

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

DOLPHIN DIGITAL MEDIA INC

Form: 10-K

Date Filed: 2011-05-13

Corporate Issuer CIK: 1282224
Symbol: DPDM
SIC Code: 7200

**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, 2010

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

86-0787790

(State or other jurisdiction of incorporation or organization)

(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 o

Accelerated filer o

Non-accelerated filer o

Smaller reporting company



Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.)o 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: \$5,428,754.

Indicate the number of shares outstanding of the registrant's common stock as of May 6, 2011 is 64,190,987.

DOCUMENTS INCORPORATED BY REFERENCE—NONE

TABLE OF CONTENTS

FORM 10-K

	<u>Page</u>
<u>Part I</u>	
<u>Item 1. BUSINESS</u>	3
<u>Item 1A. RISK FACTORS</u>	9
<u>Item 2. PROPERTIES</u>	12
<u>Item 3. LEGAL PROCEEDINGS</u>	13
<u>Item 4. (REMOVED AND RESERVED)</u>	13
<u>Part II</u>	
<u>Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES</u>	14
<u>Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	15
<u>Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</u>	21
<u>Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>	21
<u>Item 9A. CONTROLS AND PROCEDURES</u>	21
<u>Item 9B. OTHER INFORMATION</u>	22
<u>Part III</u>	
<u>Item 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE</u>	22
<u>Item 11. EXECUTIVE COMPENSATION</u>	23
<u>Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</u>	24
<u>Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE</u>	24
<u>Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES</u>	25
<u>Part IV</u>	
<u>Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES</u>	26
<u>Exhibit 3(i)7</u>	
<u>Exhibit 10.2</u>	
<u>Exhibit 31</u>	
<u>Exhibit 32</u>	

PART I

ITEM 1. BUSINESS.

Introduction

Dolphin Digital Media, Inc. is dedicated to the twin causes of online safety for children and the production of high-quality digital content. 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. Also, with the launch of Dolphin Digital Studios, the Company is at the forefront of the growing digital entertainment sector.

Dolphin Secure

Our core 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"

Dolphin Groups 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).

Table of Contents

During 2010, Dolphin Digital Media focused much of its development efforts on the expansion of the functionality and use of Dolphin Groups. Now, each group is in control of their own pricing, either on a monthly or annual basis, which gives them complete freedom to respond to their own fundraising needs, and to monetize their content on their own digital platform. For the first time, a children's organization can safely create their own environment with full online interactivity occurring by their children.

In addition, groups now have the ability to "link" with one another. Any group administrator may request affiliation with any other group within Dolphin Surf. If accepted, the group members will receive an invitation to join the new group. For example, a child joining his Little League team group site may be invited to join a fantasy baseball league site selected by his group administrator. Or, a parent purchasing admission for her child into a fan club site for a popular actor may be invited to join the fan club of the actor's television series.

Furthermore, links between groups can be automatically set-up for each new member, either in single-direction or dual-direction. Single-direction groups simply means that only the members from one group are invited to join the other group, but not the other way around (i.e. members of a particular local Girl Scout Troop are invited to join the group site for the Girl Scouts in that particular state, but not every girl scout in the state is invited to join the group site for that particular local Girl Scout Troop). Dual-direction groups simply means that the members from each group are automatically invited to join the other group (e.g. upon entering into the fan club for the leading actress of a popular television show, a member is automatically invited to the fan club for the leading actor of the same television show, and vice versa).

It is management's belief that such "links," or affiliations with other groups, will allow group administrators to drive membership for their own groups, while enriching the online experience for their members, and that these dual features of affiliation and monetization create a unique and compelling opportunity for any children's organization or content owner.

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. 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.

Table of Contents

Dolphin Secure currently works for PCs using Windows 7, XP or Vista operating systems, as well as Mac computers.

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.

International Expansion — Germany

On February 8, 2011, the Company announced its entry into the European market by licensing its core product, Dolphin Secure, in Germany. Philip von Alvensleben, a twenty-year veteran of the media space within Germany and the U.S., has formed Dolphin Media Germany and has recruited a team of top-level marketing and technology experts to localize, promote, distribute and support Dolphin Secure within Europe, beginning with the German market.

Under the deal terms, Dolphin Digital Media will receive a royalty from all customer licenses and sales. In turn, Dolphin Media Germany has retained the German-language rights to Dolphin Secure, as well as a right of first negotiation to launch the product in other European territories.

Mr. von Alvensleben is involved in a number of digital and media ventures such as Adconion Media Group, one of the largest online audience networks in the world, as well as Smaato and Burstly, pioneering mobile advertising companies, and Filmaka Inc. and Alive Entertainment. Mr. von Alvensleben's 20 year career also includes the position of Managing Director at the TeleMunchen Group, one of Germany's largest media conglomerates, with interests in broadcasting, feature film and television production and distribution, and music.

Dolphin Digital Studios

As a new division of the company, Dolphin Digital Studios will create original content that premieres online, with an initial focus on content geared toward tweens and teens.

Dolphin Digital Studios is a natural fit and progression in the core business of Dolphin Digital Media—entertaining its customers through high-quality digital programming. Furthermore, the web series from Dolphin Digital Studios can be repackaged for distribution into “traditional media,” such as television and home video.

For distribution into such outlets, Dolphin Digital Studios will capitalize on its existing relationship with Dolphin Entertainment, one of the top independent producers and distributors of children’s programming in the world. Founded in 1996, Dolphin Entertainment is an Emmy-nominated production and distribution company that has recently produced programming for Nickelodeon, Cartoon Network, and Canada’s Family Channel. Dolphin Entertainment currently distributes its children’s programming into 300 million homes in over 100 countries.

The Company expects the launch of Dolphin Digital Studios to create near-term revenue, since the new division already has several projects under development. Web series, in general, have a fairly short development and production cycle, thus allowing for quick distribution (as opposed to traditional television and film models). Thus, the Company anticipates that its financials will be positively impacted shortly after the distribution of any particular web series produced by Dolphin Digital Studios.

Dolphin Digital Studios will ramp up to produce between 6 and 8 web series a year. Some projects may be self-financed, while some projects currently under development will feature strategic and financial partnerships. This will allow Dolphin Digital Studios to have attractive project financing alternatives while developing its slate of programming.

According to a recent study by the Kaiser Family Foundation, 8-18 year-olds devote an average of 7 hours and 38 minutes across a typical day, or more than 53 hours per week, to using entertainment media. This creates a huge opportunity for quality content for this audience, which is no longer merely entertained by traditional television programming. In addition, advertisers have taken notice, with digital-marketing research firm eMarketer estimating that online video ad spending will grow 48 percent to \$1.5 billion in 2010 and will hit \$5 billion by 2014.

Warner Bros. Digital Distribution Partnership

Dolphin Digital Media, Inc. announced in 2010 the first two productions for Dolphin Digital Studios. These first two live-action multi-platform digital series with top Hollywood talent are being co-financed through an agreement with entertainment industry veteran Dolphin Entertainment (Executive Producer of hit Nickelodeon series *Zoey 101*) and Warner Bros. Digital Distribution.

The first titles produced under this agreement will be the futuristic survival tale *H+: The Series* from blockbuster Director / Producer Bryan Singer (Director of *X-Men*, *Superman Returns* and *The Usual Suspects*, and Executive Producer of hit television series *House*) and the action-packed high school spy thriller *Aim High* from multi-talented Executive Producer and Director McG (Director of *Charlie's Angels*, *Terminator: Salvation* and Executive Producer of television series *Chuck* and *Supernatural*).

“H+: The Series”

H+ takes viewers on an episodic two-and-a-half hour, apocalyptic journey into the future where technology has gone horrifically wrong. In 2019, 33% of the world’s population uses a radical new piece of technology — an implanted computer system called H+. This allows a person’s mind and nervous system to be connected to the Internet 24 hours a day.

But that same year, a mysterious and vicious computer virus is released, and within seconds millions of people die — leading to radical changes to the political and social landscape of the planet.

H+ is produced by Director / Producer Bryan Singer in association with Bad Hat Harry Productions (*House*). The series comes from the imaginative minds of writers John Cabrera (*Gilmore Girls*) and Cosimo de Tommaso who also serve as Executive Producers, directed by Stewart Hendler (*Sorority Row*) and produced by Lance Sloane (*Yucatan*). *H+* is currently in post-production and was filmed in Santiago Chile.

“Aim High”

Aim High is the story of a young man leading a double life — juggling his studies by day and serving as a government agent by night. This series chronicles the life of Nick Green, a high school sophomore who’s just starting a new school year as one of the country’s 64 highly trained teenage operatives.

When he’s not risking his life on top-secret missions, Nick is dreaming of Amanda Meyers, the most popular girl in school, who’s cool, intelligent, and very alluring. Amanda mercilessly flirts with Nick, but before he can enjoy her advances he has to avoid Derek — her overly protective boyfriend who threatens him for even looking at her.

Aim High comes from Director/ Producer McG, production company Wonderland Sound and Vision, and production services were provided by Bandito Brothers. Peter Murrieta, who served as Executive Producer for the Disney Channel mega-hit *Wizards of Waverly Place*, is the Executive Producer. The series is written by Heath Corson (*Living with Abandon* / *Scary Godmother*) and Richie Keen (*Living with Abandon*), who also serve as Executive Producers, directed by Thor Freudenthal (*Hotel for Dogs*/ *Diary of a Wimpy Kid*) and produced by Lance Sloane (*Yucatan*).

Table of Contents

Jackson Rathbone, best known for his role as the scarred vampire “Jasper Hale” in the *Twilight* movie series, stars as teenage government operative “Nick Green.” He is joined by Aimee Teegarden, known to loyal *Friday Night Lights* fans as “Julie Taylor,” who stars as Nick’s charming love interest “Amanda Miles.”

Aim High also stars Rebecca Mader (*Lost*) as Nick’s sultry science teacher “Ms. Walker,” Johnny Pemberton (*Megadrive*) as the well connected best friend “Marcus,” Clancy Brown (*Highlander*) as Russian mercenary “Boris the Bear,” Jonathan McDaniel (*That’s So Raven*) as Amanda’s jealous boyfriend and swim team captain “Derek Long,” and Greg Germann (*Ally McBeal*) as the protective “Vice Principal Ockenhocker.”

Management Expertise

The launch of Dolphin Digital Studios leverages our management expertise in creating high-quality entertainment for children and young adults.

Dolphin Entertainment (“DE”), 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 three 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.

We hold a multiyear exclusive licensing agreement with DE. Under the terms of our 10 year agreement, DE will work with us to create and manage social networking websites which will be themed around DE’s own branded properties.

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 1995 and 2003.

On December 5, 2003, we amended our Articles of Incorporation to change our name to Maximum Awards, 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.

Table of Contents

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 provided 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 provided an online database for theatres and a bi-weekly online theatre magazine; and (iii) Anne's World Limited, a company that held the license for a secure social networking website for children. 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 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 at 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

Our independent auditors have expressed that there is substantial doubt about our ability to continue as a going concern.

