

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

DOLPHIN DIGITAL MEDIA INC

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

Form 10-Q

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

For the quarterly period ended September 30, 2014

OR

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

For the transition period from _____ to _____

Commission file number 000-50621

DOLPHIN DIGITAL MEDIA INC.

(Exact name of registrant as specified in its charter)

Nevada

(State of incorporation)

86-0787790

(I.R.S. employer identification no.)

2151 LeJeune Road, Suite 150 – Mezzanine, Coral Gables, Florida 33134

(Address of principal executive offices, including zip code)

(305) 774-0407

(Registrant's telephone number)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

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

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

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

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

The number of shares of common stock outstanding was 81,892,352 as of November 18, 2014.

DOLPHIN DIGITAL MEDIA INC. AND SUBSIDIARIES
TABLE OF CONTENTS

	<u>PAGE</u>
PART I — FINANCIAL INFORMATION	3
ITEM 1. FINANCIAL STATEMENTS	3
Condensed Consolidated Balance Sheets as of September 30, 2014 (unaudited) and December 31, 2013	3
Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2014 and September 30, 2013 (unaudited)	4
Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 and September 30, 2013 (unaudited)	5
Notes to Unaudited Condensed Consolidated Financial Statements	6
ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	14
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	19
ITEM 4. CONTROLS AND PROCEDURES	19
PART II — OTHER INFORMATION	21
ITEM 1. LEGAL PROCEEDINGS	21
ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	21
ITEM 3. DEFAULTS UPON SENIOR SECURITIES	21
ITEM 4. REMOVED AND RESERVED	21
ITEM 5. OTHER INFORMATION	21
ITEM 6. EXHIBITS	21
Signatures	
Exhibit 10.1	
Exhibit 31.1	
Exhibit 31.2	
Exhibit 32.1	
Exhibit 32.2	
Exhibit 101 Interactive Data Files	

PART I – FINANCIAL INFORMATION

ITEM I – FINANCIAL STATEMENTS

DOLPHIN DIGITAL MEDIA, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Unaudited)

<u>ASSETS</u>	<u>As of September 30, 2014</u>	<u>As of December 31, 2013</u>
Current		
Cash and cash equivalents	\$ 409,974	\$ 706,641
Prepaid Expenses	2,339	9,019
Receivables and current assets	112,203	79,389
Total Current Assets	524,516	795,049
Capitalized production costs	659,526	781,391
Property and equipment	84,491	23,474
Deposits	52,291	19,953
Total Assets	<u>\$ 1,320,824</u>	<u>\$ 1,619,867</u>
<u>LIABILITIES</u>		
Current		
Accounts payable	\$ 146,521	\$ 284,954
Other current liabilities	1,415,111	926,127
Accrued compensation	1,687,500	1,500,000
Debt	3,155,000	1,100,000
Loan from related party	3,005,767	4,382,623
Notes payable	300,000	335,000
Total Current Liabilities	9,709,899	8,528,704
<u>STOCKHOLDERS' DEFICIT</u>		
Common stock, \$0.015 par value, 200,000,000 shares authorized, 81,892,352 issued and outstanding at September 30, 2014 and December 31, 2013	1,243,270	1,243,270
Preferred stock \$0.001 par value, 10,000,000 shares authorized 1,042,753 shares issued and outstanding, liquidation preference of \$1,042,753 at September 30, 2014 and December 31, 2013	1,043	1,043
Additional paid in capital	25,529,289	25,529,289
Accumulated deficit	(38,166,803)	(36,682,439)
Total Dolphin Digital Media, Inc. Deficit	\$(11,393,201)	\$ (9,908,837)
Non-controlling interest	3,004,126	3,000,000
Total Stockholders' Deficit	<u>\$ (8,389,075)</u>	<u>\$ (6,908,837)</u>
Total Liabilities and Stockholders' Deficit	<u>\$ 1,320,824</u>	<u>\$ 1,619,867</u>

DOLPHIN DIGITAL MEDIA, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Revenues:				
Production	\$ -	\$ 5,950	\$ 51,192	\$ 793,130
Service	500,000	500,000	1,500,000	1,000,000
Membership	16,502	-	16,502	-
Total revenues	<u>516,502</u>	<u>505,950</u>	<u>1,567,694</u>	<u>1,793,130</u>
Expenses:				
Direct costs	113,472	18,460	159,539	676,977
General and administrative	351,794	492,076	1,194,174	1,950,865
Payroll	414,703	280,262	1,216,108	794,258
Total Expenses	<u>879,969</u>	<u>790,798</u>	<u>2,569,821</u>	<u>3,422,100</u>
Loss from Operations	(363,467)	(284,848)	(1,002,127)	(1,628,970)
Other Income/Expense				
Other income	-	13	-	47,943
Interest income	19	61	71	162
Interest expense	(172,151)	(156,656)	(478,183)	(405,846)
Total Other Income/Expense	<u>(172,132)</u>	<u>(156,582)</u>	<u>(478,112)</u>	<u>(357,741)</u>
Net Loss	<u>\$ (535,599)</u>	<u>\$ (441,430)</u>	<u>\$ (1,480,239)</u>	<u>\$ (1,986,711)</u>
Basic and Diluted Loss per Share	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Weighted average number of shares used in share calculation	81,892,352	81,892,352	81,892,352	81,892,352

DOLPHIN DIGITAL MEDIA INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

For the nine months ended
September 30,

	2014	2013
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CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss	\$ (1,480,239)	\$ (1,986,711)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	12,832	6,641
Amortization of capitalized production costs	37,897	510,919
Impairment of capitalized production costs	113,472	-
Inventory writedown	-	7,968
Changes in operating assets and liabilities:		
Increase in receivables and other current assets	(32,814)	(839,380)
Decrease in prepaid expenses	6,680	5,589
Increase in capitalized production costs	(29,504)	(289,206)
Increase in deposits	(32,338)	(11,000)
Increase in accrued compensation	187,500	187,500
Decrease in accounts payable	(138,433)	(157,117)
Increase in other current liabilities	488,986	120,020
Net Cash Used In Operating Activities	(865,961)	(2,444,777)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	(73,850)	(15,283)
Net Cash Used In Investing Activities	(73,850)	(15,283)

CASH FLOWS FROM FINANCING ACTIVITIES:

Repayment of note payable	(35,000)	(45,000)
Proceeds from debt agreements	2,090,000	
Advances from related party	-	2,600,000
Repayment to related party	(1,376,856)	(172,000)
Repayment of debt	(35,000)	-
Net Cash Provided by Financing Activities	643,144	2,383,000

NET DECREASE IN CASH AND CASH EQUIVALENTS	(296,667)	(77,060)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	706,641	282,675
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 409,974	\$ 205,615

SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:

Interest paid	\$ 15,750	\$ 9,526
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DOLPHIN DIGITAL MEDIA, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 – BASIS OF PRESENTATION AND ORGANIZATION:

The accompanying unaudited condensed consolidated financial statements are presented in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 8 of Regulation S-X of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, they include all adjustments (consisting only of normal occurring adjustments) considered necessary for a fair presentation of the financial position and results of operations for the interim periods presented. The unaudited condensed consolidated financial statements included herein should be read in conjunction with the audited consolidated financial statements and the notes thereto that are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, that was filed with the SEC on August 15, 2014. Operating results for the nine months ended September 30, 2014 are not necessarily indicative of results that may be expected for the year ending December 31, 2014. The unaudited condensed consolidated financial statements are presented on the accrual basis.

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 had no operations between inception and 2003. On November 19, 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.

The accompanying unaudited condensed consolidated 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 or controlled subsidiaries. The accompanying unaudited condensed consolidated financial statements include the accounts of Dolphin Digital Media, Inc. and its subsidiaries, Hiding Digital Productions, LLC, Dolphin Kids Clubs LLC and Cybergeddon Productions, LLC.

In September 2010, the Company announced the launch of Dolphin Digital Studios as a new division of the Company. Dolphin Digital Studios creates original programming that premieres online, with an initial focus on content geared toward the tween and teen markets.

On May 21, 2012, we formed Dolphin Kids Clubs, LLC for the purpose of creating online kids clubs and own 75% interest in the entity. In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification (ASC) 810-20, Dolphin Kids Clubs LLC is consolidated in our financial statements. Amounts attributable to the noncontrolling interest will follow the provisions in the contractual arrangement. Noncontrolling interest is presented as a separate component of shareholders' equity.

NOTE 2 — GOING CONCERN

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America which contemplate the continuation of the Company as a going concern. The Company has incurred a net loss for the nine months ended September 30, 2014 of \$ 1,480,239. As of September 30, 2014, the Company recorded an accumulated deficit of \$38,166,803. Further, the Company has inadequate working capital to maintain or develop its operations, and it 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 consolidated 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 issuance of its common stock. There is no assurance that the Company will be successful in raising additional capital. The Company is currently working on a deal for a variety of digital projects. As a result, it expects to derive income from its digital productions in the first quarter of 2015. The Company entered into Loan and Security Agreements subsequent to quarter end and received \$500,000. The Company expects to see an increase in revenues from membership to its kids clubs during the first quarter of 2015. There can be no assurances that such income will be realized in future periods.

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Company for interim reporting are consistent with those included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Recent Accounting Pronouncements

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

In May 2014, the FASB issued an accounting standard update relating to the recognition of revenue from contracts with customers, which will supersede most current U.S. GAAP revenue recognition guidance, including industry-specific guidance. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The guidance will be effective for our fiscal year beginning January 1, 2017, and can be applied either retrospectively or under a cumulative-effect transition method. We are currently evaluating the impact that the adoption of this new guidance will have on our consolidated financial statements.

