

# SECURITIES & EXCHANGE COMMISSION EDGAR FILING

## Grom Social Enterprises, Inc.

**Form: 8-K**

**Date Filed: 2021-04-07**

Corporate Issuer CIK: 1662574

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

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 1, 2021

**GROM SOCIAL ENTERPRISES, INC.**

(Exact name of registrant as specified in its charter)

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

**000-55585**  
(Commission  
File Number)

**46-5542401**  
(IRS Employer  
Identification No.)

**2060 NW Boca Raton Blvd. #6**  
**Boca Raton, Florida 33431**  
(Address of principal executive offices)

Registrant's telephone number, including area code: **(561) 287-5776**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Company under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
- Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbols	Name of each exchange on which registered
None	N/A	N/A

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

**Item 1.01 Entry into a Material Definitive Agreement.**

As of April 1, 2021, Grom Social Enterprises, Inc., a Florida corporation (the "Company"), entered into a binding letter of intent (the "Curiosity LOI") with Curiosity Ink Media, LLC, a California limited liability company ("Curiosity"), Russell Hicks ("Hicks"), Brent Watts ("Watts"), and all of the other holders of membership equity of Curiosity (collectively, the "Sellers"), pursuant to which the Company agreed to acquire an aggregate of 80% of Curiosity's membership interests (the "80% Membership Interests") from the Sellers, on a pro rata basis.

Pursuant to the Curiosity LOI, the total purchase price for the 80% Membership Interests will be \$3,678,000, of which: (a) an aggregate of \$400,000 is payable at the closing in cash, to be used to pay down a portion of loans made to Curiosity by Hicks and Watts; (b) an aggregate of \$3,000,000 is payable at the closing in restricted shares of the Company's common stock, valued at a price per share equal to the 20-day volume-weighted average price (VWAP) of the Company's common stock; and (c) an aggregate of \$278,000 is payable by the issuance at the closing to Hicks and Watts of 8% convertible promissory notes payable in equal monthly installments, on an amortized basis over 18 months. The Sellers will have the opportunity to receive up to an additional \$2,000,000 in acquisition consideration, paid 100% in shares of the Company's common stock, based upon the successful execution of certain specified contracts and/or material agreements. The Sellers will also have the opportunity to receive an additional \$17,500,000 in purchase consideration, paid 50% in cash and 50% in shares of the Company's common stock, based upon achieving certain performance milestones through December 31, 2025.

The Company has the exclusive right to acquire the 80% Membership Interests through June 30, 2021. The consummation of the acquisition is contingent upon the parties entering into a definitive agreement and other closing conditions.

The foregoing descriptions of the Curiosity LOI does not purport to be complete and is qualified in its entirety by reference to the full text of such document, a copy of which is attached to this Current Report on Form 8-K ("Report") as Exhibits 10.1 and incorporated herein by reference.

**Item 7.01 Regulation FD Disclosure.**

On April 7, 2021, the Company issued a press release reporting its entry into the Curiosity LOI, and related matters. The text of the press release is furnished as Exhibit 99.1 to this Report and incorporated herein by reference.

The information in this Item 7.01 of this Report, including Exhibit 99.1 attached hereto, is being furnished and shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor shall it be deemed incorporated by reference in any of the Company’s filings under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, except as shall be expressly set forth by specific reference to this Report in such filing.

#### Cautionary Statements

This filing includes “forward-looking statements.” All statements other than statements of historical facts included or incorporated herein may constitute forward-looking statements. Actual results could vary significantly from those expressed or implied in such statements and are subject to a number of risks and uncertainties. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company can give no assurance that such expectations will prove to be correct. The forward-looking statements involve risks and uncertainties that affect the Company’s operations, financial performance, and other factors as discussed in the Company’s filings with the Securities and Exchange Commission (“SEC”). Among the factors that could cause results to differ materially are those risks discussed in the periodic reports the Company files with the SEC. You are urged to carefully review and consider the cautionary statements and other disclosures made in those filings, specifically those under the heading “Risk Factors.” The Company does not undertake any duty to update any forward-looking statement except as required by law.