In the footnotes to our financial statements for the year ended December 31, 2010, our independent auditors issued an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern based upon our net loss for the year ended December 31, 2010, our accumulated deficit as of December 31, 2010, and our level of working capital. The financial statements do not include any adjustments that might result from the outcome of these uncertainties. Management is planning to raise any necessary additional funds through loans and additional sales of its common stock, however, there can be no assurance that the Company will be successful in raising any necessary additional capital.

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, as amended, 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 \$0.25 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; and (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 \$0.25 without the prior consent of the holders of the Preferred Stock.

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. 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. 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 a business deal that the Company undertook. While the ultimate results of these proceedings against the Company cannot be predicted with certainty, management believes the resolution of these matters will not materially affect the accompanying consolidated financial statements. Since the above mentioned matter was filed there has been no further activity.

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 sought recovery of corporate stock and damages occasioned by the misfeasance of Peikin, Gold and the corporate entities over which they presided. As alleged in the complaint, Peikin and Gold served as outside and inside counsel to and officers of Plaintiffs in 2008 and 2009. 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 sought 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 and also alleged civil racketeering counts. On or about April 19, 2010, the Court dismissed the civil racketeering counts on the basis that the alleged enterprise was primarily formed and existed for the commission of the theft of the above-mentioned stock. The Court made no determination on the merits of the underlying allegations. As a result of the dismissal, the Federal Court was deprived of jurisdiction over the cause. On April 20, 2010, Peikin and Gold filed an action in Miami-Dade County Circuit Court against Dolphin Entertainment, Inc. and Dolphin Digital Media, Inc., respectively, relating to their employment with the companies. Peikin sued Dolphin Entertainment, Inc. for: 1) breach of contract; 2) promissory estoppel; 3) fraud in the inducement; and 4) negligent misrepresentation and Gold sued Dolphin Digital Media, Inc. for negligent misrepresentation. On or about May 10, 2010, Dolphin Entertainment, Inc. and Dolphin Digital Media, Inc. filed their Answer, Affirmative Defenses, and Counterclaims against Peikin and Gold and a Third Party Claim against Bespoke Growth Partners, Inc., Gsquared, Ltd. and Carta De Dinero, LLC, alleging virtually the same counts alleged in the action filed in the U. S. District Court action. The Counterclaims and the Third-Party Claim alleged among other things, fraud, civil theft, unjust enrichment and conversion and seek an accounting. On March 24, 2011 the parties entered into a confidential Mutual Stipulation and Settlement Agreement wherein they settled all matters between them which were the subject of the actions.

On or about January 25, 2010, an action was filed by Tom David against Winterman Group Limited, Dolphin Digital Media (Canada) Ltd., Malcolm Stockdale and Sara Stockdale in the Superior Court of Justice in Ontario (Canada) alleging breach of a commercial lease and breach of a personal guaranty. On or about March 18, 2010, Winterman Group Limited, Malcolm Stockdale and Sara Stockdale filed a Statement of Defense and Crossclaim. In the Statement of Defense, Winterman Group Limited, Malcolm Stockdale and Sara Stockdale deny any liability under the lease and guaranty. In the Crossclaim filed against Dolphin Digital Media (Canada) Ltd., Winterman Group Limited, Malcolm Stockdale and Sara Stockdale seek contribution or indemnity against Dolphin Digital Media (Canada) Ltd. alleging that Dolphin Digital Media (Canada) agreed to relieve Winterman Group Limited, Malcolm Stockdale and Sara Stockdale from any and all liability with respect to the lease or the guaranty. On or about March 19, 2010, Winterman Group Limited, Malcolm Stockdale and Sara Stockdale filed a Third Party Claim against the Company seeking contribution or indemnity against the Company, formerly known as Logica Holdings, Inc., alleging that the Company agreed to relieve Winterman Group Limited, Malcolm Stockdale and Sara Stockdale from any and all liability with respect to the lease or the guaranty. The Third Party Claim was served on the Company on April 6, 2010. On or about April 1, 2010, Dolphin Digital Media (Canada) filed a Statement of Defense and Crossclaim. In the Statement of Defense, Dolphin Digital Media (Canada) denied any liability under the lease and in the Crossclaim against Winterman Group Limited, Malcolm Stockdale and Sara Stockdale, Dolphin Digital Media (Canada) seeks contribution or indemnity against Winterman Group Limited, Malcolm Stockdale and Sara Stockdale alleging that the leased premises were used by Winterman Group Limited, Malcolm Stockdale and Sara Stockdale for their own use. On or about April 1, 2010, Dolphin Digital Media (Canada) also filed a Statement of Defense to the Crossclaim denying any liability to indemnify Winterman Group Limited, Malcolm Stockdale and Sara Stockdale. The ultimate results of these proceedings against the Company cannot be predicted with certainty.

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, 2009, as quoted on the OTC Bulletin Board, is as follows:

Quarter	High Bid	Low Bid
Second Quarter 2011 (through May 6, 2011)	\$ 0.10	\$ 0.06
First Quarter 2011	\$ 0.13	\$ 0.08
Fourth Quarter 2010	\$ 0.13	\$ 0.08
Third Quarter 2010	\$ 0.22	\$ 0.09
Second Quarter 2010	\$ 0.40	\$ 0.16
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

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

Holders

As of May 6, 2011, an aggregate of 64,190,987 shares of our common stock were issued and outstanding and were owned by approximately 275 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 2010. Other unregistered equity securities sold by the Company during 2010 have been previously disclosed in the Company's quarterly periodic reports on Form 10-Q filed with the SEC during 2010.

During the three months ended December 31, 2010, the Company's CEO loaned the Company \$126,145, for a total of \$171,145 of total loans during 2010. As of December 31, 2010 and 2009 the total amount loaned to the Company by its CEO was \$930,145 and \$1,079,000, respectively. The Company paid the CEO \$320,000 in payments on said loans during 2010. The note accrues interest at a rate of 10%. Accrued interest amounted to \$207,216 and \$111,278 at December 31, 2010 and 2009, respectively.

On December 30, 2010 the Company entered into an agreement for a debt to equity conversion of a \$500,000 outstanding convertible note and accrued interest of \$42,753. Under the terms of the Agreement, the Company will convert the convertible note and accrued interest into shares of its preferred stock. The holder of the convertible note shall receive 542,753 shares of the Company's Preferred Stock. The Preferred Stock will be initially convertible into four (4) shares of Company common stock. The Preferred Stock Conversion Ratio is subject to adjustment in the event of a stock dividend, stock splits and certain reclassifications. All the outstanding shares of Preferred Stock shall be converted into Company common stock upon the close of business on the business day immediately preceding the date fixed for consummation of a Change of Control of the Company as such terms shall be defined in the appropriate certificate of designation. The shares of Preferred Stock shall have no voting rights. As of December 31, 2010 and 2009, the Company had 1,042,753 and 500,000 respectively of preferred shares issued and outstanding.

In 2010 the Company issued Warrant E to T Squared Investments, LLC. During 2010 T Squared Investments, LLC made a series of payments to the Company, which, pursuant to the terms of the financing, reduced the exercise price of Warrant E. During the 3 months ended December 31, 2010, T Squared Investments, LLC made the following payments:

- * On October 26, 2010 T-Squared Investments, LLC paid \$100,000 reducing the exercise price on the Warrant E to \$.0643.
- * On December 9, 2010 T-Squared Investments, LLC paid \$100,000 reducing the exercise price on Warrant E to \$.0500.
- * On December 16, 2010 T-Squared Investments, LLC paid \$100,000 reducing the exercise price on Warrant E to \$.0357.

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, 2010 compared 2009

The Company did not have revenues for the years ended December 31, 2010 or 2009. The Company expects to begin generating revenues from Dolphin Secure and Dolphin Surf websites during fiscal 2011.

General and administration costs decreased by \$265,160 from \$4,675,317 for the year ended December 31, 2009 to \$4,410,157 for the year ended December 31, 2010 as a result of decreased marketing and administrative costs.

Depreciation expense decreased by \$23,229 from \$23,229 for the year ended December 31, 2009 to \$0 for the year ended December 31, 2010 as a result of property plant and equipment being fully depreciated as of December 31, 2009.

Finance charges increased by \$1,029,615 from \$0 for the year ended December 31, 2009 to \$1,029,615 for the year ended December 31, 2010 primarily as a result of expenses associated with re-pricing of stock warrants.

Interest expense decreased by \$22,264 from \$221,195 for the year ended December 31, 2009 to \$198,931 for the year ended December 31, 2010.

The net loss was \$5,568,883 or (\$.09) per share based on 62,568,821 weighted average shares outstanding for the year ended December 31, 2010 compared to a loss of \$4,914,104 or (\$.09) per share based on 53,926,712 weighted average shares outstanding for the year ended December 31, 2009.

Liquidity and Capital Resources

Through the year ended December 30, 2010 we have relied on advances of \$171,145 from our President and CEO. We received \$1,500,000 from the pay down of warrants. We sold a total of 3,948,953 shares of common stock for proceeds of \$1,122,999. As of December 31, 2010, we had cash of \$1,467 and a working capital deficit of \$3,241,515.

Our independent auditors issued an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern based upon our net loss for the year ended December 31, 2010, our accumulated deficit as of December 31, 2010, and our level of working capital. The financial statements do not include any adjustments that might result from the outcome of these uncertainties. Management is planning to raise any necessary additional funds through loans and additional sales of its common stock, however, there can be no assurance that the Company will be successful in raising any necessary additional capital.

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 subsidiaries. The accompanying consolidated financial statements include the accounts of Dolphin Digital Media Inc and its subsidiaries, Dolphin Digital Media (Canada) Inc, Anne's World Limited and Curtain Rising Inc. for the year ended December 31, 2010 and 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, 2010 presentations.

Revenue Recognition

Revenue is recognized in accordance with the provision of FASB ASC Topic 605, "Revenue Recognition". In general, the Company records revenue when persuasive evidence of an arrangement exists, services have been rendered, the selling price is fixed and determinable, and collectability is reasonably assured.

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 purchases a subscription. The Company had no revenue during the years ended December 31, 2010 and 2009. Dolphin Digital Studios will record revenue when deliverables have been completed in accordance with its agreements. As December 31, 2010 the Company had recorded deferred revenue of \$352,823.

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, 2010 and 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, 2010 and December 31 2009 the value of the Company's inventory was \$8,256 and \$91,860, 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.

Comprehensive Income (Loss)

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' Deficit.

Comprehensive income (loss) comprises a gain or loss on foreign currency translation.

Foreign Currency Translation

The functional currency of the Company is the United States Dollar. The financial statements of the Company's Canadians subsidiary translated to the United States dollar 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, 2010 was 10,614,007 shares. There were no dilutive securities outstanding at December 31, 2010.