Other recent Accounting Standards Updates not effective until after September 30, 2014 are not expected to have a significant effect on the Company's consolidated financial position or results of operations.

NOTE 4 — CAPITALIZED PRODUCTION COSTS, RECEIVABLES AND OTHER CURRENT ASSETS

Capitalized Production Costs

Capitalized production costs include the unamortized costs of completed web series which have been produced by the Company and costs of scripts for projects that have not been developed or produced. These costs include direct production costs and production overhead and are amortized using the individual-film-forecast method, whereby these costs are amortized and participations and residuals costs are accrued in the proportion that current year's revenue bears to management's estimate of ultimate revenue at the beginning of the current year expected to be recognized from the exploitation, exhibition or sale of the web series.

For the nine months ended September 30, 2014 and 2013, revenues earned from web series were \$51,192 and \$793,130, respectively. The Company amortized capitalized production costs (included as direct costs) in the condensed consolidated statements of operations using the individual film forecast computation method in the amount of \$37,897 and \$510,918 for the nine months ended September 30, 2014 and 2013.

In addition, the Company has entered into agreements to hire writers to develop scripts for other digital web series productions and has deferred approximately \$659,526 and \$630,025 in capitalized production costs as of September 30, 2014 and December 31, 2013, respectively, associated with these scripts. These projects are not yet in production.

As of September 30, 2014 and December 31, 2013, respectively, the Company has total capitalized production costs of \$659,526 and \$781,391, net of accumulated amortization, tax incentives, recorded on its consolidated balance sheets. There were no liabilities associated with these productions as of September 30, 2014 and December 31, 2013.

During the quarter ended September 30, 2014, the Company impaired deferred capitalized production costs in the amount of \$113,472 due to an assessment that ultimate revenues would be below those originally projected. Impairment was recorded to reduce the deferred production costs to fair value.

Receivables and Other Current Assets

The Company recorded \$112,203 and \$79,389 in receivables and other current assets on its consolidated balance sheets as of September 30, 2014 and December 31, 2013, respectively. These amounts were primarily comprised of receivables from the sale of licensing rights in foreign territories of its productions and a receivable from an agreement with a related party. During the quarter and nine months ended September 30, 2014, the Company earned revenue from foreign sales in the amount of \$0 and \$51,192, respectively.

NOTE 5 — DEBT

During February 2011, the Company entered into Revenue Participation Agreements with two parties for the development of a Dolphin Group Kids Club (“Kids Club”). Each party paid the Company \$50,000 in return for the participation of future revenue related to the 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. For the quarters ended September 31, 2014 and 2013, there were no significant revenues generated or costs incurred related to these Kids Clubs. The Company made payments totaling \$10,000 and \$35,000, respectively, to one of the parties to these agreements during the three and nine months ended September 30, 2014.

During the year ended December 31, 2011, the Company entered into Equity Finance Agreements for the future production of web series and the option to participate in the production of future web series. The Investors contributed a total equity investment of \$895,000 and will share in the future revenues of the web series, on a pro-rata basis, until the total equity investment is recouped and then will share at a lower percentage of the additional revenues. During the year ended December 31, 2012, the Company entered into an additional Equity Finance Agreement with the same terms and received \$105,000. Consequently, these Investors have contributed total equity investment of \$1,000,000 and will share in the future revenues of the web series, on a pro-rata basis, until the total equity investment is recouped and then will share at a lower percentage of the additional revenues from the web series. The agreements stated that prior to December 31, 2012, the Company may utilize all or any portion, of the total equity investment to fund any chosen production. On January 1, 2013, the production “cycle” ceased and the Investors were entitled to share in the future revenues of any productions for which the funds invested were used. Per the Equity Finance Agreements, the Company is entitled to a producer’s fee, not to exceed \$250,000, for each web series that it produces before calculating the share of revenues owed to the investors. Based on the gross producer’s revenues for the productions to date and the amount of investor funds used to date, the Company is not required to pay the investors any amount in excess of the existing liability already recorded as of September 30, 2014 and December 31, 2013. The Company has invested these funds in eleven projects. Two of the productions were completed as of September 30, 2014 and there was immaterial producer gross revenue as defined in the Equity Finance Agreements as of September 30, 2014 and \$ 0 as of September 30, 2013. The costs of all productions not completed have been capitalized and included in the Balance sheet as Capitalized production costs.

During the quarter ended September 30, 2014, the Company entered into various Loan and Security Agreements with individual investors totaling \$2,090,000 of a total \$4,000,000 that the Company intends to borrow. In connection with the execution of each of the Loan and Security Agreements, the Company granted each individual lender the right to participate, on a pro-rata basis based on their loan commitment as a percentage of the total loan commitments received to fund the specific series, in the future profit generated by such series (defined as the gross revenues of such series less the aggregate amount of principal and interest paid for the financing of such series). \$340,000 of the amount received is from a related party. Subsequent to quarter end, the Company entered into additional Loan and Security Agreements for \$500,000. Per the agreements, the Company will pay up to 12% interest per annum payable monthly through August 31, 2015. As of September 30, 2014, the Company recorded \$17,185 as interest payable on its condensed consolidated balance sheets and \$26,072 of interest expense on the condensed consolidated statement of operations related to these agreements.

The Company recorded \$3,155,000 and \$1,100,000, respectively, on its consolidated balance sheets as of September 30, 2014 and December 31, 2013, related to these agreements.

The Company accounts for the above agreements in accordance with ASC 470-10-25-2 which requires that cash received from an investor in exchange for the future payment of a specified percentage or amount of future revenue shall be classified as debt. The Company does not purport the arrangements to be a sale and the Company has significant continuing involvement in the generation of cash flows due to the investors.

NOTE 6 — NOTES PAYABLE

Balance December 31, 2013	\$ 335,000
Additions	-
Payments	(35,000)
Balance September 30, 2014	<u>\$ 300,000</u>

On December 31, 2011, the Company signed an unsecured Promissory Note in the amount of \$104,612 bearing interest at 10% per annum and payable on demand. On the same day, the Company issued a payment in the amount of \$14,612 and as of December 31, 2011 owed \$90,000 on the Promissory Note. The Company made principal payments in the amount of \$35,000 and \$10,000 during the nine and three months ended September 30, 2014. In addition, the Company made interest payments of \$6,863 during the nine months ended September 30, 2014. As of September 30, 2014 and December 31, 2013, \$0 and \$35,000 respectively were outstanding on this note.

On July 5, 2012, the Company signed a promissory note in the amount of \$300,000 that bears interest at 10% per annum and is payable on demand. During the three and nine months ended September 30, 2014, the Company did not make any payment of principal or interest related to this note.

The Company expensed \$7,908 and \$8,885 and \$23,714 and \$26,997 for interest related to these notes for the three and nine months ended September 30, 2014 and 2013, respectively. Accrued interest related to these notes was \$67,151 and \$50,300 as of September 30, 2014 and December 31, 2013, respectively and was recorded as other current liabilities in its consolidated balance sheets.

NOTE 7 — LOANS FROM RELATED PARTY

On December 31, 2011, the Company and the Company's CEO, signed an unsecured Revolving Promissory Note in the amount of \$2,120,623 with an interest rate of 10% per annum. The CEO has the right at any time to demand that all outstanding principal and accrued interest be repaid with a ten day notice to the Company. During the three months and nine months ended September 30, 2014, the Company repaid \$1,116,855 and \$1,375,855 of principal to the CEO and expensed \$95,392 and \$307,003, respectively, as interest. During the three and nine months ended September 30, 2013 the Company expensed \$112,594 and \$278,972, respectively as interest. The Company recorded accrued interest of \$724,301 and \$417,298 on its consolidated balance sheets as other current liabilities as of September 30, 2014 and December 31, 2013, respectively.

NOTE 8— LICENSING AGREEMENT - RELATED PARTY

During the year ended December 31, 2008, the Company entered into a ten year licensing agreement with Dolphin Entertainment Inc., a related party. 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. During the nine month periods ended September 30, 2014 and 2013, the Company did not use the brand properties of Dolphin Entertainment and, as such, no royalty expense was recorded related to this agreement.

NOTE 9 — STOCKHOLDERS' DEFICIT

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.

As of September 30, 2014 and December 31, 2013, the Company had 1,042,753 of preferred shares issued and outstanding. Each share of Preferred stock is convertible into four shares of common stock and do not have any voting rights.

B) Common Stock

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

On September 7, 2012, the Board of Directors and majority shareholders of the Company approved the amendment of the articles of incorporation of the Company to increase the number of authorized shares of common stock to 200,000,000 shares. The purpose for the increase of the authorized shares was to permit the full conversion of all outstanding convertible securities and to allow for flexibility for future equity financings to raise funds to support the intended growth of the Company's business. The change was effective October 15, 2012 at which time the Company filed a Certificate of Amendment to the Articles of Incorporation with the Office of Secretary of the State of Nevada on November 13, 2012 to effectuate the change.

On June 8, 2012, the Company sold 1,000,000 shares of common stock for \$250,000.

On October 8, 2012, the Company cancelled and returned one million shares back to authorized shares. The shares were ultimately returned to the Company as part of the confidential Mutual Stipulation and Settlement Agreement dated March 24, 2011, between the Company and former employees and officers of the Company.

As of September 30, 2014 and 2013, the Company had 81,892,352, shares issued and outstanding.