#### **Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits. The following exhibit is included in this Report:

<b>Exhibit No.</b>	<b>Description</b>
10.1	<a href="#">Letter of Intent, dated as of April 1, 2021, by and between the Company, Curiosity and the Sellers</a>
99.1	<a href="#">Press Release, dated April 7, 2021</a>

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

#### **GROM SOCIAL ENTERPRISES, INC.**

Date: April 7, 2021

By: /s/ Melvin Leiner  
Melvin Leiner  
Executive Vice President and  
Chief Financial Officer





March 29, 2021

Mr. Russell Hicks and Mr. Brent Watts  
Curiosity Ink Media, LLC  
Hollywood, CA

**RE: Acquisition of 80% of the Membership Equity of Curiosity Ink Media, LLC ("CURIOSITY" or the "Company")**

Gentlemen,

This Letter of Intent ("LOI") reflects the general terms of Grom Social Enterprises, Inc.'s ("GROM") binding intent to acquire 80% of the membership equity of CURIOSITY from Russell Hicks ("HICKS"), Brent Watts ("WATTS"), John Van Slooten, Greg Peterson and all other minority holders (collectively, the "Sellers")

GROM will purchase 80% of CURIOSITY's membership equity owned by Sellers via a combination of cash and GROM restricted common stock. CURIOSITY will continue to operate its business under the leadership of HICKS, WATTS, and their team.

The purpose of this LOI is to define the details of the transaction contemplated by the parties. This LOI is meant to create mutually binding obligations on each party in connection with Sections 1, 3, 6, 7, and 8, only, and to act as a non-binding basis upon which definitive agreements and employment contracts will be drafted.

**1. Purchase Price.**

(a) The total minimum purchase consideration is \$3,678,000 and will consist of:

- \$400,000 in cash specifically earmarked to paydown a portion of the loans made personally by HICKS and WATTS to the Company.
- \$3,000,000 in restricted GROM common stock. The value of the common stock issued at closing will be valued at a price per share equal to the twenty (20) day volume-weighted average price ("VWAP") of GROM's common stock as quoted on the OTCBB immediately prior to the Closing Date.
- \$278,000 in 8% convertible, promissory notes payable to HICKS and WATTS. Interest accrues on the outstanding principal amount at the rate of 8% per annum. Principal and interest on the promissory notes are payable monthly, on an amortized basis over 18 months.

(b) Milestone Consideration.

Sellers will have the opportunity to receive an additional \$2,000,000 in purchase consideration, paid 100% in common stock, based upon the successful execution of certain specified contracts and/or material agreements.

(c) Contingent Earnout.

Sellers will have the opportunity to receive an additional \$17,500,000 in purchase consideration, paid in a combination of 50% cash and 50% common stock, based upon achieving the following performance goals commencing from the date of closing until December 31, 2025.

- Level 1 Earnout of a maximum \$2,500,000 paid in a combination of 50% cash and 50% common stock based on achieving the following performance goals on a trailing twelve-month basis from the date of closing until December 31, 2023.
  - o An aggregate of \$833,333 in consideration upon reaching an EBITDA milestone of \$2,625,000
  - o An aggregate of \$1,666,667 in consideration upon reaching an EBITDA milestone of \$5,250,000
  - o An aggregate of \$2,500,000 in consideration upon reaching an EBITDA milestone of \$7,875,000

The Level 1 Earnout amount payable for achieving each EBITDA milestone is \$833,333. Any milestone can be achieved either in one year, or in multiple years, as long as it occurs by December 31, 2023.

- Level 2 Earnout of a maximum \$7,500,000 paid in a combination of 50% cash and 50% common stock based on achieving the following performance goals on an annual basis for the year ending December 31, 2024.
  - o An aggregate of \$2,500,000 in consideration upon reaching an EBITDA milestone of \$7,000,000
  - o An aggregate of \$5,000,000 in consideration upon reaching an EBITDA milestone of \$14,000,000
  - o An aggregate of \$7,500,000 in consideration upon reaching an EBITDA milestone of \$21,000,000

The Level 2 Earnout amount payable for achieving each EBITDA milestone is \$2,500,000. Any milestone can be achieved as long as it occurs by December 31, 2024.