Business Segments

The Company operates the following business segments:

- Dolphin Digital Media (USA): The Company's primary business model is monthly and annual membership fees in the US for subscriptions to Dolphinsecure.com
- Dolphin Digital Studios is a new division of the Company that will create original programming that premieres online, with an initial focus geared toward teens and tweens. Dolphin Digital Studios had no transactions during 2010.

Fair Value of Financial Instruments

Fair value of certain of the Company's financial instruments including cash and cash equivalents, inventory, advances, account payable, deferred licensing fees, 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 earning 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 at December 31, 2010 and 2009. During the years ended December 31, 2010 and 2009 the Company had no revenue and therefore no concentration of 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 January 2010, the FASB has published ASU 2010-01 "*Equity (Topic 505) — Accounting for Distributions to Shareholders with Components of Stock and Cash—a consensus of the FASB Emerging Issues Task Force*," as codified in ASC 505. ASU No. 2010-01 clarifies the treatment of certain distributions to shareholders that have both stock and cash components. The stock portion of such distributions is considered a share issuance that is reflected in earnings per share prospectively and is not a stock dividend. The amendments in this Update are effective for interim and annual periods ending on or after December 15, 2009 and should be applied on a retrospective basis. Early adoption is permitted. The adoption of this standard did not have an impact on the Company's (consolidated) financial position and results of operations.

Ownership of a Subsidiary—a Scope Clarification," as codified in ASC 810, "*Consolidation*." ASU No. 2010-02 applies retrospectively to April 1, 2009, our adoption date for ASC 810-10-65-1 as previously discussed in this financial note. This ASU clarifies the applicable scope of ASC 810 for a decrease in ownership in a subsidiary or an exchange of a group of assets that is a business or nonprofit activity. The ASU also requires expanded disclosures. The amendments in this Update are effective for interim and annual periods ending on or after December 15, 2009, and should be applied on a retrospective basis. The adoption of this standard is not expected to have any impact on the Company's consolidated financial position and results of operations.

In January 2010, the FASB has published ASU 2010-06 “*Fair Value Measurements and Disclosures (Topic 820): — Improving Disclosures about Fair Value Measurements*”. ASU No. 2010-06 clarifies improve disclosure requirement related to fair value measurements and disclosures — Overall Subtopic (Subtopic 820-10) of the FASB Accounting Standards Codification. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosure about purchase, sales, issuances, and settlement in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The amendments in this Update are effective for interim and annual periods ending on or after December 15, 2009, and should be applied on a retrospective basis. The adoption of this standard is not expected to have a material impact on the Company’s consolidated financial position and results of operations.

In February 2010, the FASB issued ASU 2010-09 which requires that an SEC filer, as defined, evaluate subsequent events through the date that the financial statements are issued. The update also removed the requirement for an SEC filer to disclose the date through which subsequent events have been evaluated in originally issued and revised financial statements. The adoption of this guidance on January 1, 2010 did not have a material effect on the Company’s consolidated financial statements.

In April 2010, the FASB issued Accounting Standard Update No. 2010-13 “Stock Compensation” (Topic 718). ASU No. 2010-13 provides amendments to Topic 718 to clarify that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity’s equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The amendments in this Update should be applied by recording a cumulative-effect adjustment to the opening balance of retained earnings. The cumulative-effect adjustment should be calculated for all awards outstanding as of the beginning of the fiscal year in which the amendments are initially applied, as if the amendments had been applied consistently since the inception of the award. The cumulative-effect adjustment should be presented separately. Earlier application is permitted. The adoption of this guidance has not had and is not expected to have a material impact on the Company’s consolidated financial statements.

In August 2010, the FASB issued Accounting Standard Updates No. 2010-21 (ASU No. 2010-21) “*Accounting for Technical Amendments to Various SEC Rules and Schedules*” and No. 2010-22 (ASU No. 2010-22) “*Accounting for Various Topics — Technical Corrections to SEC Paragraphs*”. ASU No. 2010-21 amends various SEC paragraphs pursuant to the issuance of Release no. 33-9026: Technical Amendments to Rules, Forms, Schedules and Codification of Financial Reporting Policies. ASU No. 2010-22 amends various SEC paragraphs based on external comments received and the issuance of SAB 112, which amends or rescinds portions of certain SAB topics. Both ASU No. 2010-21 and ASU No. 2010-22 are effective upon issuance. The amendments in ASU No. 2010-21 and No. 2010-22 will not have a material impact on the Company’s financial statements.

Other ASUs not effective until after December 31, 2010, are not expected to have a significant effect on the Company’s consolidated financial position or results of operations.

Off-Balance Sheet Arrangements

As of December 31, 2010, 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:

	Page
AUDITED FINANCIAL STATEMENTS:	
Report of Independent Registered Public Accounting Firm(s)	F-1 - F-2
Consolidated Balance Sheets as of December 31, 2010	F-3
Consolidated Statement of Operations for the year ended December 31, 2010 and 2009	F-4
Consolidated Statement of Changes Stockholders Deficit for the year ended December 31, 2010 and 2009	F-5
Consolidated Statement of Cash Flows for the year ended December 31, 2010 and 2009	F-6
Notes to Consolidated Audited Financial Statements	F-7

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

None.

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

We maintain disclosure controls and procedures that are designed to ensure that material information required to be disclosed in our periodic reports filed under the Securities Exchange Act of 1934, as amended, or 1934 Act, is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and to ensure that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer (principal financial officer) as appropriate, to allow timely decisions regarding required disclosure. During the quarter ended December 31, 2010 we carried out an evaluation, under the supervision and with the participation of our management, including the principal executive officer and the principal financial officer (principal financial officer), of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13(a)-15(e) under the 1934 Act. Based on this evaluation, because of the Company's limited resources and limited number of employees, management concluded that our disclosure controls and procedures were ineffective as of December 31, 2010.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurances regarding the reliability of financial reporting and the preparation of the financial statements of the Company in accordance with U.S. generally accepted accounting principles, or GAAP. 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 that the degree of compliance with the policies or procedures may deteriorate.

With the participation of our Chief Executive Officer and Chief Executive Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2010 based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our evaluation and the material weaknesses described below, management concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2010 based on the COSO framework criteria. Management has identified control deficiencies regarding the lack of segregation of duties and the need for a stronger internal control environment. Management of the Company believes that these material weaknesses are due to the small size of the Company's accounting staff. The small size of the Company's accounting staff may prevent adequate controls in the future, such as segregation of duties, due to the cost/benefit of such remediation.

To mitigate the current limited resources and limited employees, we rely heavily on direct management oversight of transactions, along with the use of external legal and accounting professionals. As we grow, we expect to increase our number of employees, which will enable us to implement adequate segregation of duties within the internal control framework.

These control deficiencies could result in a misstatement of account balances that would result in a reasonable possibility that a material misstatement to our consolidated financial statements may not be prevented or detected on a timely basis. Accordingly, we have determined that these control deficiencies as described above together constitute a material weakness.

In light of this material weakness, we performed additional analyses and procedures in order to conclude that our consolidated financial statements for the year ended December 31, 2010 included in this Annual Report on Form 10-K were fairly stated in accordance with US GAAP. Accordingly, management believes that despite our material weaknesses, our consolidated financial statements for the year ended December 31, 2010 are fairly stated, in all material respects, in accordance with US GAAP.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm.

Limitations on Effectiveness of Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer , does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include, but are not limited to, the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls 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. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Controls

During the fiscal quarter ended December 31, 2010, there have been no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE****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.

NAME	AGE	PRINCIPAL OCCUPATION
William O'Dowd, IV	41	Chief Executive Officer, Chief Financial Officer and Chairman of the Board of Directors
Nelson Famadas	38	Chief Operating Officer
Michael Espensen	60	Director

Biographical Information

William O'Dowd, IV. 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.

Nelson Famadas. Mr. Famadas serves as the Company's Chief Operating Officer. In his new role, Mr. Famadas will have management oversight of Dolphin Digital Media's daily operations in order to improve product management, business development, and strategic planning. Mr. Famadas is a graduate of Harvard University where he concentrated in Economics. He also received an MBA from the Owen School of Management at Vanderbilt University. Previous to joining the Dolphin team, Mr. Famadas served as President and COO of Gables Holding Corporation, a real estate development company in Puerto Rico. The company was fully diversified in residential, commercial, and Low-Income Tax Credit subsidized housing developments. Mr. Famadas supervised daily operations and long-term planning, including arranging financing for most of the projects. From 1995 through 2001, Nelson co-founded and managed Astracanada Productions, a television production company based in Miami that catered mostly to the U.S. Hispanic audience. The company produced over 1,300 hours of television programming. As Executive Producer, he received a Suncoast EMMY in 1997 for Entertainment Series for "Oscuras Pero Encendidos", a late-night talk show. Mr. Famadas was responsible for all managerial functions including operations, finance, advertising and syndication sales, and human resources. Prior to starting Astracanada, Mr. Famadas also worked at MTV Networks and Procter & Gamble.

Michael Espensen. 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 CEO and Director of Keraplast Technologies, LTD.

Background and Qualifications of Directors

When considering whether directors and nominees have the experience, qualifications, attributes and skills, taken as a whole, to enable the Board of Directors to satisfy its oversight responsibilities effectively in light of the Company's business and structure, the Company's Board focuses primarily on each person's background and experience as reflected in the information discussed in each of the directors' individual biographies set forth above. We believe that our directors provide an appropriate mix of experience and skills relevant to the size and nature of our business. As more specifically described in the biographies set forth above, our directors possess relevant knowledge and experience, industry-specific and otherwise, in the family entertainment, Internet networking, legal, and business fields generally, which we believe enhances the Board's ability to oversee, evaluate and direct our overall corporate strategy. Our Board annually reviews the composition and size of the Board so that the Board consists of members with the proper expertise, qualifications, attributes, skills, and personal and professional backgrounds needed by the Board, consistent with applicable regulatory requirements.

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.

Of our two directors, only Michael Espensen is 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, 2010. Mr. O'Dowd, Mr. Famadas, 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.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	All Other Compensation (\$)	Total (\$)
William O'Dowd, IV, CEO, President and Chairman	2010	\$ 0	0	0	0	0	0
	2009	\$ 0	0	0	0	0	0
Nelson Famadas, COO (1)	2010	\$ (2)	0	0	0	0	(2)
	2009	\$ —	—	—	—	—	—

(1) Appointed Chief Operating Officer effective July 1, 2010.

(2) \$90,000 of Mr. Famadas' salary from July 1, 2010 through December 31, 2010 was accrued by the Company.

Outstanding Equity Awards at Fiscal Year-End

None of the executive officers named in the table above had any outstanding equity awards as of December 31, 2010.

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 May 6, 2011 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 64,190,987 shares of our common stock outstanding as of May 6, 2011.