C) Noncontrolling Interest

On May 21, 2012, Dolphin Digital Media, Inc. entered into an agreement with a note holder to form Dolphin Kids Club LLC. Under the terms of the agreement, Dolphin converted \$1,500,000 of notes payable and received an additional \$1,500,000 during the year ended December 31, 2012 for a 25% member interest in the newly formed entity. Dolphin holds the remaining 75% and thus controlling interest in the entity. The purpose of this entity is to create and operate online Kids Clubs for selected charitable, educational and civic organizations. The agreement encompasses Kids Clubs created between January 1, 2012 and December 31, 2016. It is a "gross revenue agreement" and Dolphin Digital Media, Inc. will be responsible for paying all associated operating expenses. Net income will be attributable to each member based on the thresholds established in the operating agreement of the entity. In accordance with ASC 810-20, Dolphin Kids Clubs LLC is consolidated in the Company's financial statements. Amounts attributable to the noncontrolling interest will follow the provisions in the contractual arrangement. Noncontrolling interest is presented as a separate component of shareholders' equity. As of September 30, 2014 and December 31, 2013, the Company recorded a noncontrolling interest of \$3,004,126 and \$3,000,000 respectively on its consolidated balance sheets for the 25% interest in Dolphin Kids Clubs LLC.

NOTE 10 — WARRANTS

A summary of warrants issued, exercised and expired during the nine months ended September 30, 2014 is as follows:

Warrants:	Shares	Weighted Avg. Exercise Price
Balance at December 31, 2013	21,000,000	\$ 0.17
Issued	—	—
Exercised	—	—
Expired	—	—
Balance at September 30, 2014	<u>21,000,000</u>	<u>\$ 0.17</u>

On March 10, 2010, T Squared Investments, LLC was issued Warrant "E" for 7,000,000 shares of Dolphin Digital Media, Inc. ("DPDM") at an exercise price of \$0.25 per share with an expiration date of December 31, 2012. 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. During the years ended December 31, 2010 and 2011, T Squared Investments LLC paid down a total of \$1,625,000 and the current exercise price is \$0.0179.

During the year ended December 31, 2012, T Squared Investments LLC agreed to amend a provision in the Preferred Stock Purchase agreement dated May 2011 that required the Company to obtain consent from T Squared Investments LLC before issuing any common stock below the existing conversion price as defined in the agreement. As a result, the Company has extended the expiration date of Warrant "E" (described above) to September 13, 2015 and on September 13, 2012, the Company issued 7,000,000 warrants to T Squared Investments LLC (Warrant "F") with an exercise price of \$0.25 per share. T Squared Investments LLC can continually pay the Company an amount of money to reduce the exercise price of Warrant "F" until such time as the exercise price of Warrant "F" is effectively \$0.0001 per share. At such time, T Squared Investments LLC will have the right to exercise Warrant "F" via a cashless provision and hold for six months to remove the legend under Rule 144 of the Securities Act of 1933. T Squared Investments LLC did not make any payments during the quarter ended September 30, 2014 to reduce the exercise price of the warrants. The Company recorded the fair value of the extension of the expiration period and the additional warrants as a deemed dividend as it was only offered to the preferred shareholders. 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 67.8%, risk free interest rate of 32% and expected warrant life of 36 months. The fair value was calculated as \$93,019 for the new warrants and \$93,016 for the extension of the expiration date of Warrant "E" and was recorded in additional paid in capital. T Squared Investments LLC may not exercise such warrant if post the exercise, T Squared Investments LLC would be above a 9.99% ownership level of the Company.

On September 13, 2012, the Company sold 7,000,000 warrants to an unrelated party with an exercise price of \$0.25 per share and expiring on September 13, 2015 for \$35,000. The holder can continually pay the Company an amount of money to reduce the exercise price of the warrants until such time as the exercise price is effectively \$0.0001 per share. At such time, the holder will have the right to exercise the warrants via a cashless provision and hold for six months to remove the legend under Rule 144 of the Securities Act of 1933. The Company recorded the \$35,000 as Additional paid in capital. The holder of the warrants did not make any payments during the quarter ended September 30, 2014 to reduce the exercise price of the warrants.

None of the warrants were included in computing diluted earnings per share because the effect was anti-dilutive.

NOTE 11— RELATED PARTY TRANSACTIONS

On September 7, 2012, the Company entered into an employment agreement with its CEO. The employment agreement is effective January 1, 2012 and will continue for an initial term of three years, thereafter, subject to a two year renewal at the option of the CEO. The agreement states that the Executive will receive annual compensation of \$250,000 plus bonus. In addition, the CEO is entitled to an annual discretionary bonus as determined by the Company's Board of Directors. The Executive is eligible to participate in all of the Company's benefit plans offered to its employees. In addition, he will receive a signing bonus of \$1,000,000 as consideration for entering into this agreement waiving any claim to compensation for services rendered prior to this agreement. Any compensation due to the Executive under this agreement and unpaid and accrued by the Company will accrue interest on the principal amount at a rate of 10% per annum from the date of this agreement until it is paid. The agreement includes provisions for disability, termination for cause and without cause by the Company, voluntary termination by executive and a non-compete clause. The Company accrued \$1,687,500 and \$1,500,000 of compensation as Accrued compensation and \$293,573 and \$175,120 of interest in Other current liabilities on its consolidated balance sheets as of September 30, 2014 and December 31, 2013, respectively, in relation to this agreement. For the three months ended September 30, 2014 and 2013, the Company expensed as interest \$41,478 and \$35,177 and for the nine months ended September 30, 2014 and 2013, the Company expensed \$118,453 and \$99,789 of interest related to this agreement.

The Company entered into an agreement with a related party to provide services of its management team and back office. The Company will provide the related party with a development team to source new projects, production executives that will develop scripts, approve budgets and hire and liaise with the production team on individual projects during the production and post-production phases, an accounting and finance team to provide accounting services and tax compliance, legal support and domestic and international sales and sales support. The Company will also provide office space in Los Angeles and Miami. The arrangement is for a term of April 1, 2013 through December 31, 2014 for an annual fee of \$2,000,000. For the three and nine months ended September 30, 2014 and 2013, respectively, the Company recorded revenues in the amount of \$500,000 and \$500,000, and \$1,500,000 and \$1,000,000, related to this agreement.

NOTE 12 — COMMITMENTS AND CONTINGENCIES

Tax Filings

During the year ended December 31, 2011, the Company accrued \$120,000 for estimated penalties associated with not filing certain information returns. The penalties per return are \$10,000 per entity per year. We received notification from the Internal Revenue Service concerning information returns for the year ended December 31, 2009. The Company responded with a letter stating reasonable cause for the non-compliance and requested that penalties be abated. During 2012, we received a notice stating that the reasonable cause had been denied. The Company decided to pay the penalties and not appeal the decision for the 2009 Internal Revenue Service notification. There is no associated interest expense as the tax filings are for information purposes only and would not result in further income taxes to be paid by the Company. The Company made payments in the amount of \$40,000 during the year ended December 31, 2012. As of September 30, 2014 and December 31, 2013, \$80,000 was accrued for these penalties in other current liabilities on the consolidated balance sheets. The Company has not received any other notifications related to these returns.

Binding Term Sheet

On July 14, 2011, the Company signed a binding term sheet with AJM Productions LLC ("AJM") to license the right to distribute certain Dolphin content on AJM's advertising-supported video-on-demand platform in the United States. The Company has committed to producing between 4 and 6 original audiovisual works. The Company did not have any revenues or incur any expenses related to this binding term sheet for the three and nine months ended September 30, 2014 and 2013.

Kids Club

In February 2012, the Company entered into a five year agreement with US Youth Soccer Association, Inc. to create, design and host the US Youth Soccer Clubhouse website. During the quarter ended March 31, 2012, the Company hired a third party to begin building the US Soccer Clubhouse website at a cost of \$125,000. The first installment of \$25,000 was paid during the first quarter of 2012, a second \$25,000 was paid during the second quarter of 2012 and remaining payments will be made monthly over a two year period once the website is delivered. The Company has expensed the payments since it cannot reasonably estimate future cash flows or revenues from the website development.

In January 2013, the Company entered into an agreement with a worldwide philanthropic organization to create an online kids club to promote the organizations philanthropic philosophy and encourage literacy programs. The contract is for an initial five year term and is automatically renewable with successive terms of three years. Either party can terminate the agreement with written notice of at least 180 days prior to the expiration of initial term or subsequent terms. Additionally, the organization may terminate the agreement with a 60 day written notice for any year that certain royalty milestones are not met as stipulated in the agreement. The Company is responsible for the creation and marketing of the website and has agreed to pay the organization a license fee of \$58,000 and \$5.00 for each membership card sold. During the six months ended June 30, 2013, the Company hired a third party to build the website at a cost of \$90,000 payable pro rata over a twelve month period. The Company has expensed the payments since it cannot reasonably estimate future cash flows or revenues from the website development. The Company incurred \$0 and \$45,000 in expenses for the nine months ended September 30, 2014 and 2013, respectively and \$0 and \$22,500 for the three months ended September 30, 2014 and 2013, respectively.

The Company recognized approximately \$16,500 of revenue from its Kids Club business during the three and nine months ended September 30, 2014. No amounts were recognized in 2013.

Incentive Compensation Plan

During the year ended December 31, 2012, the Company's Board of Directors approved an Incentive Compensation Plan. The plan was enacted as a way of attracting and retaining exceptional employees and consultants by enabling them to share in the long term growth and financial success of the Company. The plan will be administered by the Board of Directors or a committee designated by the board. As part of the increase in authorized shares, the Board of Directors has designated 10,000,000 shares of common stock for this plan, subject to the changes in capitalization described in Note 9. No awards have been issued and, as such, the Company has not recorded any liability or equity related to this plan for the quarter ended September 30, 2014.