- Level 3 Earnout of a maximum \$7,500,000 paid in a combination of 50% cash and 50% common stock based on achieving the following performance goals on an annual basis for the year ending December 31, 2025.
  - o An aggregate of \$2,500,000 in consideration upon reaching an EBITDA milestone of \$7,000,000

- o An aggregate of \$5,000,000 in consideration upon reaching an EBITDA milestone of \$14,000,000
- o An aggregate of \$7,500,000 in consideration upon reaching an EBITDA milestone of \$21,000,000

The Level 3 Earnout amount payable for achieving each EBITDA milestone is \$2,500,000. Any milestone can be achieved as long as it occurs by December 31, 2025.

The value of the common stock issued at closing will be valued at a price per share equal to the twenty (20) day VWAP of GROM's common stock as quoted on the OTCBB immediately prior to the Closing Date.

## **2. Closing Date.**

The parties will use good faith efforts to enter into definitive agreements and consummate the transaction immediately following the close of GROM's financing transaction as described in its Form S-1 filed with the Securities & Exchange Commission on February 16, 2021.

## **3. Conditions of Closing.**

The consummation of the transaction is expressly contingent upon the following conditions:

- GROM's completion of a successful financing transaction as described in its Form S-1 filed with the Securities & Exchange Commission on February 16, 2021.
- Execution of new employment agreements with CURIOSITY's Chief Content Officer, HICKS; Executive Creative Officer, WATTS; and Chief Executive Officer, Jared Wolfson.
- Conversion of any unpaid principal amounts of all safe agreements with CURIOSITY into membership equity of CURIOSITY.

## **4. Management and Ownership of CURIOSITY.**

(a) Management. At Closing, CURIOSITY and GROM shall enter into employment agreements with HICKS and WATTS who shall continue to manage the day-to-day business of CURIOSITY in the customary fashion. HICKS, WATTS and Wolfson shall report to an executive of GROM; and GROM will collaborate with CURIOSITY on its business matters; and provide agreed upon financial resources to support the anticipated future revenue and earnings growth of CURIOSITY.

(b) Profit Sharing. After Closing, the Sellers shall own 20% of the membership equity of CURIOSITY. Sellers shall be eligible to a distribution of profits up to the equivalent of its ownership percentage in CURIOSITY's equity (a "Dividend"). Dividends will commence, on a basis to be determined but no more than annual, at such time that CURIOSITY's post-acquisition accumulated results of operations yield net earnings.

## **5. Definitive Agreement.**

The parties will negotiate and execute definitive agreements, setting forth the principal terms hereof and such other representations, warranties, covenants and conditions which are standard in the context of such a transaction.

## **6. Confidentiality.**

CURIOSITY will permit GROM's management and its accountants, attorneys, and other advisers to conduct a thorough due diligence examination of CURIOSITY for a period not to exceed thirty (30) days. GROM and its officers, employees, representatives, and other advisers will treat as confidential all nonpublic information about CURIOSITY that is disclosed to them in the course of this examination. GROM will permit CURIOSITY and its accountants, attorneys, and other advisers to conduct a thorough due diligence examination of GROM. CURIOSITY, and its officers, employees, representatives, and other advisers will treat as confidential all non-public information about GROM that is disclosed to them in the course of this examination.

## **7. Public Disclosure.**

CURIOSITY, GROM, and their officers, employees, accountants, attorneys, representatives, and other advisers will treat as confidential all discussions regarding the transaction until a mutually agreed upon press release is issued by both parties within one day of the acceptance of this Letter of Intent. Neither party will issue a press release or make any other public announcement regarding the transaction without the approval of the other party.

## **8. Exclusivity.**

Upon the acceptance of this LOI by CURIOSITY, GROM shall have an exclusive period until June 30, 2021 in which to conclude the acquisition of CURIOSITY and of all assets required to operate the CURIOSITY business. During that period, CURIOSITY, managers, officers, employees, representatives, and other advisers will not solicit or negotiate with anyone else regarding a potential acquisition of CURIOSITY or any assets required to operate CURIOSITY's business and will not dispose of any assets nor take any commitment out of the ordinary course of business of CURIOSITY.

## **9. General.**

(a) Expenses. Each party shall bear their own expenses incurred in connection with the consummation of the transactions contemplated hereby.