NAME AND ADDRESS OF OWNER (1)	SHARES	PERCENTAGE OF TOTAL SHARES	OUTSTANDING
William O'Dowd, IV	23,763,735	37.0%	
Michael Espensen	0	*	
Nelson Famadas	68,696	*	
T Squared Investments LLC (2)	16,491,813	21.8%	
All Directors and Named Executive Officers as a Group (3 persons)	23,832,431	37.1%	

* Less than 1%

- (1) Unless otherwise indicated in point (2) 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) 4,171,012 shares issuable upon conversion of 1,042,753 shares of Series A Convertible Preferred Stock; (ii) 7,000,000 shares issuable upon exercise of a common stock purchase warrant (the "Class E Warrant"); and (iii) 231,000 shares issuable upon exercise of a common stock purchase warrant with an exercise price of \$0.0001 per share. The Series A Preferred Stock and Class E Warrant contain provisions that prevent conversions/exercises to common stock to the extent that after giving effect to such conversion/exercise, the holder (together with the holder's affiliates) would beneficially own in excess of 9.9% of the number of shares of the common stock outstanding immediately after giving effect to such conversion/exercise.

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

During the three months ended December 31, 2010, the Company's CEO loaned the Company \$126,145, for a total of \$171,145 of total loans during 2010. As of December 31, 2010 and 2009 the total amount loaned to the Company by its CEO was \$930,145 and \$1,079,000, respectively. The Company paid the CEO \$320,000 in payments on said loans during 2010. The note accrues interest at a rate of 10%. Accrued interest amounted to \$207,216 and \$111,278 at December 31, 2010 and 2009, respectively.

On November 18, 2010, we entered into an agreement with Dolphin Entertainment, Inc., for production services related to two digital episodic series. The total amount of the contract is \$200,000.

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 that number of 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.

ITEM 14. 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 12/31/2010	Year Ended 12/31/2009
Audit Fees	\$ 41,500	\$ 40,000
Audited-Related Fees	0	0
Tax Fees	5,000	0
All Other Fees	0	0
Total	<u>\$ 46,500</u>	<u>\$ 40,000</u>

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.

PART IV

ITEM 15. 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(i).1 | Articles of Incorporation of Rising Fortune Incorporated, as filed on March 7, 1995 (1) |
| 3(i).2 | Amendment to Articles of Incorporation, as filed on December 5, 2003 (1) |
| 3(i).3 | Amendment to Articles of Incorporation, as filed on May 29, 2007 (6) |
| 3(i).4 | Amendment to Articles of Incorporation, as filed on August 7, 2007 (6) |
| 3(i).5 | Certificate of Amendment to the Article of Incorporation, as filed on July 29, 2008 (7) |
| 3(i).6 | Designation of Preferences of Series A Convertible Preferred Stock, filed October 10, 2007 (5) |
| 3(i).7 | Amendment to Certificate of Designation of Series A Convertible Preferred Stock |
| 3(ii) | 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 | Letter Agreement with T Squared Investments, LLC, dated July 29, 2009 (9) |
| 4.3 | Subscription Agreement with T Squared Investments, LLC, dated July 29, 2009 (9) |
| 4.4 | Common Stock Purchase Warrant "D" with T Squared Investments, LLC, dated July 29, 2009 (9) |

Exhibit No.

4.5	Letter Agreement with T Squared Investments, LLC, dated March 10, 2010 (9)
4.6	Common Stock Purchase Warrant "E" with T Squared Investments, LLC, dated March 10, 2010 (9)
10.1	Amendment to Preferred Stock Purchase Agreement, dated December 30, 2010 (8)
10.2	Promissory Note dated January 1, 2011
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.
- (8) Incorporated by reference to Exhibits set forth in the Company's Form 8-K filed with the Securities and Exchange Commission on January 5, 2011.
- (9) Incorporated by reference to Exhibits set forth in the Company's Form 10-K for the year ended December 31, 2009, filed with the Securities and Exchange Commission on April 15, 2010.

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: May 13, 2011

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 principal financial officer
and principal accounting officer)

Dated: May 13, 2011

By: /s/ Michael Espensen

Michael Espensen
Director

Dated: May 13, 2011

By: /s/ Nelson Famadas

Nelson Famadas
Chief Operating Officer

Dated: May 13, 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders of
Dolphin Digital Media, Inc.
Miami, Florida

We have audited the accompanying consolidated balance sheet of Dolphin Digital Media, Inc. and its subsidiaries (the "Company") as of December 31, 2010, and the related consolidated statements of operations, deficiency in stockholders' equity and cash flows for the year ended December 31, 2010. 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 audit.

We have conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dolphin Digital Media, Inc. and its subsidiaries as of December 31, 2010, and the consolidated results of its operations and its cash flows for the year ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the accompanying consolidated financial statements, the Company has incurred significant losses and has capital and working capital deficiencies, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to this matter are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ RBSM LLP

New York, New York
May 9, 2011

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 the related consolidated statements of operations, changes in shareholders' deficit and cash flows for the year ended December 31, 2009. 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 the consolidated results of its operations and its cash flows for the year ended December 31, 2009 in conformity with accounting principles generally accepted in the United States.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the accompanying consolidated financial statements, the Company has incurred significant losses and has capital and working capital deficiencies, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to this matter are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Jewett, Schwartz, Wolfe & Associates
Jewett, Schwartz, Wolfe & Associates

Hollywood, Florida
April 15, 2010

DOLPHIN DIGITAL MEDIA INC AND SUBSIDIARIES
Consolidated Balance Sheets

	December 31,	
	2010	2009
ASSETS		
Current		
Cash	\$ 1,467	\$ 3,218
Inventory	8,256	91,860
Prepaid expenses	—	211,128
Other current assets	724	636
Total Current Assets	<u>10,447</u>	<u>306,842</u>
Intangible assets	—	1,208,268
Total Assets	<u>\$ 10,448</u>	<u>\$ 1,515,110</u>
LIABILITIES		
Current		
Accounts payable	\$ 1,388,395	\$ 1,587,115
Other current liabilities	480,599	315,350
Deferred revenue	352,823	—
Loans from related party	930,145	1,079,000
Notes payable — Convertible (Net of discount of \$0 and \$84,000, respectively)	100,000	216,000
Total Current Liabilities	<u>3,251,962</u>	<u>3,197,465</u>
Long Term Liabilities		
Notes payable convertible (Net of discount of \$0 and \$69,857, respectively)	—	230,143
Total Liabilities	<u>3,251,962</u>	<u>3,427,608</u>
STOCKHOLDERS' DEFICIT		
Common stock, \$0.015 par value, 100,000,000 shares authorized, 64,190,987 and 59,809,454 issued and outstanding as of December 31, 2010 and 2009, respectively	962,750	897,141
Preferred stock \$0.001 par value, 10,000,000 shares authorized, 1,042,753 and 500,000 shares issued and outstanding as of December 31, 2010 and 2009, respectively	1,043	500
Additional Paid-In Capital	29,028,156	24,854,441
Accumulated deficit	(33,168,229)	(27,529,526)
Accumulated comprehensive loss	(65,235)	(135,055)
Total Stockholders' Deficit	<u>(3,241,515)</u>	<u>(1,912,499)</u>
Total Liabilities and Stockholders' Deficit	<u>\$ 10,447</u>	<u>\$ 1,515,110</u>

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

DOLPHIN DIGITAL MEDIA INC AND SUBSIDIARIES
Consolidated Statement of Operations

	For The Years Ended December 31,	
	2010	2009
Revenues	\$ —	\$ —
Cost of Sales	—	—
Gross Profit	<u>—</u>	<u>—</u>
 Expenses:		
General and administrative	4,410,157	4,675,317
Depreciation	—	23,229
Total Expenses	<u>4,410,157</u>	<u>4,698,546</u>
 Loss from Operations	<u>(4,410,157)</u>	<u>(4,698,546)</u>
 Other Expenses		
Finance charges	1,029,615	—
Interest expense	198,931	221,195
Total Other Expenses	<u>1,228,546</u>	<u>221,195</u>
 Net loss from operations	<u>\$ (5,638,703)</u>	<u>\$ (4,919,741)</u>
 Foreign currency adjustments	69,820	5,637
 Comprehensive Loss	<u>\$ (5,568,883)</u>	<u>\$ (4,914,104)</u>
 Basic and Diluted Loss per Share	<u>\$ (0.09)</u>	<u>\$ (0.09)</u>
 Basic and Diluted Weighted Average Number of Shares Outstanding during the Period	<u>62,568,821</u>	<u>53,926,712</u>

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

[Table of Contents](#)

Dolphin Digital Media Inc and Subsidiaries
Consolidated Statement of Changes in Stockholders' Deficit
For the years ended December 31, 2010 and 2009

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Comprehensive Loss / Gain	Accumulated Deficit	Total Stockholders Deficit
	Shares	Amount	Shares	Amount				
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	—	—	—	—	—	—	<u>(4,919,741)</u>	<u>(4,919,741)</u>
Balance								
December 31,								
2009	500,000	500	59,809,454	897,141	24,854,441	(135,055)	(27,529,526)	(1,912,499)
Shares Issued for Cash	—	—	3,948,953	59,234	1,063,765	—	—	1,122,999
Shares Issued for services	—	—	425,000	6,375	122,125	—	—	128,500
Warrants repricing	—	—	—	—	945,615	—	—	945,615
Misc. difference in shares	—	—	7,580	—	—	—	—	—
Conversion of notes payable and accrued interest to preferred stock	542,753	543	—	—	542,210	—	—	542,753
Cash received for warrant price reduction	—	—	—	—	1,500,000	—	—	1,500,000
Comprehensive Loss / Gain	—	—	—	—	—	69,820	—	69,820
Net loss for the year ended December 31, 2010	—	—	—	—	—	—	<u>(5,638,703)</u>	<u>(5,638,703)</u>
Balance								
December 31,								
2010	1,042,753	\$ 1,043	64,190,987	\$962,750	\$29,028,156	\$ (65,235)	\$ (33,168,229)	\$ (3,241,515)

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

[Table of Contents](#)

DOLPHIN DIGITAL MEDIA INC. AND SUBSIDIARIES
Consolidated Statements of Cashflows

	For The Years Ended December 31,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (5,638,703)	\$ (4,919,741)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	—	23,229
Amortization of debt discount	153,857	90,350
Impairment of fixed assets	—	56,602
Impairment of intangibles	2,166,143	99,211
Impairment of advances	170,500	—
Common Stock issued for compensation	128,500	1,109,493
Warrants repricing	945,615	—
Changes in operating assets and liabilities:		
Decrease in prepaid expenses	211,128	(211,059)
Increase in other current assets	(88)	43
Decrease in Inventory	83,604	2,188
Increase in deferred revenue	352,823	—
Decrease in accounts payable	(192,568)	710,286
Increase in other current liabilities	208,000	(10,375)
Increase in accrued expenses	—	250,818
Net Cash Used In Operating Activities	(1,411,189)	(2,798,955)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of computers	—	(15,042)
Advances	(170,500)	—
Payment for intangible assets	(957,875)	(652,941)
Net Cash Used In Investing Activities	(1,128,375)	(667,983)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in cash overdraft	(6,152)	14,087
Proceeds from convertible notes payable	—	300,000
Proceeds from note payable	100,000	300,000
Repayment of note payable	(100,000)	—
Proceeds from sale of common stock	1,123,000	2,298,799
Advances from Related Party	171,145	500,619
Repayments to Related Party	(320,000)	—
Proceeds from exercise of warrants	1,500,000	—
Net Cash Provided By Financing Activities	2,467,993	3,413,505
Foreign Currency Adjustments	69,820	5,637
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,751)	(47,796)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,218	51,014
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,467	\$ 3,218
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:		
Interest paid	\$ —	\$ —
Income taxes	\$ —	\$ —
SUPPLEMENTAL DISCLOSURES OF NON CASH FLOWS		
INVESTING AND FINANCING ACTIVITIES:		
Conversion of debt to equity	—	—

Conversion of accounts payable to equity	—	—
Conversion of notes payable and accrued interest into preferred stock	<u>542,753</u>	—

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

DOLPHIN DIGITAL MEDIA, INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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 1995 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 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, Inc. has taken an industry-leading position with respect to internet safety, as well as digital entertainment.