Lease

The Company entered into a sixty-two month lease for office space in Los Angeles, California. The agreement is effective between June 1, 2014 and July 31, 2019. The monthly rent is \$13,746 with annual increases of 3% for years 1-3 and 3.5% for the remainder of the lease. The Company is also entitled to four half months of free rent over the life of the agreement. During the three and nine months ended September 30, 2014, the Company incurred \$13,746 and \$54,984 of expenses related to this lease agreement.

NOTE 13 — SUBSEQUENT EVENTS

Subsequent to quarter end, the Company entered into an agreement with an online platform to provide exclusive content to promote an upcoming web series. The platform will pay the Company a minimum guarantee of \$500,000 to run the content that must be delivered at least three weeks prior to the premiere of the series.

Subsequent to quarter end, the Company entered into additional Loan and Security Agreements for \$500,000. Pursuant to the terms of the agreement, the Company will pay 10% per annum on a monthly basis through August 31, 2015.

ITEM 2. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Special Note Regarding Forward Looking Statements

Certain statements in this Form 10-Q 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 our 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. We disclaim 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.

References in this Form 10-Q to “Company,” “we,” “us,” and “our,” are references to Dolphin Digital Media, Inc. and its consolidated subsidiaries, Hiding Digital Productions, LLC, Cybergeddon Productions, LLC and Dolphin Kids Clubs LLC.

Business Summary

We are dedicated to the production of high-quality digital content. With the launch of Dolphin Digital Studios, we believe that we are at the forefront of the growing digital entertainment sector. Dolphin Digital Studios, a division of the Company, is a producer of original, high quality digital programming for online consumption and is committed to delivering premium, best-in-class entertainment and securing premiere distribution partners to maximize audience reach and commercial advertising potential.

While online video viewing for all major demographics has increased over the past several years, industry commentary has highlighted the potential of the “tween” and “teen/young adult” space online. According to a 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. We believe this creates a huge opportunity for quality content for this audience, which increasingly turns to the internet to source its entertainment options. Advertisers have taken notice, with leading digital-marketing research firm eMarketer estimating that online video ad spending (the fastest-growing advertising segment) will surpass \$5 billion in the United States alone by 2014.

Management believes that these factors provide us an opportunity to be a “market leader” digital studio.

Dolphin Digital Studios

Dolphin Digital Studios is our digital entertainment division which creates original content to premiere online and has been our primary focus during the quarter ended September 30, 2014. Substantially all of our operating income and expenses during the three and nine months ended September 30, 2014 were related to Dolphin Digital Studios.

We believe that Dolphin Digital Studios is a natural fit and progression in our core business —entertaining our customers through high-quality digital programming. Premium online video is the largest growth sector for online advertising, with market leaders such as Yahoo!, Hulu, Netflix, YouTube and AOL making major initiatives around original programming.

We target three distinct demographics for our “web series” activities:

- Tweens (roughly 9-14 years old);
- Teens and Young Adults (roughly 14-24 years old); and
- General Market (roughly 14-49 years old).

Each of these demographics will be served with different content, and we may have different distribution partners for each of these demographics.

We derive revenue primarily through the online distribution of web series produced and distributed by Dolphin Digital Studios. These revenues are earned in three different ways:

Producer's Fees: We earn fees for producing each web series, as included in the production budget for each project;

Advertising Revenue: We are typically entitled to between 50-60% of all advertising revenue generated by our distribution partner from the online distribution of a particular web series; and

Sponsorship Revenue: We generally retain between 70-100% of any product integration fees, or sponsorship revenues, associated with any of its web series.

Through Dolphin Digital Studios, we expect to produce several web series each year. During the quarter ended September 30, 2014, we concentrated our efforts in identifying certain projects that we intend to produce for online distribution and negotiating strategic agreements with advertisers and platforms for the production and distribution of a variety of web series. We expect that some projects may be self-financed, while some projects will feature strategic and financial partnerships. We believe that this will allow us to have attractive project financing alternatives while developing our slate of programming. During 2011 and 2012 we secured financing for a slate of projects through Equity Finance Agreements in the aggregate amount of \$1,000,000. Funding received through these investments was intended to help finance the costs of certain web series. Pursuant to these agreements, we used the proceeds to invest in projects through January 1, 2013. We are entitled to a producer's fee, not to exceed \$250,000 for each web series prior to any revenue sharing by investors. Investors then share in the producer's revenues up to 115% of their investment on a pro rata basis. To the extent producer's revenues exceed 115% of their investment, investors will then be entitled to, on a pro rata basis, 50% of the revenues derived from these web series. Based on the gross producers' revenues to date, we are not required to pay the investors any amount in excess of the existing liability already recorded as of September 30, 2014 and December 31, 2013. We have invested these funds in eleven projects. As of September 30, 2014, two of the productions were completed and there was immaterial producer gross revenue. We expect to generate additional gross producer's revenue subsequent to quarter end at which time the investors will receive their pro rata share of the revenue.

During the quarter ended September 30, 2014, we entered into various Loan and Security Agreements with individual investors totaling \$2,090,000 of a total \$4,000,000 that the Company intends to borrow. In connection with the execution of each of the Loan and Security Agreements, the Company granted each individual lender the right to participate, on a pro-rata basis based on their loan commitment as a percentage of the total loan commitments received to fund the specific series, in the future profit generated by such series (defined as the gross revenues of such series less the aggregate amount of principal and interest paid for the financing of such series). \$340,000 of the amount received is from a related party. Subsequent to quarter end, the Company entered into additional Loan and Security Agreements for \$500,000. Per the agreements, the Company will pay up to 12% interest per annum payable monthly through August 31, 2015.

Furthermore, we expect that the web series produced by Dolphin Digital Studios can be repackaged for distribution into "traditional media," such as television and home video, on a worldwide scale, which we believe would significantly increase the revenue potential for any particular web series. Web series that migrate to traditional media outlets will also benefit from the pre-established track record and viewer base of those outlets. For distribution into these outlets, we intend to leverage our existing relationship with Dolphin Entertainment, a leading independent television producer and distributor, with a specialty in quality children's and teen programming. Founded by our Chief Executive Officer in 1996, Dolphin Entertainment is an Emmy-nominated production and distribution company that has produced programming for Nickelodeon, Cartoon Network, and Canada's Family Channel and currently distributes its children's and teen programming into 300 million homes in over 100 countries.

Cybergeddon

During 2012, we partnered with Anthony Zuiker, the visionary creator of the CSI –Crime Scene Investigation franchise, his production company Dare to Pass, and Yahoo, Inc. a premier digital media company to produce "Cybergeddon" a motion picture event which brings to life the growing threat of cybercrime. True to his storytelling form, Mr. Zuiker engaged Norton by Symantec to leverage its technical credibility and security insights to help inform and guide the narrative. We created twelve digital episodes in the Cybergeddon series of approximately eight to fifteen minutes in length. Cybergeddon was released September 25, 2012, through Yahoo's global online distribution.

During 2013, the Cybergeddon production was nominated for three Streamy Awards and Missy Peregrym (Rookie Blue), the lead actress, won for Best Female Performance in a Drama. During the first quarter of 2014, Cybergeddon was packaged for home video sales. Management expects future announcements relating to distribution partners for the tween and general market demographics.

Kids Clubs

In February 2012, we announced our entry into "Kids Clubs" or online websites to serve as destinations for entertainment and information. We seek to partner with established "brands" in the children's space, and to expand each brand's existing online audience through the promotion of original content supplied and/or sourced by Dolphin Digital Studios. Premium entertainment offerings, such as original web series, will serve to both increase audience through positive word of mouth and to increase engagement, or length of time on site. Furthermore, we expect that the Kids Clubs will serve as the platform for sponsorship and other marketing opportunities, such as contests and sweepstakes and as strong marketing vehicles for the respective brands, as they keep the brands "top of mind" for the youngest generation, and in a space (the online world) where they increasingly go.

We believe that Kids Clubs will provide us the opportunity to capitalize on the combination of the following two consumer trends:

- a greater number of children under the age of 18 having access to the internet (and most “own” their own devices – e.g. laptop computers, tablets, smartphones, etc.)
- those children who have access to the internet spend an increasingly greater amount of time “online.”

Simply put, the internet has become the next generation’s “go to” destination for both entertainment and information.

Brands that are “offline” (those without a marketing presence over the internet) need to engage with their participants “online” (or marketed over the internet) or risk losing them altogether. To build successful engagement with children and teenagers in the “real world” and offer them nothing (let alone an equivalent engagement opportunity) in the digital world is a tremendous lost opportunity. For example, Little Leagues may exist for the enjoyment of children, but their websites are overwhelmingly only used by parents. Similarly, non-profits may exist to provide enrichment and cultural opportunities for children, but their websites are seldom visited by the children they cater to.

In February 2012, we entered into an agreement with U.S. Youth Soccer to create the “US Soccer Clubhouse” website. During 2012, we hired a third party to begin building the US Soccer Clubhouse website at an initial cost of approximately \$125,000, the first \$50,000 which was paid in 2012. The remaining payments are being made monthly over a period of two years.

