Genius Brands International, Inc.
Form S-1
August 21, 2015

As filed with the Securities and Exchange Commission on August 21, 2015

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

GENIUS BRANDS INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Nevada	**7812**	**20-4118216**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

301 N. Canon Drive, Suite 305

Beverly Hills, CA 90210

310-273-4222

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Andrew Heyward

Chief Executive Officer

Genius Brands International, Inc.

301 N. Canon Drive, Suite 305

Beverly Hills, CA 90210

310-273-4222

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement is declared effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. þ

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

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.

Large accelerated filer	o	Accelerated filer o
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company þ

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee
Units consisting of:	$ 13,800,000	$ 1,603.56
(i) Common Stock, $0.001 par value per share (2)(3)		
(ii) Warrants to purchase Common Stock (2)(3)(4)	–	–
Common Stock issuable upon exercise of Warrants to Purchase Common Stock	16,560,000	1,924.27
Underwriter's Common Stock Purchase Warrants(5)		
Shares of Common Stock underlying Underwriter's Common Stock Purchase Warrants (2)(6)	1,440,000	167.33
Total	$31,800,000	$ 3,695.16

(1) Estimated solely for the purpose of calculating the amount of registration fee pursuant to Rule 457(o) under the Securities Act.

(2) Pursuant to Rule 416 under the Securities Act, the securities being registered hereunder include such indeterminate number of additional shares of common stock as may be issued after the date hereof as a result of stock splits, stock dividends or similar transactions.

(3) Includes securities the underwriter has the option to purchase to cover over-allotments, if any.

(4) No additional fee is payable pursuant to Rule 457 under the Securities Act.

(5) We have agreed to issue warrants representing an aggregate of 10% of the shares issued in the offering (the "Underwriter's Warrants") to the underwriter. Resales of the Underwriter's Warrants on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, are registered hereby. Resales of shares issuable upon exercise of the Underwriter's Warrants are also being similarly registered on a delayed or continuous basis hereby. See "Underwriting." No fee required pursuant to Rule 457(g) under the Securities Act of 1933, as amended.

(6) Represents 10% of the shares to be sold in this offering excluding shares that may be sold upon exercise of the underwriter's over-allotment option.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated August 21, 2015

Units

Genius Brands International, Inc. is offering Units, each Unit consisting of one share of common stock and one warrant to purchase one share of common stock. The Units will not be certificated and the shares of common stock and warrants will trade initially as a Unit, and will trade separately not later than 90 days from the date hereof, or earlier with the underwriter's consent.

Our common stock is quoted on the OTCQB under the symbol "GNUS". On August 20, 2015, the last reported sale price for our common stock on the OTCQB was $2.08 per share. We intend to apply to list our common stock on the NASDAQ Capital Market under the symbol "___". No assurance can be given that our application will be approved.

Each warrant is exercisable for one share of common stock. The warrants are immediately exercisable upon issuance in this public offering at an initial exercise price of   % of the public offering price of one Unit in this offering. The warrants will expire on the ___ year anniversary of the date of issuance.

The shares of common stock issuable from time to time upon the exercise of the warrants are also being offered pursuant to this prospectus.

Our business and an investment in our securities involves a high degree of risk. See "Risk Factors" beginning on page 5 of this prospectus for a discussion of information that you should consider before investing in our

securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Unit	Total
Public offering price	$	$
Underwriting discount [(1)]	$	$
Proceeds, before expenses, to us	$	$

(1) The underwriter will receive compensation in addition to the underwriting discount, including warrants and reimbursement of certain expenses. See “Underwriting” beginning on page 36 of this prospectus for a description of the compensation payable to the underwriter.

We have granted a [45]-day option to the underwriter to purchase up to an additional _____ shares of common stock and/or additional warrants to purchase up to ____ additional shares of common stock or any combination thereof from us at the public offering price, less the underwriting discount, solely to cover over-allotments, if any.

The underwriter expects to deliver the Units against payment therefor on or about , 2015.

Chardan Capital Markets, LLC

The date of this prospectus is , 2015

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You should rely only on the information contained in this prospectus or in any free writing prospectus that we may specifically authorize to be delivered or made available to you. We have not, and the underwriter has not, authorized anyone to provide you with any information other than that contained in this prospectus or in any free writing prospectus we may authorize to be delivered or made available to you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus may only be used where it is legal to offer and sell our securities. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of securities. Our business, financial condition, results of operations and prospects may have changed since that date. We are not, and the underwriter is not, making an offer of these securities in any jurisdiction where the offer is not permitted.

For investors outside the United States: We have not and the underwriter has not done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of securities and the distribution of this prospectus outside the United States.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before deciding to invest in our securities, you should read this entire prospectus carefully, including the sections of this prospectus entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes contained elsewhere in this prospectus. References in this prospectus to "we," "us," "our", the "Company" and similar words, refer to Genius Brands International, Inc. and its wholly-owned subsidiary, A Squared Entertainment LLC, unless the context otherwise indicates.