Dolphin Digital Media (Canada) Inc. (F/K/A Plays On The Net Inc.) was incorporated in Ontario (Canada) on July 27, 2006. The Company changed it name on October 28, 2008.

Curtain Rising Inc. was incorporated in Ontario (Canada) on October 19, 2006. The company has no current operations, revenues or expenses.

On June 23, 2008 Logica Holdings purchased 100% of Dolphin Digital Media, Inc. The Company issued a total of 24,063,735 of common shares, equivalent to 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 purchase transaction with Logica Holdings. Historical financials are those of Logica Holdings.

In September 2010 the Company announced the launch of Dolphin Digital Studios as a new division of the Company. Dolphin Digital Studios will create original programming that premieres online, with an initial focus on content geared toward tweens and teens.

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 net losses for the year ended December 31, 2010 of \$5,568,883. As of December 31, 2010 the Company recorded an accumulated deficit of approximating \$33,168,229. 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 consolidated 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 subsidiaries. The accompanying consolidated financial statements include the accounts of Dolphin Digital Media Inc and its subsidiaries, Dolphin Digital Media (Canada) Inc, Anne's World Limited and Curtain Rising Inc. for the year ended December 31, 2010 and 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, 2010 presentations.

Revenue Recognition

Revenue is recognized in accordance with the provision of FASB ASC Topic 605, "Revenue Recognition". In general, the Company records revenue when persuasive evidence of an arrangement exists, products have been delivered or services have been rendered, the selling price is fixed and determinable, and collectability is reasonably assured.

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 purchases a subscription. The Company had no revenue during the years ended December 31, 2010 and 2009. Dolphin Digital Studios will record revenue when deliverables have been completed in accordance with its agreements. As of December 31, 2010 the Company had recorded deferred revenue of \$352,823.

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, 2010 and 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. As of December 31, 2010 and 2009 the value of the Company's inventory was \$8,256 and \$91,860, 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 Other Intangibles

Goodwill represents the excess of the cost of businesses acquired over fair value or net identifiable assets at the date of acquisition. Goodwill is subject to a periodic impairment assessment by applying a fair value test based upon a two-step method. The first step of the process compares the fair value of the reporting unit with the carrying value of the reporting unit, including any goodwill. We utilize a discounted cash flow valuation methodology to determine the fair value of the reporting unit. If the fair value of the reporting unit exceeds the carrying amount of the reporting unit, goodwill is deemed not to be impaired in which case the second step in the process is unnecessary. If the carrying amount exceeds fair value, we perform the second step to measure the amount of impairment loss. Any impairment loss is measured by comparing the implied fair value of goodwill with the carrying amount of goodwill at the reporting unit, with the excess of the carrying amount over the fair value recognized as an impairment loss.

Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with ASC 360-10 (formerly Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets). Recoverability is measured by comparison of the carrying amount to the future net cash flows which the assets are expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the projected discounted future cash flows arising from the asset using a discount rate determined by management to be commensurate with the risk inherent to our current business model.

Comprehensive Income (Loss)

The Company adopted Statement of Accounting Standards Codification subtopic 220-10, Comprehensive Income ("ASC 220-10"). ASC 220-10 establishes standards for the reporting and displaying of comprehensive income and its components. Comprehensive income is defined as the change in equity of a business during a period from transactions and other events and circumstances from non-owners sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. ASC 220-10 requires other comprehensive income (loss) to include foreign currency translation adjustments and unrealized gains and losses on available for sale securities.

Foreign Currency Translation

The functional currency of the Company is the United States Dollar. The financial statements of the Company's Canadians subsidiary translated to the United States dollar 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, 2010 was 10,614,007 shares. There were no dilutive securities outstanding at December 31, 2010.

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.
- 2) Dolphin Digital Studios as a new division of the Company. Dolphin Digital Studios will create original programming that premieres online, with an initial focus on content geared toward tweens and teens. Dolphin Digital Studios had no transactions during 2010.

Fair Value of Financial Instruments

Fair value of certain of the Company's financial instruments including cash and cash equivalents, inventory, advances, account payable, deferred revenue, 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" which 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 earning are reported in the statement of income.

Concentrations of Credit Risk

Financial instruments and related items, which potentially subject the Company to concentrations of credit risk, consist primarily of cash, cash equivalents. The Company places its cash and temporary cash investments with credit quality institutions. At times, such investments may be in excess of the FDIC insurance limit.

Advertising

The Company follows the policy of charging the costs of advertising to expenses incurred. The Company incurred \$15,257 and \$4,735 in advertising costs during the years ended December 31, 2010 and 2009, respectively.

Recent Accounting Pronouncements

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

ASU No. 2010-11 was issued in March 2010, and clarifies that the transfer of credit risk that is only in the form of subordination of one financial instrument to another is an embedded derivative feature that should not be subject to potential bifurcation and separate accounting. This ASU will be effective for the first fiscal quarter beginning after June 15, 2010, with early adoption permitted. The Company does not expect the provisions of ASU 2010-11 to have a material effect on the consolidated financial position, results of operations or cash flows of the Company.

[Table of Contents](#)

ASU No. 2010-13 was issued in April 2010, and will clarify the classification of an employee share based payment award with an exercise price denominated in the currency of a market in which the underlying security trades. This ASU will be effective for the first fiscal quarter beginning after December 15, 2010, with early adoption permitted. The Company does not expect the provisions of ASU 2010-13 to have a material effect on the consolidated financial position, results of operations or cash flows of the Company.

In April 2010, the FASB (Financial Accounting Standards Board) issued Accounting Standards Update 2010-17 (ASU 2010-17), Revenue Recognition-Milestone Method (Topic 605): Milestone Method of Revenue Recognition. The amendments in this Update are effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. Early adoption is permitted. If a vendor elects early adoption and the period of adoption is not the beginning of the entity's fiscal year, the entity should apply the amendments retrospectively from the beginning of the year of adoption. The Company is currently assessing the impact on its consolidated financial position and results of operations.

In January 2010, the FASB issued FASB ASU 2010-06, "*Improving Disclosures about Fair Value Measurements*", which clarifies certain existing disclosure requirements in ASC 820 as well as requires disclosures related to significant transfers between each level and additional information about Level 3 activity. FASB ASU 2010-06 begins phasing in the first fiscal period after December 15, 2009. The Company has adopted the requirements of this accounting pronouncement.

In January 2010, the FASB issued Update No. 2010-02 "*Accounting and Reporting for Decreases in Ownership of a Subsidiary—a Scope Clarification*" ("2010-02") an update of ASC 810 "Consolidation." 2010-02 clarifies the scope of ASC 810 with respect to decreases in ownership in a subsidiary to those of a: subsidiary or group of assets that are a business or nonprofit, a subsidiary that is transferred to an equity method investee or joint venture, and an exchange of a group of assets that constitutes a business or nonprofit activity to a non-controlling interest including an equity method investee or a joint venture. Management does not expect adoption of this standard to have any material impact on the Company's consolidated financial position, results of operations or operating cash flows.

In January 2010, the FASB issued Update No. 2010-01 "Accounting for Distributions to Shareholders with Components of Stock and Cash—a consensus of the FASB Emerging Issues Task Force" ("2010-03") an update of ASC 505 "Equity." 2010-03 clarifies the treatment of stock distributions as dividends to shareholders and their affect on the computation of earnings per shares. The Company has not and does not intend to declare dividends for preferred to common stock holders. Management does not expect adoption of this standard to have any material impact on the Company's consolidated financial position, results of operations or operating cash flows.

In October 2009, the FASB issued FASB ASU No. 2009-13, Revenue Recognition (Topic 605): *'Multiple Deliverable Revenue Arrangements — A Consensus of the FASB Emerging Issues Task Force.'* This standard provides application guidance on whether multiple deliverables exist, how the deliverables should be separated and how the consideration should be allocated to one or more units of accounting. This update establishes a selling price hierarchy for determining the selling price of a deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence, if available, third-party evidence if vendor-specific objective evidence is not available, or estimated selling price if neither vendor-specific or third-party evidence is available. ASU 2009-13 may be applied retrospectively or prospectively for new or materially modified arrangements in fiscal years beginning on or after June 15, 2010, with early adoption permitted. The Company is currently assessing the impact on its consolidated financial position and results of operations

In October 2009, the FASB issued ASC 985-605, "*Software Revenue Recognition*." This ASC changes the accounting model for revenue arrangements that include both tangible products and software elements that are "essential to the functionality," and scopes these products out of current software revenue guidance. The new guidance will include factors to help companies determine what software elements are considered "essential to the functionality." The amendments will now subject software-enabled products to other revenue guidance and disclosure requirements, such as guidance surrounding revenue arrangements with multiple-deliverables. The amendments in this ASC are effective prospectively for revenue arrangements entered into or materially modified in the fiscal years beginning on or after June 15, 2010. Early application is permitted. The Company is currently assessing the impact on its consolidated financial position and results of operations

Management does not believe that any other recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying consolidated financial statements.

NOTE 4 — ADVANCES

On June 28, 2010 the Company signed a letter of intent to acquire 24eight, LLC a privately held company based in Manhattan. 24eight is a technology company that specializes in real-time motion and pressure analytics and the wireless transmission of collected data. The transaction was subject to customary due diligence and execution of a definitive agreement. Management has decided not to proceed with the acquisition and is expecting repayment of the advances. As of December 31, 2010, the Company recorded a reserve for the advances of \$170,500 from 24eight, LLC.

Table of Contents

NOTE 5 — INTANGIBLE ASSETS

The Company has intangible assets as follows:

	December 31, 2010	December 31, 2009
Other intangible assets	\$ 29,924	\$ 29,924
Dolphin Secure Websites	<u>2,136,219</u>	<u>1,178,344</u>
 Total	 2,166,143	 1,208,268
Impairment	<u>(2,166,143)</u>	<u>—</u>
 Balance	 <u>\$ —</u>	 <u>\$ 1,208,268</u>

In December 2010 the Company made the determination to fully impair the capitalized software development costs in accordance with FASB ASC 235-10-50 based on current and expected future cash flows.