On May 21, 2012, we entered into an agreement with a note holder to form Dolphin Kids Club LLC. Under the terms of the agreement, the note holder agreed to convert \$1,500,000 aggregate principal amount of its note into equity of Dolphin Kids Club, LLC and made additional capital contributions of \$1,500,000 during the year ended December 31, 2012. In exchange the note holder received a 25% membership interest in the newly formed entity. We hold the remaining 75% and thus controlling interest in the entity. The purpose of this entity is to create and operate online Kids Clubs for selected charitable, educational and civic organizations. The agreement encompasses Kids Clubs created between January 1, 2012 and December 31, 2016. It is a “gross revenue agreement” and we are responsible for paying all associated operating expenses. Net income will be attributable to each member based on the thresholds established in the operating agreement of the entity. Dolphin Kids Clubs, LLC has been consolidated in our consolidated financial statements with amounts attributable to the noncontrolling interest presented as a separate component of shareholders’ equity. As of September 30, 2014 and December 31, 2013, we recorded a noncontrolling interest of \$3,004,126 and \$3,000,000, respectively, for the 25% interest in Dolphin Kids Clubs LLC.

In 2013, we entered into an agreement with a worldwide philanthropic organization to create an online Kids Club which promotes the organization’s philanthropic philosophy and encourages literacy in elementary school age children. According to various studies, high school drop-out rates have a direct, proportional correlation to 3rd grade reading proficiency. If a child is already behind in their reading proficiency after 3rd grade, they are over 4x more likely to drop-out of high school (a rate which increases to 10x for minority children). In the U.S., nearly 60% of fourth graders are not reading at their grade level. Our online kids club offers reading activities, articles and games. It also promotes parent engagement by emailing parents and continuously messaging the importance of reading and parent involvement to achieve reading proficiency. We have also partnered with Scholastic Books to provide a Reading Oasis to schools that are sponsored by a donor. Donors may sponsor a school for \$10,000 which entitles each child in the school to receive an annual online kids club membership and a Reading Oasis for the school. A Reading Oasis is a location in a school that is transformed into a reading room. The Reading Oasis provides the school with hundreds of books (K-3), listening library, colorful bean bag chairs, a reading themed carpet, book cases, and a stereo listening center with four headphones. Pursuant to the terms of the agreement, we will share revenues derived from net memberships to the online kids club with the philanthropic organization.

For the three and nine months ended September 30, 2014, we derived approximately \$17,000 of revenues from the Kids Clubs and incurred immaterial direct costs.

We believe that we are uniquely positioned to offer these children's organizations a real alternative. Management has tremendous experience in building engaging websites for children, creating premium original online entertainment content. Management believes that we will become the preferred partner for a variety of children's organizations that have neither the time, financial resources or experience to provide online engagement for their participants but who see the value in doing so.

Management Experience

With the launch of Dolphin Digital Studios, we seek to leverage our management experience in creating high-quality entertainment, especially for children and young adults and capitalize on our relationship with Dolphin Entertainment, Inc. Founded in 1996 by our Chairman and Chief Executive Officer, Bill O'Dowd, Dolphin Entertainment 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 and international distribution and merchandising and licensing. Dolphin Entertainment distributes its programs worldwide, with sales in over 100 countries (reaching almost 300 million homes) for its current children's properties.

During 2013, we entered into an agreement with Dolphin Films, Inc. (a subsidiary of Dolphin Entertainment, Inc.), a related party, to provide management team and back office services. Pursuant to the agreement, we will provide Dolphin Entertainment with a development team to source new project; production executives that will develop scripts, approve budgets and hire and liaise with the production team on individual projects during the production and post-production phases; an accounting and finance team to provide accounting services and tax compliance; legal support; and domestic and international sales and sales support. We will also provide office space in Los Angeles and Miami. We are paid an annual fee of \$2.0 million for our services during the term of the agreement, which runs from April 1, 2013 through December 31, 2014. We recorded \$1.5 million in revenues related to this agreement for the nine months ended September 30, 2014 and \$1 million for the nine months ended September 30, 2013.

Dolphin Entertainment License

We hold a multiyear exclusive licensing agreement with Dolphin Entertainment, Inc., a related party, owned by our Chief Executive Officer, which is currently set to expire in June, 2018. Under the license, we are authorized to use Dolphin Entertainment's brand properties in connection with social networking sites. The license requires us to pay Dolphin Entertainment royalties at the rate of fifteen percent of the net sales from the performance of the licensed activities. As of September 30, 2014, we had not used Dolphin Entertainment's brand properties and therefore no royalties were payable under the licensing agreement.

Results for the three and nine months ended September 30, 2014 and September 30, 2013

We recognized revenues of approximately \$1,570,000 and \$1,800,000 for the nine months ended September 30, 2014 and 2013, respectively and approximately \$517,000 and \$506,000 for the three months ended September 30, 2014 and 2013, respectively. Revenues decreased primarily due to a decrease in revenues generated from our production Cybergeddon. During the nine months ended September 30, 2013, we recorded revenues of approximately \$793,000 related to licensing rights in foreign territories and production integration. During the nine months ended September 30, 2014, approximately \$51,000 was derived from these sources of revenue. This decrease is part of the normal business cycle as the productions were completed during the year ended December 31, 2012 and revenues on a majority of the international territories were recognized during 2012 and 2013. During the nine months ended September 30, 2014, we recorded service revenue of \$1,500,000 related to an agreement with a related party and \$1,000,000 was recorded from this source of revenue during the nine months ended September 30, 2013 as the agreement was effective April 1, 2013. For the nine months ended September 30, 2014, we also recorded approximately \$17,000 of membership revenues from the Kids Clubs.

We incurred direct costs mainly related to the amortization of capitalized production costs and the impairment of unamortized costs to fair value of one of our productions of approximately \$160,000 and \$677,000 for the nine months ended September 30, 2014 and 2013 and \$113,000 and \$18,000 for the three months ended September 30, 2014 and 2013. Payroll costs increased by approximately \$400,000 from \$800,000 for the nine months ended September 30, 2013 to \$1,200,000 for the nine months ended September 30, 2014 and by \$130,000 from \$280,000 for the three months ended September 30, 2013 to \$410,000 for the three months ended September 30, 2014. The increase is mainly due to Company increasing headcount by five people.

General and administrative costs decreased by approximately \$750,000 from \$1,950,000 for the nine months ended September 30, 2013 to \$1,200,000 for the nine months ended September 30, 2014 and by \$140,000 from \$490,000 for the three months ended September 30, 2013 to \$350,000 for the three months ended September 30, 2014. The decrease is mainly due to an overall decrease in the use of consultants of approximately \$500,000. During the nine months ended September 30, 2013, we paid a license fee of approximately \$60,000, legal fees of \$100,000 and web development costs of \$70,000 that were not recurring in nature. We have also decided to cut back on travel and incurred approximately \$70,000 less of travel and entertainment for the nine months ended September 30, 2014 as compared to the nine months ended September 30, 2013. We recorded an increase for the nine months ended September 30, 2014 as compared to the nine months ended September 30, 2013 of approximately \$45,000 in rent due to the new office space that was leased in June 2014 in Los Angeles and \$55,000 in health insurance costs mainly related to the increase in personnel and higher premiums.

Interest expense increased by approximately \$70,000 for the nine months ended September 30, 2014 as compared to the nine months ended September 30, 2013 primarily due to an increase in the accrued compensation owed to our CEO.

The net loss was \$535,599 or \$(.01) per share and \$1,480,239 or \$(.02) per share based on 81,892,352 weighted average shares outstanding for the three and nine months ended September 30, 2014 as compared to a loss of \$441,430 or \$(.01) per share and \$1,986,711 or \$(.02) per share based on 81,892,352 weighted average shares outstanding for the three and nine months ended September 30, 2013. The increase in net loss was a result of the factors described above.

Liquidity and Capital Resources

Cash flows used in operating activities decreased from approximately \$2,400,000 for the nine months ended September 30, 2013 to approximately \$870,000 for the nine months ended September 30, 2014. The decrease is primarily due to the decreased loss and increased collections on receivables in 2014 versus 2013. In addition, during the nine months ended September 30, 2014 increased current liabilities and decreased capitalized production costs contributed to lower cash flows used in operations.

Cash flows used for investing activities increased by approximately \$59,000 from \$15,000 for the nine months ended September 30, 2013 to \$74,000 for the nine months ended September 30, 2014 mainly due to the purchase of furniture for our new Los Angeles office.

Cash flows provided by financing activities decreased by \$1,750,000 from approximately \$2,400,000 for the nine months ended September 30, 2013 to approximately \$650,000 for the nine months ended September 30, 2014. This is mainly due to repayment of approximately \$1,400,000 to our CEO during the nine months ended September 30, 2014. We received approximately \$2,000,000 during the nine months ended September 30, 2014 and \$500,000 subsequent to quarter end from debt agreements entered into to finance a new digital project. For the nine months ended September 30, 2013, we received additional funds in the amount of \$2,600,000 from our CEO.

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, 2014, our accumulated deficit as of December 31, 2014, 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, financing at the subsidiary level and additional sales of its common stock; however, there can be no assurance that we will be successful in raising any necessary additional loans or capital.

We are currently negotiating a deal for a variety of web series that we believe will generate revenues during the first quarter of 2015. We intend to finance these productions through project-specific financing and have currently entered into loan and security agreements in the amount of \$2.5 million. We also entered into an agreement with an online platform to provide exclusive content to promote an upcoming web series. The platform will pay us a minimum guarantee of \$500,000 to run the content that must be delivered at least three weeks prior to the premiere of the series. We also believe that we will have an increase in revenues from our Kids Clubs.

