, \$0.015 par value (the "**Common Stock**"), of the Company at an initial price of Twenty Two and Fourteen One-Hundredths Cents (\$0.2214) per Warrant Share (as adjusted from time to time as provided in Section 7, the "**Exercise Price**"), at any time and from time to time from and after the date thereof and through and including 5:00 p.m. New York City time on December 31st, 2012 (the "Expiration Date"), and subject to the following terms and conditions:

1. **Registration of Warrant.** The Company shall register this Warrant upon records to be maintained by the Company for that purpose (the "**Warrant Register**"), in the name of the record Warrant Holder hereof from time to time. The Company may deem and treat the registered Warrant Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Warrant Holder, and for all other purposes, and the Company shall not be affected by notice to the contrary.

WARRANT AGREEMENT BETWEEN DOLPHIN DIGITAL MEDIA, INC
AND T SQUARED INVESTMENTS LLC
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2. **Investment Representation.** The Warrant Holder by accepting this Warrant represents that the Warrant Holder is acquiring this Warrant for its own account or the account of an affiliate for investment purposes and not with the view to any offering or distribution and that the Warrant Holder will not sell or otherwise dispose of this Warrant or the underlying Warrant Shares in violation of applicable securities laws. The Warrant Holder acknowledges that the certificates representing any Warrant Shares will bear a legend indicating that they have not been registered under the United States Securities Act of 1933, as amended (the “**1933 Act**”) and may not be sold by the Warrant Holder except pursuant to an effective registration statement or pursuant to an exemption from registration requirements of the 1933 Act and in accordance with federal and state securities laws. If this Warrant was acquired by the Warrant Holder pursuant to the exemption from the registration requirements of the 1933 Act afforded by Regulation S thereunder, the Warrant Holder acknowledges and covenants that this Warrant may not be exercised by or on behalf of a Person during the one year distribution compliance period (as defined in Regulation S) following the date hereof. “**Person**” means an individual, partnership, firm, Limited Liability Company, trust, joint venture, association, corporation, or any other legal entity.

3. **Validity of Warrant and Issue of Shares** The Company represents and warrants that this Warrant has been duly authorized and validly issued and warrants and agrees that all of Common Stock that may be issued upon the exercise of the rights represented by this Warrant will, when issued upon such exercise, be duly authorized, validly issued, fully paid and non-assessable and free from all taxes, liens and charges with respect to the issue thereof. The Company further warrants and agrees that during the period within which the rights represented by this Warrant may be exercised, the Company will at all times have authorized and reserved a sufficient number of Common Stock to provide for the exercise of the rights represented by this Warrant.

4. **Registration of Transfers and Exchange of Warrants**

a. Subject to compliance with the legend set forth on the face of this Warrant, the Company shall register the transfer of any portion of this Warrant in the Warrant Register, upon surrender of this Warrant with the Form of Assignment attached hereto duly completed and signed, to the Company at the office specified in or pursuant to Section 12. Upon any such registration or transfer, a new warrant to purchase Common Stock, in substantially the form of this Warrant (any such new warrant, a “**New Warrant**”), evidencing the portion of this Warrant so transferred shall be issued to the transferee and a New Warrant evidencing the remaining portion of this Warrant not so transferred, if any, shall be issued to the transferring Warrant Holder. The acceptance of the New Warrant by the transferee thereof shall be deemed the acceptance of such transferee of all of the rights and obligations of a Warrant Holder of a Warrant.

b. This Warrant is exchangeable, upon the surrender hereof by the Warrant Holder to the office of the Company specified in or pursuant to Section 9 for one or more New Warrants, evidencing in the aggregate the right to purchase the number of Warrant Shares which may then be purchased hereunder. Any such New Warrant will be dated the date of such exchange.