NOTE 6 — DEFERRED REVENUE

On September 29, 2010 the Company entered into letter of intent for licensing right of its technology in Europe. The Company is in process of negotiating the final terms of the agreement. As of December 31, 2010 the Company has received licensing fees of \$275,000, the amount has been recorded as deferred revenue in the accompanying consolidated financial statements.

On November 8, 2010 the Company entered into a 6 months production agreement in the amount of \$100,000. \$77,823 was received as of December 31, 2010 and the Company recorded the full amount as deferred revenue.

NOTE 7 — NOTE PAYABLE

On September 29, 2010 the Company received a \$100,000 loan from a third party licensee of its technology. The amount is due upon demand, unsecured, non-interest bearing, and does not follow any specific repayment terms. On December 30, 2010 the amount was repaid.

NOTE 8 — NOTES PAYABLE — CONVERTIBLE

	December 31, 2010	December 31, 2009
Note Amount	\$ 600,000	\$ 600,000
Discount	<u>—</u>	<u>(153,857)</u>
 Net	 600,000	 446,143
Conversion to preferred stock	<u>(500,000)</u>	<u>—</u>
Total —notes payable — convertible	<u>100,000</u>	<u>446,143</u>
Less — long term portion	<u>—</u>	<u>230,143</u>
 Current	 <u>\$ 100,000</u>	 <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, 2010 and December 31, 2009 amount to \$42,753 and \$19,616, respectively. The Company recorded a discount of \$112,000. The Company is amortizing the beneficial conversion over the term of the note.

Amortization expense for the year ended December 31, 2010 and December 31, 2009 amounted to \$56,000 and \$56,000 respectively. On December 30, 2010 the Company and the note holder agreed to convert the outstanding balance of \$200,000 and accrued interest of \$42,753 into 242,753 shares on convertible preferred stock. The preferred stock converts into common stock at the ratio of 4 shares of common to each share of preferred stock.

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, 2010 and December 31, 2009 amounted to \$17,534 and \$7,534, respectively. The Company recorded a discount of \$56,000. The Company is amortizing the beneficial conversion over the term of the note. Amortization expense for the year ended December 31, 2010 and 2009 amounted to \$28,000 and \$28,000, respectively.

Table of Contents

In July 2009 the Company entered into a convertible promissory note in the amount of \$300,000. The note is convertible into 769,231 shares of common stock (\$.39 per share), bears no interest and is due on July 29, 2015. A warrant for 384,616 common shares was issued with an exercise price of \$.80 expiring on July 29, 2012. A warrant for 231,000 common shares was issued with an exercise price of \$.0001 expiring July 29, 2014. 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. For the years ended December 31, 2010 and 2009 the Company recorded amortization expense of \$60,331 and \$6,350, respectively related to the note. On December 30, 2010 the Company and the note holder agreed to convert the outstanding balance of \$300,000 into 300,000 shares on convertible preferred stock. The preferred stock converts into common stock at the ratio of 4 shares of common to each share of preferred stock.

NOTE 9 — NOTE PAYABLE RELATED PARTY

As of December 31, 2010 and 2009 The Company's CEO had loaned the Company a total of \$930,145 and \$1,079,000, respectively. During year ended December 31, 2010 The Company's CEO loaned the Company an additional \$171,145 and received repayments of \$320,000. The note accrues interest at a rate of 10%. Accrued interest amounted to \$207,216 and \$111,278 at December 31, 2010 and 2009, respectively.

NOTE 10—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, Inc. royalties at the rate of fifteen percent of net sales from performance of the licensed activities. No significant sales were recorded during the year ended December 31, 2010 and 2009.

NOTE 11 — INCOME TAXES

The provision (benefit) for income taxes from continued operations for the years ended December 31, 2010 and 2009 consist of the following:

	December 31,	
	2010	2009
Current:	—	—
Deferred benefit:	\$ 858,946	\$ 1,211,579
Valuation allowance	(858,946)	(1,211,579)
(Benefit) provision for income taxes, net	\$ —	\$ —

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,	
	2010	2009
Combined statutory income tax rate	37.63%	36.12%
Valuation allowance	(37.63)%	(36.12)%
Effective tax rate	—	—

Table of Contents

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,	
	2010	2009
Net operating loss carry-forward	\$ 2,635,946	\$ 1,777,000
Valuation allowance	<u>(2,635,946)</u>	<u>(1,777,000)</u>
 Deferred income tax asset	 \$ —	 \$ —

The Company has a net operating loss carry-forward of approximately \$6,756,423 available to offset future taxable income through 2029.

The Company is presently completing the filing of its historical tax returns. The Company has accrued \$120,000 as a contingency for any potential penalties that may arise.

NOTE 12 — 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. The holder was initially entitled to a re-pricing provision based on subsequent share issuances below their conversion price. Both, the Company and the holder subsequently agreed to rescind this term as no additional shares had ever been issued and they had operated as this term was not effect.
- 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. The holder was initially entitled to a re-pricing provision based on subsequent share issuances below their conversion price. Both, the Company and the holder subsequently agreed to rescind this term as no additional shares had ever been issued and they had operated as this term was not effect.

c) On December 30, 2010 the Company entered into an agreement for a debt to equity conversion of a \$500,000 outstanding convertible note and accrued interest of \$42,753. Under the terms of the Agreement, the Company will convert the convertible note and accrued interest into shares of its preferred stock. The holder of the convertible note, shall receive 542,753 shares of the Company's Preferred Stock. The Preferred Stock will be initially convertible into four (4) shares of Company common stock. The Preferred Stock Conversion Ratio is subject to adjustment in the event of a stock dividend, stock splits and certain reclassifications. All the outstanding shares of Preferred Stock shall be converted into Company common stock upon the close of business on the business day immediately preceding the date fixed for consummation of a Change of Control of the Company as such terms shall be defined in the appropriate certificate of designation. The shares of Preferred Stock shall have no voting rights. The holder was initially entitled to a re-pricing provision based on subsequent share issuances below their conversion price. Both, the Company and the holder subsequently agreed to rescind this term as no additional shares had ever been issued and they had operated as this term was not effect.

As of December 31, 2010 and 2009, the Company had 1,042,753 and 500,000 respectively of preferred shares issued and outstanding.

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 the year ended December 31, 2010:

During the year ended December 31, 2010 the Company sold to three individuals a total of 2,300,000 shares of common for \$575,000 (\$.25 per share).

During the year ended December 31, 2010 the Company sold to twelve individuals a total of 1,584,851 shares of common for \$523,000 (\$.33 per share). In addition the Company issued 792,426 common stock warrants with an exercise price of

\$1.00.

During the year ended December 31, 2010 the Company sold to an investor 64,103 shares of common for \$25,000 (\$.39 per share). In addition the Company issued 32,051 common stock warrants with an exercise price of \$.80.

Common stock issued for services

In February, 2010 the Company issued a total of 250,000 shares of common stock for services valued at \$72,500 (\$.29 per share) the fair market value on the date of issuance.

In April, 2010 the Company issued a total of 175,000 shares of common stock for services valued at \$56,000 (\$.32 per share) the fair market value on the date of issuance.

NOTE 13 — STOCK OPTION PLAN

As of December 31, 2010, the Company had not implemented a stock option plan.

Warrants

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.

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 "D" for 384,615 shares.

Post such cancellation, the only warrants held by T Squared Investments LLC was 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" was reduced from July 29, 2014 to December 31, 2012.

In consideration for the cancellation of such warrants above and for the payment to Dolphin Digital Media, Inc. (DPDM) described below, T Squared Investments LLC was 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.

T Squared Investments LLC wired Two Hundred Thousand Dollars (\$200,000) to the Company, which resulted 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.

The Company incurred an expense of \$945,615 as a result of the repricing of these warrants. 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 136%, risk-free interest rate of 1%, and expected warrant life of 18 months.

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

[Table of Contents](#)

On May 17, 2010 T-Squared Investments, LLC paid down an additional \$200,000 reducing the exercise price on the warrants to \$.1643.

On June 18, 2010 T-Squared Investments, LLC paid down an additional \$200,000 reducing the exercise price on the warrants to \$.1357.

On July 16, 2010 T-Squared Investments, LLC paid down an additional \$100,000 reducing the exercise price on the warrants to \$.1214.

On August 12, 2010 T-Squared Investments, LLC paid down an additional \$100,000 reducing the exercise price on the warrants to \$.1072.

On September 14, 2010 T-Squared Investments, LLC paid down an additional \$100,000 reducing the exercise price on the warrants to \$.0929.

On September 30, 2010 T-Squared Investments, LLC paid down an additional \$100,000 reducing the exercise price on the warrants to \$.0786.

On October 26, 2010 T-Squared Investments, LLC paid down an additional \$100,000 reducing the exercise price on the warrants to \$.0643.

On December 9, 2010 T-Squared Investments, LLC paid down an additional \$100,000 reducing the exercise price on the warrants to \$.0500.

On December 16, 2010 T-Squared Investments, LLC paid down an additional \$100,000 reducing the exercise price on the warrants to \$.0357.

During 2010, the Company issued 824,477 warrants in connection with the sale of shares of common stock. A½ warrant was issued for each share purchased as detailed under “Common Stock” above.

The following table summarizes the warrants outstanding and the related prices for the shares of the Company's common stock issued to non-employees of the Company.

Exercise Prices	Warrants Outstanding		
	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	
\$.0001	231,000	2.00	
\$.0357	7,000,000	2.00	
\$.80	1,461,794	1.55	
\$ 1.00	1,921,213	2.09	
	10,614,007	1.91	

[Table of Contents](#)

Warrant activity is summarized as follows:

	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2008	3,650,000	\$ 1.36
Granted	3,174,145	.81
Exercised	—	—
Expired or cancelled	—	—
Outstanding at December 31, 2009	6,824,145	\$ 1.11
Granted	7,824,477	.14
Exercised	—	—
Expired or cancelled	(4,034,615)	(1.31)
Outstanding at December 31, 2010	<u>10,614,007</u>	<u>\$.31</u>

NOTE 14 — COMMITMENTS AND CONTINGENCIES

LEASE COMMITMENTS

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

NOTE 15 — LITIGATION

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 a business deal that the Company undertook. While the ultimate results of these proceedings against the Company cannot be predicted with certainty, management believes the resolution of these matters will not materially affect the accompanying consolidated financial statements. Since the above mentioned matter was filed there has been no further activity.