- (b) Revisions. The parties hereto by mutual agreement in writing may extend for the performance of any term or condition of this LOI, extend the date of entering into the formal definitive agreement between the parties, waive any provision contained herein, and waive the future performance of any obligation.
- (c) Binding Effect. It is the intent of this LOI to set out with sufficient particularity the details of the transactions contemplated by the parties. This LOI is also subject to Board of Director approval by GROM. Except as otherwise set forth herein, it is understood and agreed that this LOI, when executed by all of the parties hereto, constitutes a statement of mutual intentions with respect to the proposed transaction, and does not contain all matters upon which agreement must be reached in order for the proposed transaction to be consummated. A binding commitment with respect to the proposed transaction will result only from the execution and delivery of definitive documents governing the proposed transaction, subject to the terms and conditions expressed therein.
- (d) Authority. Both Parties declare and represent having all requisite power, authority and legal capacity to execute and deliver this Agreement and to consummate the final transaction contemplated hereby, subject to GROM obtaining ratification by its Board of Directors.
- (e) Entire Agreement. This LOI contains the entire agreement between the Sellers and GROM with respect to the matters set forth herein and supersedes all prior oral and written understandings and transactions related thereto.
- (f) Execution. This LOI may be executed in several parts in the same form and by facsimile and such parts so executed will together form one original agreement and construed as if all the signing parties hereto had executed one copy of this LOI.
- (g) Governing Law. This LOI will be construed and governed under the laws of the State of Florida and the parties agree to submit any disputes to the jurisdiction of the courts of the State of Florida, excluding the conflict of laws thereof.

The proposal set forth in this LOI will terminate if it is not executed and returned by April 12, 2021.

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3

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Sincerely,

**GROM SOCIAL ENTERPRISES, INC**

/s/ Darren Marks

Darren Marks, Chief Executive Officer

Accepted on April 1, 2021.

**CURIOSITY INK MEDIA, LLC**

/s/ Russell Hicks

Russell Hicks, Chief Content Officer

**INDIVIDUALLY, AS SELLERS**

/s/ Russell Hicks

Russell Hicks

/s/ Brent Watts

Brent Watts

/s/ John Van Slooten

John Van Slooten

/s/ Greg Peterson

Greg Peterson

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4

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## **GROM SOCIAL ENTERPRISES, INC. TO ACQUIRE FAMILY-FRIENDLY CONTENT CREATOR CURIOSITY INK MEDIA**

### **Nickelodeon Veterans Russell Hicks and Paul Ward Join Grom in Key Leadership Roles**

BOCA RATON, April 7, 2021 -- Grom Social Enterprises, Inc. (OTCQB: GRMM) ("Grom" or the Company"), today announced it has entered into a binding letter of intent to acquire kids and family entertainment company, Curiosity Ink Media, LLC ("Curiosity") – a producer and developer of original kid-friendly content – to complement the Company's existing offerings of brand-safe social media for kids, animation production and web filtering for schools, government agencies and private businesses. Additionally, Grom appointed two former Nickelodeon executives – Curiosity's President Russell Hicks and Paul Ward -- to lead the Company's animation, social media and educational divisions. An emerging platform and content provider of entertainment for kids under 13 years old, the Company's subsidiary, Grom Social, Inc. ("Grom Social"), provides a secure social media venue for kids that is monitored around the clock and invites parents and guardians to play an active role in a child's social media activities. The announcements were made by Darren Marks, Grom's Chairman and Chief Executive Officer.

The Company believes that the addition of Curiosity would enable Grom to explore original programming, including serving as an original content pipeline for Subscription Video On Demand (SVOD) services and others looking to fortify their content offerings with kid and family-friendly programming. Additionally, the Company anticipates that the acquisition would unlock the potential for Grom to create cross-platform synergies whereby Curiosity's content can debut on Grom Social, gain user feedback and help inform series development.

"We expect that the acquisition of Curiosity will strengthen our foothold in original content production and allow us to explore synergies across our animation, social media and educational services while fortifying our mission to serve kids and families in a variety of ways," said Marks. "We believe the arrival of Russell and Paul to drive Grom's portfolio, along with the addition of Curiosity Ink Media, will be a watershed moment for us. We are energized and elated by the possible opportunities the addition of Russell, Paul and Curiosity Ink Media represent."