5. Exercise of Warrants.

a. Upon surrender of this Warrant with the Form of Election to Purchase attached hereto duly completed and signed to the Company, at its address set forth in Section 12, and upon payment and delivery of the Exercise Price per Warrant Share multiplied by the number of Warrant Shares that the Warrant Holder intends to purchase hereunder, in lawful money of the United States of America, in cash or by certified or official bank check or checks, to the Company, all as specified by the Warrant Holder in the Form of Election to Purchase, the Company shall promptly (but in no event later than 7 business days after the Date of Exercise (as defined herein)) issue or cause to be issued and cause to be delivered to or upon the written order of the Warrant Holder and in such name or names as the Warrant Holder may designate (subject to the restrictions on transfer described in the legend set forth on the face of this Warrant), a certificate for the Warrant Shares issuable upon such exercise, with such restrictive legend as required by the 1933 Act. Any person so designated by the Warrant Holder to receive Warrant Shares shall be deemed to have become holder of record of such Warrant Shares as of the Date of Exercise of this Warrant.

b. A "Date of Exercise" means the date on which the Company shall have received (i) this Warrant (or any New Warrant, as applicable), with the Form of Election to Purchase attached hereto (or attached to such New Warrant) appropriately completed and duly signed, and (ii) payment of the Exercise Price for the number of Warrant Shares so indicated by the Warrant Holder to be purchased.

c. This Warrant shall be exercisable at any time and from time to time for such number of Warrant Shares as is indicated in the attached Form of Election To Purchase. If less than all of the Warrant Shares which may be purchased under this Warrant are exercised at any time, the Company shall issue or cause to be issued, at its expense, a New Warrant evidencing the right to purchase the remaining number of Warrant Shares for which no exercise has been evidenced by this Warrant.

d. (i) Notwithstanding anything contained herein to the contrary but subject to Section 6, the holder of this Warrant may, at its election exercised in its sole discretion, exercise this Warrant in whole or in part and, in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the Aggregate Exercise Price, elect instead to receive upon such exercise the "Net Number" of shares of Common Stock determined according to the following formula (a "Cashless Exercise"):

$$\text{Net Number} = (A \times (B - C))/B$$

(ii) For purposes of the foregoing formula:

A= the total number shares with respect to which this Warrant is then being exercised.

B= the last reported sale price (as reported by Bloomberg) of the Common Stock on the trading day immediately preceding the date of the Exercise Notice.

C= the Warrant Exercise Price then in effect at the time of such exercise.

e. The holder of this Warrant agrees not to elect a Cashless Exercise for a period so long as the exercise price of this warrant is above \$0.0001 per share.

6. **Maximum Exercise.** The Warrant Holder shall not be entitled to exercise this Warrant on a Date of Exercise in connection with that number of shares of Common Stock which would be in excess of the sum of (i) the number of shares of Common Stock beneficially owned by the Warrant Holder and its affiliates on an exercise date, and (ii) the number of shares of Common Stock issuable upon the exercise of this Warrant with respect to which the determination of this limitation is being made on an exercise date, which would result in beneficial ownership by the Warrant Holder and its affiliates of more than 9.99% of the outstanding shares of Common Stock on such date. If the Warrant Holder is unable to exercise this Warrant as a result that it would put them over the 9.99% limitation this Warrant shall be extended until such time as the Warrant Holder is able to exercise this warrant and stay below the 9.99% limitation. This Section 6 may be waived or amended only with the consent of the Holder and the Board of Directors of the Company. For the purposes of the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and Regulation 13d-3 there under.

7. **Adjustment of Exercise Price and Number of Shares** The character of the shares of stock or other securities at the time issuable upon exercise of this Warrant and the Exercise Price therefore, are subject to adjustment upon the occurrence of the following events, and all such adjustments shall be cumulative:

a. **Adjustment for Stock Splits, Stock Dividends, Recapitalizations, Etc.** The Exercise Price of this Warrant and the number of shares of Common Stock or other securities at the time issuable upon exercise of this Warrant shall be appropriately adjusted to reflect any stock dividend, stock split, combination of shares, reclassification, recapitalization or other similar event affecting the number of outstanding shares of stock or securities.

b. **Adjustment for Reorganization, Consolidation, Merger, Etc.** In case of any consolidation or merger of the Company with or into any other corporation, entity or person, or any other corporate reorganization, in which the Company shall not be the continuing or surviving entity of such consolidation, merger or reorganization (any such transaction being hereinafter referred to as a "**Reorganization**"), then, in each case, the holder of this Warrant, on exercise hereof at any time after the consummation or effective date of such Reorganization (the "**Effective Date**"), shall receive, in lieu of the shares of stock or other securities at any time issuable upon the exercise of the Warrant issuable on such exercise prior to the Effective Date, the stock and other securities and property (including cash) to which such holder would have been entitled upon the Effective Date if such holder had exercised this Warrant immediately prior thereto (all subject to further adjustment as provided in this Warrant).