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 sought recovery of corporate stock and damages occasioned by the misfeasance of Peikin, Gold and the corporate entities over which they presided. As alleged in the complaint, Peikin and Gold served as outside and inside counsel to and officers of Plaintiffs in 2008 and 2009. 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 sought 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 and also alleged civil racketeering counts. On or about April 19, 2010, the Court dismissed the civil racketeering counts on the basis that the alleged enterprise was primarily formed and existed for the commission of the theft of the above-mentioned stock. The Court made no determination on the merits of the underlying allegations. As a result of the dismissal, the Court was deprived of jurisdiction over the cause. On April 20, 2010, Peikin and Gold filed an action in Miami-Dade County Circuit Court against Dolphin Entertainment, Inc. and Dolphin Digital Media, Inc., respectively, relating to their employment with the companies. Peikin has sued Dolphin Entertainment, Inc. for: 1) breach of contract; 2) promissory estoppel; 3) fraud in the inducement; and 4) negligent misrepresentation and Gold has sued Dolphin Digital Media, Inc. for negligent misrepresentation. On or about May 10, 2010, Dolphin Entertainment, Inc. and Dolphin Digital Media, Inc. filed their Answer, Affirmative Defenses, Counterclaim against Peikin and Gold and a Third Party Claim against Bespoke Growth Partners, Inc., Gsquared, Ltd. and Carta De Dinero, LLC, alleging virtually the same counts alleged in the action filed in the U. S. District Court action. The Counterclaim and the Third-Party Claim allege among other things, fraud, civil theft, unjust enrichment and conversion and seek an accounting. On March 24, 2011 the parties entered into a confidential Mutual Stipulation and Settlement Agreement wherein they settled all matters between them which were the subject of the Peikin and Gold action.

[Table of Contents](#)

On or about January 25, 2010, an action was filed by Tom David against Winterman Group Limited, Dolphin Digital Media (Canada) Ltd., Malcolm Stockdale and Sara Stockdale in the Superior Court of Justice in Ontario (Canada) alleging breach of a commercial lease and breach of a personal guaranty. On or about March 18, 2010, Winterman Group Limited, Malcolm Stockdale and Sara Stockdale filed a Statement of Defense and Crossclaim. In the Statement of Defense, Winterman Group Limited, Malcolm Stockdale and Sara Stockdale deny any liability under the lease and guaranty. In the Crossclaim filed against Dolphin Digital Media (Canada) Ltd., Winterman Group Limited, Malcolm Stockdale and Sara Stockdale seek contribution or indemnity against Dolphin Digital Media (Canada) Ltd. alleging that Dolphin Digital Media (Canada) agreed to relieve Winterman Group Limited, Malcolm Stockdale and Sara Stockdale from any and all liability with respect to the lease or the guaranty. On or about March 19, 2010, Winterman Group Limited, Malcolm Stockdale and Sara Stockdale filed a Third Party Claim against the Company seeking contribution or indemnity against the Company, formerly known as Logica Holdings, Inc., alleging that the Company agreed to relieve Winterman Group Limited, Malcolm Stockdale and Sara Stockdale from any and all liability with respect to the lease or the guaranty. The Third Party Claim was served on the Company on April 6, 2010. On or about April 1, 2010, Dolphin Digital Media (Canada) filed a Statement of Defense and Crossclaim. In the Statement of Defense, Dolphin Digital Media (Canada) denied any liability under the lease and in the Crossclaim against Winterman Group Limited, Malcolm Stockdale and Sara Stockdale, Dolphin Digital Media (Canada) seeks contribution or indemnity against Winterman Group Limited, Malcolm Stockdale and Sara Stockdale alleging that the leased premises were used by Winterman Group Limited, Malcolm Stockdale and Sara Stockdale for their own use. On or about April 1, 2010, Dolphin Digital Media (Canada) also filed a Statement of Defense to the Crossclaim denying any liability to indemnify Winterman Group Limited, Malcolm Stockdale and Sara Stockdale. The ultimate results of these proceedings against the Company cannot be predicted with certainty.

NOTE 16 — RELATED PARTY TRANSACTIONS

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

As of December 31, 2010 and December 31, 2009 the Company's CEO had loaned the Company (net of repayments) a total of \$930,145 and \$1,079,000, respectively. During the year ended December 31, 2010 The Company's CEO loaned the Company an additional \$171,145 and received repayments of \$320,000. The note accrues interest at a rate of 10%. Accrued interest amounted to \$207,216 and \$111,278 at December 31, 2010 and 2009, respectively.

The Company has a verbal agreement with Dolphin Entertainment, Inc. to sublease office space and furniture. The Company had accrued expenses in the amount of \$45,392 and \$22,810 for the years ended December 31, 2010 and 2009, respectively.

On November 18, 2010, the Company entered into an agreement with Dolphin Entertainment, Inc for production services related to two digital episodic series. The total amount of the contract is \$200,000.

NOTE 17 — SUBSEQUENT EVENTS

Between January 1, 2011 and May 9, 2011, the Company has received an additional \$257,500 advances from its CEO.

On January 25, 2011, the Company received \$100,000 of a total contract price of \$200,000 for Production income related to a web series. The \$100,000 was recorded as Deferred Revenues for the first quarter of 2011.

In February of 2011, the Company entered into a Revenue Participation Agreement with two parties for the development of a Dolphin Group Kids Club (Kids Club). Each party gave the Company \$50,000 in return for the participation of revenue related to that Kids Club. The amount will be repaid based on a pro rata basis of the revenue generated by the Kids Club until the total investment is recouped. Thereafter, they will share in a percentage of the profit of that Kids Club.

In March of 2011, the Company entered into an Equity Finance Agreement for the production of web series. The Investors contributed a total of \$639,000 and will share in the revenues of the web series, on a pro rata basis, until the investment is recouped and then will share at a lower percentage of the additional revenues.



FILING STATUS REPORT

Date: May 9, 2011

Rita Occhionero
 Roetzel & Andress
 350 E. Las Olas Boulevard, Suite 1150
 Fort Lauderdale, FL 33305

NRAI Order Number: IL20112360
 NRAI Service Rep: Norine Nagel
 Service Rep E-mail: nnagel@nrai.com
 Client Reference Number: N/A

ATTACHED PLEASE FIND EVIDENCE OF THE FOLLOWING FILING(S) REQUESTED:

1) SUBJECT NAME: DOLPHIN DIGITAL MEDIA, INC.

TYPE OF FILING: AMENDMENT FILING (DOMESTIC)

JURISDICTION	FILE DATE	FILE NUMBER
NEVADA	05/06/2011	N/A

Please Note: The Copy Count is 12

200 West Adams Street • Suite 2007 • Chicago, IL 60606
 (P) 800.934.2556 • (P) 312.346.3606 • (F) 312.346.3607 • nraicorporateservices.com/chicago



DEAN HELLER
Secretary of State
204 North Carson Street, Suite 1
Carson City, Nevada 89701-4299
(775) 684-5708
Website: secretaryofstate.biz

Filed in the office of

Ross Miller
Secretary of State
State of Nevada

Document Number

20110343603-03

Filing Date and Time

05/06/2011 1:36 PM

Entity Number

C3860-1995

**Amendment to
Certificate of Designation
After Issuance of Class or Series
(PURSUANT TO NRS 78.1955)**

ABOVE SPACE IS FOR OFFICE USE ONLY

**Certificate of Amendment to Certificate of Designation
For Nevada Profit Corporations**
(Pursuant to NRS 78.1955 – After Issuance of Class or Series)

1. Name of corporation

Dolphin Digital Media, Inc.

2. Stockholder approval pursuant to statute has been obtained.

3. The class or series of stock being amended:

Series A Convertible Preferred Stock

4. By a resolution adopted by the board of directors, the certificate of designation is being amended as follows or the new class or series is:

The Amendment increases the number of shares in the Series A Convertible Preferred Stock in addition to modifying the conversion terms and adjustment provisions.

5. Effective date of filing (optional):

6. Officer Signature (Required):

/s/ NELSON FAMADAS
NELSON FAMADAS, COO

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

Filing Fee: \$175.00

This form must be accompanied by appropriate fees.

DOLPHIN DIGITAL MEDIA, INC.

AMENDMENT TO CERTIFICATE OF DESIGNATIONS OF PREFERENCES,
RIGHTS AND LIMITATIONS OF SERIES A CONVERTIBLE PREFERRED STOCK

The undersigned, William O'Dowd, does hereby certify that:

1. He is the President and Secretary, respectively, of Dolphin Digital Media, Inc., a Nevada corporation (the "Company").
2. The Company is authorized to issue Ten Million (10,000,000) shares of preferred stock, 500,000 of which have been previously authorized for issuance.
3. The following resolutions were duly adopted by the Board of Directors:

WHEREAS, the Certificate of Incorporation of the Company provides for a class of its authorized stock known as preferred stock, comprised of 10,000,000 shares, \$.001 par value per share, issuable from time to time in one or more series;

WHEREAS, the Board of Directors of the Company is authorized to fix the dividend rights, dividend rate, voting rights, conversion rights, rights and terms of redemption and liquidation preferences of any wholly unissued series of preferred stock and the number of shares constituting any Series and the designation thereof, of any of them;

WHEREAS, it is the desire of the Board of Directors of the Company, pursuant to its authority as aforesaid, to fix the rights, preferences, restrictions and other matters relating to a series of the preferred stock; and

WHEREAS, the Series A Convertible Preferred Stock is amended and an additional 542,753 shares are hereby authorized as follows:

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors does hereby provide for the issuance of a series of preferred stock for cash or exchange of other securities, rights or property and does hereby fix and determine the rights, preferences, restrictions and other matters relating to such series of preferred stock as follows:

TERMS OF PREFERRED STOCK

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

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

“Commission” means the Securities and Exchange Commission.

“Common Stock” means the Company’s common stock, par value \$.001 per share, and stock of any other class into which such shares may hereafter have been reclassified or changed.

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

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

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

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

“Conversion Value” shall have the meaning set forth in Section 6(a).

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Holder” shall have the meaning given such term in Section 2 hereof.

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

“Original Issue Date” shall mean December 31, 2010.