Critical Accounting Policies

See “Summary of Significant Accounting Policies” in the Notes to the unaudited condensed consolidated financial statements and our current annual report on Form 10-K for the year ended December 31, 2013 for discussion of significant accounting policies, recent accounting pronouncements and their effect, if any, on the Company. These policies have been followed for the nine months ended September 30, 2014.

Recent Accounting Pronouncements

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

In May 2014, the FASB issued an accounting standard update relating to the recognition of revenue from contracts with customers, which will supersede most current U.S. GAAP (generally accepted accounting principles) revenue recognition guidance, including industry-specific guidance. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The guidance will be effective for our fiscal year beginning January 1, 2017, and can be applied either retrospectively or under a cumulative-effect transition method. We are currently evaluating the impact that the adoption of this new guidance will have on our consolidated financial statements.

Other recent Accounting Standards Updates not effective until after September 30, 2014 are not expected to have a significant effect on our consolidated financial position or results of operations.

Off-Balance Sheet Arrangements

As of September 30, 2014, we did not have any off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

Management’s Report on the Effectiveness of Disclosure Controls and Procedures

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

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of September 30, 2014. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective due to material weaknesses disclosed in our annual report on Form 10-K for the year ended December 31, 2013, filed with the Commission on August 5, 2014, which have not been fully remediated as of the date of the filing of this report.

Remediation of Material Weaknesses in Internal Control over Financial Reporting

In order to remediate the other material weaknesses in internal control over financial reporting, we are in the process of finalizing a remediation plan, under the direction of our Board of Directors, and intend to implement improvements during fiscal year 2014 as follows:

- Our Board of Directors will review the COSO “Internal Control over Financial Reporting - Guidance for Smaller Public Companies” that was published in 2006 including the control environment, risk assessment, control activities, information and communication and monitoring. Based on this framework, the Board of Directors will implement controls as needed assuming a cost benefit relationship. In addition, our Board of Directors will also evaluate the key concepts of the updated 2013 COSO “Internal Control – Integrated Framework” as it provides a means to apply internal control to any type of entity
- Document all significant accounting policies and ensure that the accounting policies are in accordance with accounting principles generally accepted in the U.S. and that internal controls are designed effectively to ensure that the financial information is properly reported. Management will engage independent accounting specialists, if necessary, to ensure that there is an independent verification of the accounting positions taken.
- We will implement a higher standard for document retention and support for all items related to revenue recognition. All revenue arrangements that are entered into by us will be evaluated under the applicable revenue guidance and Management should document their position based on the facts and circumstances of each agreement.
- In connection with the reported inadequately documented review and approval of certain aspects of the accounting process, management has plans to review the current review and approval processes and implement changes to ensure that all material agreements, accounting reconciliations and journal entries are reviewed and approved on a timely basis and that this review is documented by a member of management separate from the preparer. A documented quarter end close procedure will be established whereby management will review and approve reconciliations and journal entries prepared by the outside accountant. Management will formally approve new vendors that are added to the master vendor file.

Changes in Internal Control over Financial Reporting

During our last fiscal quarter there were no changes in our internal controls over financial reporting that have materially affected or are reasonably likely to materially affect such internal controls over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There were no changes during the quarter ended September 30, 2014 in legal proceedings from those disclosed in our annual report on Form 10-K for the year ended December 31, 2013, filed with the Commission on August 5, 2014

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. REMOVED AND RESERVED

None.

ITEM 5. OTHER INFORMATION

1.01 Entry into a Material Agreement

Commencing on August 11, 2014, Dolphin Digital Media, Inc. (the “Company”) entered into six Loan and Security Agreements with individual lenders, pursuant to which the individual lenders agreed to provide the Company aggregate loan commitments of \$2,090,000. The Company is seeking to secure loan commitments for an additional aggregate \$1,910,000 for a total of \$4,000,000 of loan commitments. Advances will be used (1) to contribute to the production budget of a specific web series; (2) for general corporate overhead and working capital and (3) for the establishment of the loan reserves described below. As of September 30, 2014, the Company had been advanced the full \$2,090,000 of the existing loan commitments.

Each of the loans initially mature on August 31, 2015, provided, however, that the Company has the option to extend the maturity date of each of the loans to August 31, 2016 upon notice to the respective investor. The loans accrue interest at a rate of 10% per annum, payable monthly until the initial maturity date. Upon extension, the interest rate increases to 11.25% per annum. Each Loan and Security Agreement requires the establishment of a loan reserve for the payment of interest to the individual investor, which average approximately [9%] of the total amount of the loan commitment. The loans may be prepaid at any time and must be prepaid, in full or in part, on a pro rata basis, from (i) any payments, proceeds or other consideration received by the Company on account of or relating to the distribution or exploitation of the specific series or (ii) any insurance proceeds received by the Company in connection with the specific series.

Each loan is secured, pro rata to the total loan commitments received, by the all of the Company's right, title and interest in and to revenues from the worldwide distribution and exploitation of the specific series funded by the lender, and to the Company's interest in any insurance policies related to the production or distribution of the specific series. Each of the Loan and Security Agreements contain customary representations and warranties. Pursuant to each of the Loan and Security Agreements, the occurrence of any of the following will constitute an "Event of Default": (i) the Company's failure to make (or cause to be made) any payments when the same are due; (ii) default in the due and timely observance or performance of any of the affirmative covenants, (iii) suspension by the Company of its business operations; (iv) the Company becoming insolvent, or filing for bankruptcy proceedings; or (v) the Company experiencing a Change of Control event.

In connection with the execution of each of the Loan and Security Agreements, the Company granted each individual lender the right to participate, on a pro-rata basis based on their loan commitment as a percentage of the total loan commitments received to fund the specific series, in the future profit generated by such series (defined as the gross revenues of such series less the aggregate amount of principal and interest paid for the financing of such series).

A form of the Loan and Security Agreement executed by each individual is attached as Exhibit 10.1.

The Company has no preexisting commercial relationship.

ITEM 6. EXHIBITS

<u>No.</u>	
10.1	Loan and Security Agreement
31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Interactive Data Files

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized November 19, 2014.

Dolphin Digital Media Inc.

By: /s/ William O'Dowd IV

Name: William O'Dowd IV
Chief Executive Officer

Dolphin Digital Media Inc.

By: /s/ Mirta A Negrini

Name: Mirta A Negrini
Chief Financial Officer

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT (the "Agreement") is made and entered into as of the [Date] day of [Month] 2014, by and between Dolphin Digital Media, Inc., a Nevada corporation (the "Company" or "Borrower") having a principal place of business located at 2151 Lejeune Road, Suite 150 – Mezzanine, Coral Gables FL 33134 and [Lender Name], having a principal place of business located at [Lender Address] (the "Lender", including its successors and assigns, collectively the "Lenders").

RECITALS

WHEREAS, the Borrower is in the business of producing original filmed content that premieres on online platforms (i.e. web series); and

WHEREAS, Borrower has requested that Lender make certain advances to Borrower in lawful money of the United States for use in accordance with Section 3.3 of this Agreement, in an aggregate principal amount of [Insert Dollar Amount] (\$____), inclusive of the Loan Reserve (the "Commitment Amount"); and

WHEREAS, Lender is willing to make such advances to Borrower upon the terms and conditions herein contained and in consideration of the agreements, representations and warranties of Borrower hereinafter set forth.

NOW, THEREFORE, in consideration of the covenants, promises and representations set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and Lender agree as follows:

AGREEMENT

1. Recitals. The forgoing Recitals are true and correct and are incorporated herein.
2. Definitions. Capitalized terms used herein that are not defined when first used shall have the respective meanings specified therefor below:

"Advances" shall have the meaning specified in Section 3.1.

"Affiliated Person" shall mean, with respect to any Person, any other Person, which directly or indirectly controls, is controlled by or is under common control with such Person. For the purposes of this definition, "control" (including with corresponding meanings, the terms "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities, by contract or otherwise.

"Aggregate Commitment Amount" shall mean Four Million Dollars (\$4,000,000).

"Agreement" shall mean this Loan and Security Agreement, dated as of [Date], 2014, between Borrower and Lender, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Borrowing Schedule" shall mean the schedule attached hereto and incorporated by this reference as Exhibit "A", which schedule sets forth Borrower's projection of the amounts and dates of each Advance required by Borrower hereunder.

"Business Day" means any day that is not a Saturday, Sunday, or other day on which federally chartered savings banks are authorized or required to close in Miami, Florida.

"Change of Control" shall mean any event, transaction or occurrence as a result of which William O'Dowd ceases to have effective managerial control of Borrower.

“Collateral” shall have the meaning specified in Section 4 hereof.

“Collateral Proceeds” means whatever is acquired or paid to or derived by or payable directly or indirectly to Borrower on account of the sale, lease, licensing, exchange, distribution, exploitation, or other disposition of the Series and any other item of Collateral, including, without limitation, money, royalties, fees, commissions, charges, payments, proceeds of any letter of credit, advances, income, profit and other forms of payment, proceeds of any insurance for any of the Collateral.

“Commitment Amount” shall have the meaning specified in the recitals hereof.

“Commitment Period” shall mean the period from the date hereof through the Maturity Date.

“Dollar(s) or \$” shall mean United States dollars.

“Event of Default” shall have the meaning specified in Section 8 hereof.

“Indebtedness” shall mean all monetary obligations of Borrower to Lender hereunder, under the Note, and under the other Loan Documents.

“Interest Rate” shall have the meaning specified in Section 3.5.1 hereof.

“Lender” shall have the meaning specified in the preamble hereof.