c. **Certificate as to Adjustments.** In case of any adjustment or readjustment in the price or kind of securities issuable on the exercise of this Warrant, the Company will promptly give written notice thereof to the holder of this Warrant in the form of a certificate, certified and confirmed by the Board of Directors of the Company, setting forth such adjustment or readjustment and showing in reasonable detail the facts upon which such adjustment or readjustment is based.

ii. The Company sells grants or issues any shares, options, warrants, or any instrument convertible into shares or equity in any form below the exercise price per share of the warrant. In the event the Company sells, grants or issues any shares, options, warrants, or any instrument convertible into shares or equity in any form below the current exercise price per share of the warrant, then the current exercise price per share for the warrant that are outstanding shall be reduced to such lower price per share. Such reduction shall be made at the time such transaction is executed.

8. **Fractional Shares.** The Company shall not be required to issue or cause to be issued fractional Warrant Shares on the exercise of this Warrant. The number of full Warrant Shares that shall be issuable upon the exercise of this Warrant shall be computed on the basis of the aggregate number of Warrants Shares purchasable on exercise of this Warrant so presented. If any fraction of a Warrant Share would, except for the provisions of this Section 8, be issuable on the exercise of this Warrant, the Company shall, at its option, (i) pay an amount in cash equal to the Exercise Price multiplied by such fraction or (ii) round the number of Warrant Shares issuable, up to the next whole number.

9. **Sale or Merger of the Company.** Upon a Change in Control, the restriction contained in Section 6 shall immediately be released and the Warrant Holder will have the right to exercise this Warrant concurrently with such Change in Control event. For purposes of this Warrant, the term "Change in Control" shall mean a consolidation or merger of the Company with or into another company or entity in which the Company is not the surviving entity or 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.

10. **Notice of Intent to Sell or Merge the Company.** The Company will give Warrant Holder ten (10) business days notice before the event of a sale of all or substantially all of the assets of the Company or the merger or consolidation of the Company in a transaction in which the Company is not the surviving entity.

11. **Issuance of Substitute Warrant.** In the event of a merger, consolidation, recapitalization or reorganization of the Company or a reclassification of Company shares of stock, which results in an adjustment to the number of shares subject to this Warrant and/or the Exercise Price hereunder, the Company agrees to issue to the Warrant Holder a substitute Warrant reflecting the adjusted number of shares and/or Exercise Price upon the surrender of this Warrant to the Company.

12. **Notice.** All notices and other communications hereunder shall be in writing and shall be deemed to have been given (i) on the date they are delivered if delivered in person; (ii) on the date initially received if delivered by facsimile transmission followed by registered or certified mail confirmation; (iii) on the date delivered by an overnight courier service; or (iv) on the third business day after it is mailed by registered or certified mail, return receipt requested with postage and other fees prepaid as follows:

If to the Company:

Dolphin Digital Media, Inc
804 Douglas Road, Suite 365
Coral Gables, Florida 33134
Attn. Bill O'Dowd

If to the Warrant Holder:

T Squared Investments LLC
c/o T Squared Capital LLC
1325 Sixth Avenue, Floor 27
New York, New York 10019
Attn: Thomas M. Sauve

14. **Reduction of Exercise Price.** The Warrant Holder may over the term of the Warrant make a payment to the Company for an equivalent amount of money to reduce the exercise price of Warrant "E" until such time as the exercise price of this Warrant is able to be exercised via a cashless provision per Section 5 of this agreement. Each time a payment by the Warrant Holder is made to the Company, a side letter will be executed by both parties that states the new effective exercise price of Warrant "E" at that time. At such time when the Warrant Holder has paid a total amount to effectively reduce the exercise price down to an exercise price that is below the limitation in Section 5 of this agreement, then the Warrant Holder shall have the right to exercise Warrant "E" via a cashless provision and hold for six months to remove the legend under Rule 144.