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

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

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

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

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

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

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

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

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

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

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

Section 6. Conversion.

a. Conversions at Option of Holder. Each share of Series A Preferred Stock shall be initially convertible (subject to the limitations set forth in Section 6(c)), into Four (4) shares of Common Stock (as adjusted as provided below, the "Conversion Ratio") at the option of the Holders, at any time and from time to time from and after the Original Issue Date. Holders shall effect conversions by providing the Company with the form of conversion notice attached hereto as Annex A (a "Notice of Conversion") as fully and originally executed by the Holder, together with the delivery by the Holder to the Company of the stock certificate(s) representing the number of shares of Series A Preferred Stock so converted, with such stock certificates being duly endorsed in full for transfer to the Company or with an applicable stock power duly executed by the Holder in the manner and form as deemed reasonable by the transfer agent of the Common Stock. Each Notice of Conversion shall specify the number of shares of Series A Preferred Stock to be converted, the number of shares of Series A Preferred Stock owned prior to the conversion at issue, the number of shares of Series A Preferred Stock owned subsequent to the conversion at issue, the stock certificate number and the shares of Series A Preferred Stock represented thereby which are accompanying the Notice of Conversion, and the date on which such conversion is to be effected, which date may not be prior to the date the Holder delivers such Notice of Conversion and the applicable stock certificates to the Company by overnight delivery service (the "Conversion Date"). If no Conversion Date is specified in a Notice of Conversion, the Conversion Date shall be the Trading Day immediately following the date that such Notice of Conversion and applicable stock certificates are received by the Company. The calculations and entries set forth in the Notice of Conversion shall control in the absence of manifest or mathematical error. Shares of Series A Preferred Stock converted into Common Stock in accordance with the terms hereof shall be canceled and may not be reissued. The initial value of the Series A Preferred Stock on the Conversion Date shall be equal to \$0.25 per share (as adjusted pursuant to Section 7 or otherwise as provided herein, the "Conversion Value"), If the initial Conversion Value is adjusted pursuant to Section 7 or as otherwise provided herein, the Conversion Ratio shall likewise be adjusted and the new Conversion Ratio shall equal the Liquidation Value divided by the new Conversion Value. Thereafter, subject to any further adjustments in the Conversion Value, each share of Series A Preferred Stock shall be initially convertible into that number of shares of Common Stock equal to the new Conversion Ratio.

b. Automatic Conversion Upon Change of Control. All of the outstanding shares of Series A Preferred Stock shall be automatically converted into the Conversion Shares upon the close of business on the business day immediately preceding the date fixed for consummation of any transaction resulting in a Change of Control of the Company (an "Automatic Conversion Event"). A "Change in Control" means a consolidation or merger of the Company with or into another company or entity in which the Company is not the surviving entity, the sale of all or substantially all of the assets of the Company to another company or entity not controlled

by the then existing stockholders of the Company in a transaction or series of transactions or a tender or exchange is completed pursuant to which holders of Common Stock are permitted to tender or exchange their shares for other securities, cash or property. The Company shall not be obligated to issue certificates evidencing the Conversion Shares unless certificates evidencing the shares of Series A Preferred Stock so converted are either delivered to the Company or its transfer agent or the holder notifies the Company or its transfer agent in writing that such certificates have been lost, stolen, or destroyed and executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection therewith. Upon the conversion of the Series A Preferred Stock pursuant to this Section 6(b) (i), the Company shall promptly send written notice thereof, by hand delivery or by overnight delivery, to the holder of record of all of the Series A Preferred Stock at its address then shown on the records of the Company, which notice shall state that certificates evidencing shares of Series A Preferred Stock must be surrendered at the office of the Company (or of its transfer agent for the Common Stock, if applicable).

c. Beneficial Ownership Limitation. Except as provided in Section 6(b) above, the Company shall not effect any conversion of the Series A Preferred Stock, and the Holder shall not have the right to convert any portion of the Series A Preferred Stock to the extent that after giving effect to such conversion, the Holder (together with the Holder's affiliates), as set forth on the applicable Notice of Conversion, would beneficially own in excess of 9.9% of the number of shares of the Common Stock outstanding immediately after giving effect to such conversion. For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its affiliates shall include the number of shares of Common Stock issuable upon conversion of the Series A Preferred Stock with respect to which the determination of such sentence is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (A) conversion of the remaining, nonconverted shares of Series A Preferred Stock beneficially owned by the Holder or any of its affiliates, so long as such shares of Series A Preferred Stock are not convertible within sixty (60) days from the date of such determination, and (B) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including the Warrants) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its affiliates, so long as such other securities of the Company are not exercisable nor convertible within sixty (60) days from the date of such determination. For purposes of this Section 6(c), in determining the number of outstanding shares of Common Stock, the Holder may rely on the number of outstanding shares of Common Stock as reflected in the most recent of the following: (A) the Company's most recent quarterly reports, Form 10-Q, Form 10-QSB, Annual Reports, Form 10-K, or Form 10-KSB, as the case may be, as filed with the Commission under the Exchange Act (B) a more recent public announcement by the Company or (C) any other written notice by the Company or the Company's transfer agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of the Holder, the Company shall within two (2) Trading Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including the Series A Preferred Stock, by the Holder or its affiliates since the date as of which such number of outstanding shares of Common Stock was publicly reported by the Company. This Section 6(c) may be waived or amended only with the consent of the Holders of all of the Series A Preferred Stock and the consent of the holders of a majority of the shares of outstanding Common Stock of the Company who are not Affiliates. For the purpose of the immediately preceding sentence, the term "Affiliate" shall mean any person: (a) that directly or indirectly, through one or more intermediaries controls, or is controlled by, or is under common control with the Company, or (b) who beneficially owns any shares of Series A Preferred Stock. For purposes of this Section 6(c), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act.

d. Mechanics of Conversion.

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

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

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

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

Section 7. Certain Adjustments.

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

b. Price Adjustment. From the date hereof until such time as no Purchaser holds any of the Securities, the Company shall not issue any of its Common Stock or securities with a conversion right to acquire Common Stock at a price per share of Common Stock, that is less than the Conversion Price (as adjusted for any stock splits, stock dividends, or the like) collectively, the "Subsequent Conversion Price"), without the consent of the Purchaser.

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

d. Subsequent Rights Offerings. The Company, at any time while the Series A 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.

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

f. Calculations. All calculations under this Section 7 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the description of any such shares of Common Stock shall be considered on issue or sale of Common Stock. For purposes of this Section 7, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding treasury shares, if any) actually issued and outstanding.

g. Notice to Holders.

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

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

Section 8. Miscellaneous.

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

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

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

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

RESOLVED, FURTHER, that the Chairman, the president or any vice-president, and the secretary or any assistant secretary, of the Company be and they hereby are authorized and directed to prepare and file a Certificate of Designation of Preferences, Rights and Limitations in accordance with the foregoing resolution and the provisions of Nevada law.

IN WITNESS WHEREOF, the undersigned have executed this Certificate this 3rd day of May 2011.

DOLPHIN DIGITAL MEDIA, INC.

By: /s/ William O'Dowd

Name: William O'Dowd

Title: President and Secretary

ANNEX A

NOTICE OF CONVERSION

(TO BE EXECUTED BY THE REGISTERED HOLDER IN ORDER TO CONVERT SHARES OF SERIES A PREFERRED STOCK)

The undersigned hereby elects to convert the number of shares of Series A Convertible Preferred Stock indicated below, into shares of common stock, par value \$0.015 per share (the "Common Stock"), of Dolphin Digital Media, Inc., a Nevada Company (the "Company"), according to the conditions hereof, as of the date written below. If shares are to be issued in the name of a person other than undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by the Company in accordance therewith. No fee will be charged to the Holder for any conversion, except for such transfer taxes, if any.

Conversion calculations:

Date to Effect Conversion: _____

Number of shares of Common Stock owned prior to Conversion: _____

Number of shares of Series A Preferred Stock to be Converted: _____

Value of shares of Series A Preferred Stock to be Converted: _____

Number of shares of Common Stock to be Issued: _____

Certificate Number of Series A Preferred Stock attached hereto: _____

Number of Shares of Series A Preferred Stock represented by attached certificate: _____

Number of shares of Series A Preferred Stock subsequent to Conversion: _____

[HOLDER]

By: _____

Name: _____

Title: _____

PROMISSORY NOTE

January 1, 2011

1. **Amount; Obligation to Pay** FOR VALUE RECEIVED, as hereinafter set forth and at the times hereinafter stated, Dolphin Digital Media, Inc., a Nevada corporation (the "Maker"), whose address is 804 Douglas Road, Executive Tower Building, Suite 365, Miami, FL 33134, promises to pay to the order of William O'Dowd, IV (the "Payee"), whose address is 55 Merrick Way, #521, Coral Gables, FL, 33134, an amount equal to One Million One Hundred Thirty-Seven Thousand Three Hundred Sixty-One Dollars (\$1,137,361), subject to the provisions set forth below.

2. **Interest Rate**. Interest shall accrue on the outstanding principal balance under this Promissory Note, from the date of issuance hereof until paid in full, at the rate of 10% per annum.

3. **Terms**.

(a) **Payment of Interest** All accrued and outstanding interest hereunder shall be paid upon maturity, while this Promissory Note remains outstanding.

(b) **Demand Payment**. Payee shall have the right, exercisable at any time after the date of this Promissory Note, to require Maker to pay all outstanding principal and any accrued and outstanding interest hereunder in full, or any portion thereof, by providing Maker with written notice of said election (a "Demand Notice"). Maker shall have ten days after receipt of the Demand Notice to pay said amounts in full.

(c) **Prepayment by Maker**. Maker may prepay all or any percentage of the amount due under this Promissory Note at any time without penalty.

4. **Security**. This Promissory Note is unsecured.

5. **Place of Payment** All payments on this Promissory Note shall be made to Payee at the address stated above or at such other address as Payee shall designate in writing.

6. **Events of Default and Acceleration** Maker's failure to pay timely any amount due hereunder shall constitute an "Event of Default." At any time an Event of Default has occurred and is continuing, Payee may, at its option, upon written notice to Maker, accelerate maturity and cause the entire unpaid principal balance of this Promissory Note, with interest, fees and charges accrued hereon, to become immediately due and payable.

7. **Parties in Interest**. This Promissory Note may not be assigned by Maker without the prior written consent of Payee, but shall be freely assignable, in whole or in part, by Payee without the consent of Maker. This Promissory Note will be binding in all respects upon Maker and inure to the benefit of Payee and its permitted successors and assigns.

8. Choice of Law; Venue. All questions concerning the construction, validity, enforcement and interpretation of this Promissory Note shall be governed by and construed and enforced in accordance with the internal laws of the State of Florida, without regard to the principles of conflicts of law thereof. Each party agrees that all proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Promissory Note (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, employees or agents) shall be commenced exclusively in the state and federal courts sitting in Miami-Dade County, Florida. Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in Miami-Dade County, Florida for the adjudication of any dispute hereunder or in connection therewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such proceeding is improper. Each party hereto hereby irrevocably waives personal service of process and consents to process being served in any such proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Promissory Note and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. The parties hereto hereby irrevocably waive, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Promissory Note or the transactions contemplated hereby.

9. Notice. All notices and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given one (1) business day after receipt, or, if sent by facsimile, upon receipt of a confirmation of delivery.

10. Payment of Collection, Enforcement and Other Costs If an Event of Default occurs and this Promissory Note is placed in the hands of an attorney for collection or enforcement while such Event of Default is ongoing, then the Maker shall pay the reasonable attorneys fees incurred by Payee for such collection and/or enforcement.

THIS NOTE REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, Maker has executed this Promissory Note effective as of the date first set forth above.

MAKER:

Dolphin Digital Media, Inc.

By: William O'Dowd

Name: William O'Dowd
Its: CEO

PAYEE

William O'Dowd

/s/ William O'Dowd

**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: May 13, 2011

/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, 2010, 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
May 13, 2011