“Loan” shall mean each advance, loan and financial accommodation from Lender to Borrower, whether now existing or hereafter arising and however evidenced, including those advances, loans and financial accommodations described herein or described on any exhibit or schedule attached to this Agreement from time to time.

“Loan Documents” shall mean this Agreement, the Note, and all other documents and instruments executed pursuant hereto and thereto, including, without limitation, all agreements, documents, instruments and certificates identified to be executed and delivered to, or in favor of, Lender and including all other pledges, powers of attorney, consents, assignments, contracts and all other written notices, and any other written matter whether heretofore, now or hereafter executed by or on behalf of any Person and delivered to, or in favor of, Lender in connection with this Agreement or the transactions contemplated thereby.

“Loan Reserve” shall have the meaning specified in Section 3.2 hereof.

“Loan Reserve Amount” shall mean [Insert Dollar Amount] (\$___).

“Maturity Date” shall have the meaning specified in Section 3.4.1 hereof.

“Note” shall mean the promissory note to be executed and delivered by Borrower to Lender pursuant to Section 3.4.1 hereof.

“Obligations” shall mean all Indebtedness and obligations for the performance of covenants, tasks or duties or for payment of monetary amounts (whether or not such performance is then required or contingent, or such amounts are liquidated or determinable) owing by Borrower to Lender, and all covenants and duties regarding such amounts, of any kind or nature, whether or not evidenced by any note, agreement or other instrument, arising under this Agreement or any other Loan Document.

“Person” shall mean any entity, corporation, company, association, partnership, limited liability company, joint venture, joint stock company, unincorporated organization, trust, individual (including personal representatives, executors and heirs of a deceased individual), nation, state, government (including governmental agencies, departments, bureaus, boards, divisions and instrumentalities thereof), trustee, receiver or liquidator.

“Related Transactions Documents” means the Loan Documents and all other documents executed and delivered in connection therewith or the transactions contemplated hereby.

“Series” shall mean the two-hour web series currently entitled “[Name of Production].”

“Subsidiary” shall mean, with respect to any Person, any corporation, partnership, joint venture, limited liability company, association or other entity, the management of which is, directly or indirectly, controlled by, or of which an aggregate of more than 50% of the outstanding voting equity interests are, at the time, owned or controlled directly or indirectly by, such Person or one or more Subsidiaries of such Person. As used in this definition, “control” (including, with a corresponding meaning, the term “controlled by”) shall have the meaning set forth in the definition of “Affiliated Person”.

“Termination Date” shall mean the date on which (a) the Indebtedness has been indefeasibly repaid in full in cash, (b) all other Obligations have been completely discharged (other than contingent indemnification or reimbursement obligations), (c) Borrower is not entitled to any further Advances hereunder, and (d) the Commitment Period has expired.

3. Agreement to Lend.

3.1 Advances. Lender hereby agrees to make advances (each of which is herein called an Advance”, and all of which are herein collectively called the “Loan”) of funds to Borrower in an aggregate principal amount of [Insert Commitment Amount], payable in installments according to the Borrowing Schedule.

3.2 Loan Reserve. Notwithstanding anything to the contrary herein contained, a reserve (the “Loan Reserve”) equal to the Loan Reserve Amount shall be maintained under the Loan for the payment of the interest hereunder.

3.3 Use of Loan Proceeds. Borrower agrees that it shall use the proceeds of the Advances hereunder and of the Aggregate Commitment Amount for the following purposes: 1). to contribute to the production budget of the Series; 2). for general corporate overhead and working capital; and 3). for the establishment of the Loan Reserve under Section 3.2 above, and the interest payments hereunder.

3.4 The Note; Canceling the Note.

3.4.1 The obligations of Borrower to pay the principal of, and interest on, all Advances made by Lender shall be evidenced by the Note duly executed and delivered by Borrower to Lender and payable immediately to the order of Lender on August 31, 2015 (the “Maturity Date”).

3.4.2 Borrower shall have the option to extend the Maturity Date for an additional twelve (12) months (until August 31, 2016), upon written notice to Lender on or before July 31, 2015 (“Maturity Date Extension Option”). If Borrower exercises the Maturity Date Extension Option, Borrower shall pay interest on any unpaid principal and accrued interest, as of September 1, 2015, at a rate that is one and one-quarter percent (1.25%) higher than the rate described in Section 3.5.1 below (“Maturity Date Extension Option Interest Rate”). The Maturity Date Extension Option Interest Rate shall apply beginning on September 1, 2015, and will continue until the Note is canceled pursuant to Section 3.4.3 below.

3.4.3 The Note shall be marked “canceled” and returned to Borrower at such time as the Indebtedness has been paid in full by Borrower and (whether by mutual agreement or otherwise as herein provided) Borrower is no longer entitled to receive any further Advances hereunder.

3.5 Interest; Interest Rate; Payment.

3.5.1 Rate of Interest. Each Advance shall bear interest (the “Interest Rate”) on the unpaid principal amount thereof from the date of each Advance until the date such Advance is repaid in full at the rate of [Insert Interest Rate] percent (___%) per annum.

3.5.2 Payment of Interest. Interest on Advances shall accrue daily and be payable: (i) in arrears on the 15th day of each calendar month, beginning the month after each such Advance is paid; (ii) upon any prepayment of such Advance (to the extent accrued on the amount being prepaid); and (iii) on the Maturity Date.

3.5.3 Computation of Interest and Fees. All computations of interest and fees payable pursuant to this Agreement shall be calculated on the basis of a three hundred sixty five (365) day year and an actual-day month.

3.6 Prepayments.

3.6.1 Voluntary Prepayments. Borrower may at any time prepay, without penalty or premium, any and all Advances, in whole or in part.

3.6.2 Mandatory Prepayments. After receipt and allocation by Borrower of the entire Aggregate Commitment Amount, Borrower shall be required to prepay the Advances in an amount equal to:

3.6.2.1 Proceeds of Distribution and Other Agreements. Any payments, proceeds or other consideration received by Borrower on account of or relating to the distribution or exploitation of the Series, in a percentage equal to Lender's Commitment Amount divided by the Aggregate Commitment Amount.

3.6.2.2 Proceeds of Insurance. Any insurance proceeds received by Borrower in connection with the Series, in a percentage equal to Lender's Commitment Amount divided by the Aggregate Commitment Amount.

3.6.3 Application of Prepayments. All prepayments made pursuant to this Section 3.6 shall be paid directly to Lender to be applied by Lender to the repayment of the Obligations hereunder as set forth herein.

3.7 Revenue Participation. In consideration of providing the Loan as described herein, Lender will also receive revenue participation interest in Borrower's participation in the Series, after the Loan is re-paid in full, including interest

4. Collateral. Borrower hereby pledges to Lender, in a percentage equal to Lender's Commitment Amount divided by the Aggregate Commitment Amount, all of Borrower's right, title and interest in and to revenues from the worldwide distribution and exploitation of the Series, and to Borrower's interest in any insurance policies related to the production or distribution of the Series (the "Collateral") (to the extent any materials and/or rights in and to the Series or any other Collateral are not yet in existence or not yet acquired, such materials and rights are (to the extent applicable) hereby collaterally assigned and conveyed to Lender by way of present assignment of future interests).

If on or before the Maturity Date or Extended Maturity Date, if such option is exercised, Borrower does not repay the Loan in full, including interest, then upon the request of Lender, Borrower shall promptly execute and deliver any further documents, and take all further action reasonably necessary, to assign to Lender, in a percentage equal to Lender's Commitment Amount divided by the Aggregate Commitment Amount, the Collateral to Lender, until such time as Loan is repaid in full, including interest. Upon such assignment of Collateral to Lender, Borrower shall continue to manage the distribution and exploitation of the Series, and Lender shall not interfere in any commitments, contractual or otherwise, made by Borrower relating to the Series. Furthermore, upon such assignment of Collateral, Lender shall have no further recourse against Borrower.

5. Accounting. Borrower shall keep true, full and complete books and records of all expenses and revenues related to the Series, which books and records shall be in accordance with generally accepted accounting principles in the motion picture industry. Borrower shall account to Lender in a customary industry manner on a quarterly basis, beginning in the quarter immediately after the initial release of the Series, until the Loan is re-paid in full, including interest. All accountings hereunder shall be sent to Lender within thirty (30) days of the end of the relevant accounting period, and shall be accompanied by payments of any sums due to Lender thereunder. Lender shall have customary motion picture industry audit rights, at Lender's expense, in connection with the Series, to be exercised not more than once per calendar year during reasonable business hours (and not to exceed thirty (30) days) to be conducted by a certified public accountant and otherwise in accordance with custom and practice in the industry and in a manner that will not frustrate Borrower's business. Notwithstanding the foregoing, in the event such an audit reveals an underpayment by Borrower to Lender of more than 5% of the amount payable, then Borrower shall bear the reasonable costs of the outside auditor in connection with such audit.

6. Representations and Warranties. In order to induce Lender to enter into this Agreement, Borrower agrees, represents and warrants to Lender as follows:

6.1. Corporate Formation. Borrower is a corporation in good standing duly organized under the laws of Nevada. Borrower has the corporate power and authority to transact its business.

6.2. Power and Authority. Borrower has the power and authority to execute, deliver and carry out the terms and provisions of this Agreement and to execute and deliver the Note, and all other Loan Documents, and has taken all necessary corporate action to authorize the execution and delivery of this Agreement, the borrowing hereunder, and the execution and delivery of the Note and said other documents, instruments, and agreements.