As Chief Content Officer of Grom, Hicks will continue to oversee Curiosity Ink Media's original film, television and publishing projects, in addition to his new role as President of Grom's subsidiary, Top Draw Animation, Inc. {"Top Draw"). Top Draw boasts a 22-year history as an animation producer of several series including *Tom & Jerry*, *The Hollow*, *Monster Beach* and *Penn Zero*, among others. Hicks will join Top Draw's Chief Executive Officer and founder, Wayne Dearing, and the studio's Executive Senior Vice President, Stella Dearing, in combining original animation with the company's legacy role as a producer of animated content.

Ward will assume two roles for Grom. In the newly-created position of President of Grom Social, Ward is charged with building on the success of Grom's emerging COPPA-compliant social media platform, which is designed to engage kids while educating users about the importance of Internet safety. As Executive Vice President, Social Enterprises, Ward will spearhead the evolution of the Company's subsidiary, Grom Educational Services, Inc., a provider of web-filtering services used in education, government and private businesses.

The Company anticipates that, together, Hicks and Ward will identify and champion synergistic opportunities across Grom's portfolio. Both veterans of kids' and family entertainment, Hicks and Ward served as executives with Nickelodeon and Nick at Nite during the combined network's historic, uninterrupted 13-year run as the number one network in ad-supported cable television.

Prior to the formation of Curiosity, Hicks was President of Production and Development at Nickelodeon, where he was instrumental in cultivating several blockbuster hits including *SpongeBob SquarePants*, *Henry Danger*, *The Loud House* and the revival of the *Teenage Mutant Ninja Turtles*. Earlier in his career, while an executive at Warner Bros., Hicks played major roles in the development of *Teddy Ruxpin* and the revival of the time-tested and beloved animated series, *Scooby-Doo*.

Ward, whose 23-year tenure with Viacom was capped by his role as Nickelodeon Kids' & Family Group's Executive Vice President of Primetime, Acquisitions and Strategy, where he led Nick at Nite's foray into original programming and was instrumental in securing top series including *Friends*, *George Lopez* and *The Nanny* to round out the company's roster of hit programming. As a member of the TV Land Executive Team, he was instrumental in championing numerous attention-grabbing promotions including the TV Land Landmarks initiative, which placed bronze statues of iconic TV characters in cities that served as their backdrops including a Mary Tyler Moore statue in Minneapolis and one of Andy Griffith in Raleigh, NC, among others. Ward also helped develop the Nick at Nite & TV Land Family Table, a multi-year pro-social campaign designed to promote the social and academic benefits of families who take time to sit down and eat together, an initiative he undertook with Columbia University's CASA (Center on Addiction and Substance Abuse).

#### **About Curiosity Ink Media, LLC**

Curiosity Ink Media is a global media company that develops, acquires, builds, grows and maximizes the short, mid & long-term commercial potential of Kids & Family entertainment properties and associated business opportunities. Driven by a highly experienced leadership team, Curiosity Ink Media is committed to establishing a multi-faceted I.P. library, designed to amass ongoing value through strategic stewardship, partnerships and highly targeted market entry.

**About Grom Social Enterprises, Inc.**

Grom Social Enterprises, Inc. is a growing social media platform and original content provider of entertainment for children under 13 years of age, which provides safe and secure digital environments for kids that can be monitored by their parents or guardians. The Company has several operating subsidiaries, including Grom Social, which delivers its content through mobile and desktop environments (web portal and apps) that entertain children, let them interact with friends, access relevant news, and play proprietary games while teaching them about being good digital citizens. The Company owns and operates Top Draw Animation,, which produces award-winning animation content for some of the largest international media companies in the world. Grom also includes Grom Educational Services, which has provided web filtering services for K-12 schools, government and private businesses. For more information, please visit [gromsocial.com](http://gromsocial.com).

**Forward-Looking Statements**

This press release contains statements, which may constitute “forward-looking statements.” Those statements include statements regarding the intent, belief, or current expectations of Grom and members of its management team as well as the assumptions on which such statements are based. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. Important factors currently known to management that may cause actual results to differ from those anticipated are discussed throughout the Company’s reports filed with Securities and Exchange Commission which are available at [www.sec.gov](http://www.sec.gov) as well as the Company’s web site at [www.gromsocial.com](http://www.gromsocial.com). The Company undertakes no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results.

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