14. **Miscellaneous.**

a. This Warrant shall be binding on and inure to the benefit of the parties hereto and their respective successors and permitted assigns. This Warrant may be amended only by a writing signed by the Company and the Warrant Holder.

b. Nothing in this Warrant shall be construed to give to any person or corporation other than the Company and the Warrant Holder any legal or equitable right, remedy or cause of action under this Warrant; this Warrant shall be for the sole and exclusive benefit of the Company and the Warrant Holder.

c. This Warrant shall be governed by, construed and enforced in accordance with the internal laws of the State of New York without regard to the principles of conflicts of law thereof.

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

e. In case any one or more of the provisions of this Warrant shall be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Warrant shall not in any way be affected or impaired thereby and the parties will attempt in good faith to agree upon a valid and enforceable provision which shall be a commercially reasonable substitute therefore, and upon so agreeing, shall incorporate such substitute provision in this Warrant.

f. The Warrant Holder shall not, by virtue hereof, be entitled to any voting or other rights of a shareholder of the Company, either at law or equity, and the rights of the Warrant Holder are limited to those expressed in this Warrant.

[SIGNATURES ON FOLLOWING PAGE]

**WARRANT AGREEMENT BETWEEN DOLPHIN DIGITAL MEDIA, INC
AND T SQUARED INVESTMENTS LLC
PAGE 7 OF 9**

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by the authorized officer as of the date first above stated.

Dolphin Digital Media Inc, a Nevada corporation

By: /s/ Bill O'Dowd

Name: Bill O'Dowd

Its: Chief Executive Officer

**WARRANT AGREEMENT BETWEEN DOLPHIN DIGITAL MEDIA, INC
AND T SQUARED INVESTMENTS LLC
PAGE 8 OF 9**

FORM OF ELECTION TO PURCHASE

(To be executed by the Warrant Holder to exercise the right to purchase shares of Common Stock under the foregoing Warrant)

To: **Dolphin Digital Media Inc.:**

In accordance with the Warrant enclosed with this Form of Election to Purchase, the undersigned hereby irrevocably elects to purchase _____ shares of Common Stock ("Common Stock"), \$.001 par value, of the Company and encloses the warrant and \$_____ for each Warrant Share being purchased or an aggregate of \$_____ in cash or certified or official bank check or checks, which sum represents the aggregate Exercise Price (as defined in the Warrant) together with any applicable taxes payable by the undersigned pursuant to the Warrant.

The undersigned requests that certificates for the shares of Common Stock issuable upon this exercise be issued in the name of:

(Please print name and address)

(Please insert Social Security or Tax Identification Number)

If the number of shares of Common Stock issuable upon this exercise shall not be all of the shares of Common Stock which the undersigned is entitled to purchase in accordance with the enclosed Warrant, the undersigned requests that a New Warrant (as defined in the Warrant) evidencing the right to purchase the shares of Common Stock not issuable pursuant to the exercise evidenced hereby be issued in the name of and delivered to:

(Please print name and address)

Dated: _____

Name of Warrant Holder:

(Print) _____

(By:) _____

(Name:) _____

(Title:) _____

Signature must conform in all respects to name of Warrant Holder as specified on the face of the Warrants.

PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
CERTIFICATION PURSUANT TO SECTION 302

I, William O'Dowd IV, Principal Executive Officer and Principal Financial Officer of Dolphin Digital Media, Inc. (the "Registrant"), certify that:

1. I have reviewed this Report on Form 10-K of the Registrant;
2. Based on my knowledge, this Annual 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)) 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 presented in this Report are conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this Report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting;
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control, 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 or internal control over financial reporting which are reasonably likely to adversely effect 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; and

Date: April 15, 2010

/s/ William O'Dowd IV

William O'Dowd IV

Chief Executive Officer

(Principal Executive Officer and Principal 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 Report of Dolphin Digital Media, Inc. (the "Company") on Form 10-K for the year ended December 31, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William O'Dowd IV, Principal Executive Officer and Principal 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, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fully 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
Principal Executive Officer and
Principal Financial Officer
April 15, 2010