6.3. No Conflict. Neither the execution and delivery of this Agreement or any other document, instrument or agreement to be executed pursuant hereto, nor the consummation of the transactions herein contemplated, nor compliance with the terms and provisions hereof or with the terms and provisions of the Note or any other instrument, agreement or document to be executed hereunder will violate any provision of law or of any applicable regulation, order or decree of any court or governmental instrumentality or administrative body or agency, will conflict or will be inconsistent with, or will result in any breach of, any of the terms, covenants, conditions or provisions of any mortgage, indenture, deed of trust, agreement or other instrument to which

Borrower is a party or by which it may be bound or to which it may be subject or will violate any provision of the articles/certificate of incorporation/formation pursuant to which Borrower was formed.

6.4. Litigation. There are no actions, suits or proceedings pending or, to the best of Borrower's knowledge, threatened, against or affecting Borrower before any court or governmental or administrative body or agency. Borrower is not in default under any applicable statute, rule, order or regulation of any governmental authority, bureau or agency having jurisdiction over it.

6.5. Legal, Valid and Binding Obligations. This Agreement, the Note, and each other Loan Document and Related Transactions Document to which Borrower is a party, when executed and delivered pursuant hereto, will constitute legal, valid and binding obligations of Borrower, enforceable against Borrower in accordance with the respective terms hereof and thereof subject, as to enforcement only, to bankruptcy, insolvency, moratorium or similar laws then in effect affecting the rights of creditors generally and general equitable principles.

6.6. No Consents. In connection with the execution, delivery, performance, validity and enforceability of this Agreement, the Note, or any other Loan Document, no consent of any Person, and no consent, license, approval, authorization, registration or declaration with any governmental authority, bureau or agency is required.

7. Affirmative Covenants. Until the Termination Date, Borrower hereby covenants and agrees as follows:

7.1. Borrower (a) shall maintain, at all times and in accordance with generally accepted accounting principles in the United States in the motion picture industry, true, full and complete books and records showing the financial transactions of Borrower with respect to the Series, and (b) shall permit Lender (or its designee) to examine the same at Borrower's place of business and during reasonable business hours, at such time(s) as Lender (or its designee) may request upon reasonable notice.

7.2. Borrower shall promptly give written notice to Lender of all litigation, arbitration, proceedings, controversies which in any way may adversely affect Lender's rights hereunder.

7.3. Borrower shall, at all times hereunder, maintain its corporate existence and shall supply, or cause to be supplied, all necessary services in connection with the production, sale, distribution, exhibition and exploitation of the Series.

8. Events of Default: Remedies on Default

8.1 Each of the following specified events hereby constitutes and is herein referred to individually as an Event of Default:

8.1.1 Borrower's failure to make (or cause to be made) any payments to Lender hereunder or under any other Loan Document or and Related Transaction Documents when the same are due; or

8.1.2 Default in the due and timely observance or performance of any of the Affirmative Covenants described in Section 7 above; or

8.1.3 Suspension by Borrower of its business operations; or

8.1.4 If Borrower should become insolvent, or file bankruptcy proceedings; or

8.1.5 Borrower experiences a Change of Control event.

8.2 At Lender's option, upon the occurrence of any Event of Default, and at any time thereafter if such Event of Default shall then be continuing:

8.2.1 Unless such Event of Default is as described in Section 8.1.1 and Section 8.1.2 above and, upon written notice by Lender, is cured within thirty (30) days of Borrower's receipt of such written notice by Lender, the Indebtedness may, without presentment, demand, protest, or notice of any kind, all of which are hereby expressly waived by Borrower, be forthwith declared due and payable, if not otherwise then due and payable (anything herein or in the Note or other agreement, contract, indenture, document or instrument contained to the contrary notwithstanding) and the Maturity Date shall be accelerated accordingly and Lender's commitments hereunder shall be terminated.

8.2.2 Lender may pursue the remedies afforded to it hereunder or under any of the documents executed in connection herewith, or any other remedy afforded to it by law or equity, and Lender may, at its option, do and perform all other acts and things necessary for the proper preservation and protection of its rights hereunder.

9. Miscellaneous.

9 . 1 . Notices. All notices, requests, demands or other communications to the respective parties hereto shall be in writing addressed to the Lender or Borrower, as the case may be, at their respective addresses shown opposite their signatures hereto.

9 . 2 . Failure or Indulgence not Waiver. Except as expressly provided herein to the contrary, no failure of, nor any delay on the part of, the Lender or Borrower in exercising any right, power or privilege hereunder, or under any agreement, contract, indenture, document or instrument mentioned herein, shall operate as a waiver thereof.

9.3. Assignment. This Agreement shall inure to the benefit of and bind the parties and their respective successors and permitted assigns. A "permitted assignee" of Borrower is any entity in which William O'Dowd exercises effective managerial control, or directly or indirectly beneficially owns at least 51% of all classes of the equity interests. A "permitted assignee" of Lender is any Person who is (1) a Personal Representative of the assignor, (2) a member of the assignor's immediate family (i.e. spouse, child, brother, sister, and lineal ascendant and/or descendant), or (3) a trust or partnership of which all beneficiaries or partners, as applicable, are Person's described either in clause (1) or (2). Except in the case of an assignment to a Personal Representative, the assignor and assignee shall execute such documents and instruments of conveyance and assumption as may be necessary or appropriate in the opinion of Borrower to effect such assignment and to confirm the assignee's agreement to be bound by the provisions of this Agreement.

9 . 4 . Severability. In case any one or more of the provisions hereof should be invalid, illegal or unenforceable in any respect, such provision(s) shall be curtailed and limited only to the extent necessary to bring it within the legal requirements and the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

9 . 5 . Entire Agreement; Counterparts. This Agreement, the Note and the other Loan Documents shall constitute the entire agreement between the parties hereto with respect to the Loan and shall supersede all other agreements written or oral with respect thereto. This Agreement may be executed in counterparts, each of which shall be deemed an original and which together shall constitute one and the same instrument.

9 . 6 . Governing Law; Jurisdiction; Dispute Resolution. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida, without giving effect to Florida conflict of law provisions or to constructive presumptions favoring either party. The parties to this Agreement hereby irrevocably consent to, for the purposes of any proceeding arising out of this Agreement, the exclusive jurisdiction of the courts of the State of Florida and the United States District Court located in Miami-Dade County. In the event of a disagreement relating to the provisions or enforcement of this Agreement, the parties agree to appoint a mutually acceptable private mediator prior to the institution of any legal action. Such mediation shall take place without prejudice to either party's position and nothing presented, stated, etc. in that mediation shall be admissible as evidence in any subsequent legal proceeding.

9.7. Jury Trial Waiver. BORROWER AND LENDER EACH WAIVES THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR ANY PARTICIPANT OR ASSIGNEE OF LENDER, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. BORROWER AND LENDER EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

9.8. Amendments. No amendment or waiver of any provision of this Agreement or any other Loan Document shall in any event be effective unless the same shall be in writing and signed by both parties.

9.9. Confidentiality. Lender agrees to use all reasonable efforts to keep any information relating to Borrower furnished to it by or on behalf of Borrower or obtained by it pursuant hereto and the other Loan Documents confidential in accordance with Lender's, customary practices and agrees that it shall only use such information in connection with the transactions contemplated by this Agreement and not disclose any such information other than (a) to Lender's, employees, representatives and agents that are or are expected to be involved in the evaluation of such information in connection with the transactions contemplated by this Agreement and are advised of the confidential nature of such information, (b) to the extent such information presently is or hereafter becomes available to Lender on a non-confidential basis from a source other

than Borrower or an Affiliated Person of Borrower, (c) to the extent disclosure is required by law, regulation or judicial order or requested or required by bank regulators or auditors or (d) to prospective permitted assignees, and to their respective legal or financial advisors, in each case, and to the extent such prospective permitted assignees have been advised of the confidentiality provisions of this Section 9.9.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their respective duly authorized officers as of the date first above written

[SIGNATURE PAGES FOLLOW]

BORROWER SIGNATURE PAGE TO
LOAN AND SECURITY AGREEMENT

Dolphin Digital Media, Inc.

By: _____

Name: William O'Dowd IV

Title: Chief Executive Officer

Address for Notice:

2151 LeJeune Road
Suite 150- Mezzanine
Coral Gables FL 33134

LENDER SIGNATURE PAGE TO
LOAN AND SECURITY AGREEMENT

[Insert Name of Lender]

By: _____

Name: [Individual Name]

Title: [Title of Individual]

Address for Notice:

[Address of Lender]

EXHIBIT A
BORROWING SCHEDULE

**CHIEF EXECUTIVE OFFICER
CERTIFICATION PURSUANT TO SECTION 302**

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

1. I have reviewed this Report on Form 10-Q of the Registrant;
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report.
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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 (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting;
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 over financial reporting.

Date: November 19, 2014

/s/ William O'Dowd IV

William O'Dowd IV

Chief Executive Officer

**PRINCIPAL FINANCIAL OFFICER
CERTIFICATION PURSUANT TO SECTION 302**

I, Mirta A Negrini, Chief Financial Officer of Dolphin Digital Media, Inc. (the "Registrant"), certify that:

1. I have reviewed this Report on Form 10-Q of the Registrant;
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report.
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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 (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting;
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 over financial reporting.

Date: November 19, 2014

/s/ Mirta A Negrini

Mirta A Negrini
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Report of Dolphin Digital Media, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William O'Dowd IV, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 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.

Date: November 19, 2014

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

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Report of Dolphin Digital Media, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mirta A Negrini, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 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.

Date: November 19, 2014

By: /s/ Mirta A Negrini
Mirta A Negrini
Chief Financial Officer