Overview

Genius Brands International, Inc. is a global content and brand management company dedicated to providing entertaining and enriching "content and products with a purpose" for toddlers to tweens. Led by industry veterans Andrew Heyward (Chief Executive Officer) and Amy Moynihan Heyward (President), we produce original content and license the rights to that content to a variety of partners. Our licensees include (i) companies to which the audio-visual rights are licensed for exhibition in various formats such as Pay Television, Free or Broadcast Television, Video-on-Demand ("VOD"), subscription on demand ("SVOD"), DVDs/CDs and more and (ii) companies that develop and distribute products based on our content within different product categories such as toys, electronics, publishing, home goods, stationary, gifts, and more.

We own a portfolio of original children's entertainment that is targeted at toddlers to teens including the award-winning *Baby Genius,* Warren Buffett's *Secret Millionaires Club, Thomas Edison's Secret Lab* and *Stan Lee's Mighty 7*, the first project from *Stan Lee Comics, LLC*, a joint venture with legendary Stan Lee's POW! Entertainment.

In addition to our wholly-owned brands, we also act as licensing agent for certain brands, leveraging our existing licensing infrastructure to expand these brands into new product categories, new retailers, and new territories. These include the best-selling children's book series, *Llama Llama*; *Psycho Bunny*, a luxury apparel line; *From Frank*, a humor greeting card and product line; and *Celessence Technologies*, the world's leading microencapsulation company.

On April 2, 2014, we filed a Certificate of Amendment to our Articles of Incorporation to effect a one-for-one-hundred reverse split of our common stock (the "Reverse Split"). All per share amounts referenced herein are reflective of the Reverse Split.

Products

Original Content

We own and produce original content that is meant to entertain and enrich toddlers to tweens. We have found it generally requires a period of three years from the inception of an idea, through production of the content and development and distribution of a range of consumer products to retail, creating an inevitable lag between the creation of the intellectual property to the realization of economic or accounting benefit of those assets. Our goal is to maintain a robust and diverse portfolio of brands, appealing to various interests and ages, featuring evergreen topics with global appeal. Our portfolio of intellectual property can be licensed, re-licensed, and exploited for years to come, with revenue derived from multiple sources and territories.

Licensing Agent

Augmenting our original content, we act as an agent for established brands which maximizes the existing infrastructure while creating incremental sources of revenue for us without additional overhead:

- *Psycho Bunny*: Inspired by the 17th-century maritime marauders and secret societies such as the infamous Skull & Bones, Psycho Bunny creates timeless wardrobe essentials that couple refined English tailoring with bold American design. Currently available in limited product categories in upscale department stores, we are expanding this popular brand to additional product lines, new retail outlets, and additional international territories. We have already signed licensees for headwear and footwear.
- *From Frank*: Already a popular line of greeting cards, we are expanding the brand into new product categories and have already signed licensees for publishing, stationery, gifts, lottery and more.
- *Celessence*: Celessence's microencapsulation technology releases fragrance and is used to scent products including socks, stationery, toys, bedding and pillows. We are licensing this technology to a range of products from homewares, bedding, fragrance, automotive, pets, apparel and more.
- *Llama Llama:* With 9.4 million units in print, Anna Dewdney's Llama Llama books have all been New York Times bestsellers, with several titles claiming the #1 spot. Her work has been translated into eight languages. Praised as a "geographer extraordinaire of the emotional terrain of preschoolers and their mothers" (Chicago Tribune), Dewdney's soothing tales are synonymous with calming early childhood anxiety. Llama Llama Red Pajama was chosen as Jumpstart's Read for the Record book in 2011, setting the world record for the most reads of a particular book on one day. Dewdney is an outspoken advocate for literacy and many states and non-profits use her books for literacy campaigns and programs, including the Library of Congress.

Company Information

We were incorporated in California on January 3, 2006 and reincorporated in Nevada in October 2011. Our principal executive offices are located at 301 North Canon Drive, Suite 305, Beverly Hills, CA 90210. Our telephone number is 310-273-4222. We maintain an Internet website at www.gnusbrands.com. The information contained on, connected to or that can be accessed via our website is not part of this prospectus. We have included our website address in this prospectus as an inactive textual reference only and not as an active hyperlink.

Reverse Split

We intend to effect a reverse split of our common stock at a ratio of not less than one-for-two and not more than one-for-five prior to commencement of this offering. All share amounts in this prospectus will give effect to this reverse split.

Risks Associated With This Offering

Our business and an investment in our securities is subject to numerous risks described in the section entitled "Risk Factors" and elsewhere in this prospectus. You should carefully consider these risks before making an investment. Some of these risks include:

- We have incurred net losses since inception.
- Inaccurately anticipating changes and trends in popular culture, media and movies, fashion, or technology can negatively affect our sales.
- If we are unable to compete effectively with existing or new competitors, our sales and market share could decline.
- Failure to successfully market or advertise our products could have an adverse effect on our business, financial condition and results of operations.
- Our common stock may be affected by limited trading volume and price fluctuations which could adversely impact the value of our common stock.

- We do not expect to pay dividends in the future and any return on investment may be limited to the value of our common stock.

- Additional stock offerings in the future may dilute your percentage ownership of our company.

- You will experience immediate and substantial dilution as a result of this offering and may experience additional dilution in the future.

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Summary of the Offering

Securities offered by us	Units, each Unit consisting of one share of common stock and one warrant to purchase one share of common stock. The Units will not be certificated and the shares of common stock and warrants will trade initially as a Unit, and will trade separately not later than 90 days from the date hereof, or earlier with the underwriter's consent. Each warrant is exercisable for one share of common stock. The warrants are immediately exercisable upon issuance in this public offering at an initial exercise price of % of the public offering price of one Unit in this offering. The warrants will expire on the anniversary of the date of issuance, and will not be listed on any securities exchange. The shares of common stock issuable from time to time upon the exercise of the warrants are also being offered pursuant to this prospectus.
Common stock to be outstanding after this offering	shares. If the underwriter's over-allotment option is exercised in full, the total number of shares of common stock outstanding immediately after this offering would be .
Over-allotment option	We have granted a [45]-day option to the underwriter to purchase up to additional shares of common stock and/or warrants solely to cover over-allotments, if any.
Use of proceeds	We expect to use the net proceeds received from this offering for working capital and general corporate purposes and possibly acquisitions of other companies, content, products or technologies, though no such acquisitions are currently contemplated. See "Use of Proceeds".
Underwriter's Warrants	We have agreed to issue to the underwriter, warrants to purchase up to the number of shares of our common stock equal to 10% of the aggregate number of shares sold in this offering. The warrants are exercisable at a per share price equal to $______, at any time, and from time to time, in whole or in part, during the four-year period commencing one year from the effective date of the offering.
Risk factors	See "Risk Factors" beginning on page 5 and the other information included in this prospectus for a discussion of factors you should carefully consider before investing in our securities.
OTCQB trading symbol of common stock	GNUS

Proposed NASDAQ Capital Market trading symbol of our common stock	We intend to apply to list of our common stock on the NASDAQ Capital Market under the symbol " ". There can be no assurance that our application will be approved.

Unless we indicate otherwise, all information in this prospectus:

- is based on 6,529,450 shares of common stock issued and outstanding as of July 15, 2015;
- assumes no exercise by the underwriter of its option to purchase up to an additional shares of common stock and/or warrants to cover over-allotments, if any;
- excludes 300,000 shares of our common stock issuable upon exercise of outstanding warrants at a weighted average exercise price of $2.00 per share as of July 15, 2015;
- excludes 2,845,000 shares of our common stock issuable upon conversion of 5,690 outstanding shares of Series A Convertible Preferred Stock as of July 15, 2015; and
- excludes shares of common stock underlying the warrants to be issued to the underwriter in connection with this offering.

Summary Consolidated Financial Data

The following table sets forth our (i) summary statement of operations data for the years ended December 31, 2014 and 2013 derived from our audited financial statements and related notes included elsewhere in this prospectus, (ii) summary statement of operations data for the six months ended June 30, 2015 and 2014 derived from our unaudited financial statements included elsewhere in this prospectus, and (iii) summary consolidated balance sheet data as of June 30, 2015 (actual and pro forma) derived from our unaudited consolidated financial statements included elsewhere in this prospectus. Our financial statements are prepared and presented in accordance with generally accepted accounting principles in the United States. The results indicated below are not necessarily indicative of our future performance. You should read this information together with the sections entitled "Capitalization", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus.

Statement of Operations Information:

	Year Ended December 31, 2014	Year ended December 31, 2013
Sales	$925,788	$2,556,538
Net (loss)	$(3,728,599)	$(7,216,031)
Net (loss) per share (basic and diluted)	$(0.60)	$(5.10)
Weighted average shares of common stock	$6,254,497	$1,413,631

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Revenue	$430,249	$393,478
Net (loss)	$(1,624,117)	$(1,994,792)
Net (loss) per share (basic and diluted)	$(0.25)	$(0.33)
Weighted average shares of common stock	$6,431,494	$6,126,292

Balance Sheet Information:

	December 31, 2014	December 31, 2013
Working capital (deficit)	$2,514,132	$(490,732)
Total assets	$17,325,014	$14,592,177
Total liabilities	$3,604,766	$3,096,075
Accumulated (deficit)	$(21,152,654)	$(17,424,055)
Stockholders' equity	$13,720,248	$11,496,102

	June 30, 2015 (actual)	June 30, 2015 (pro forma) (1)
Working capital	$994,025	$
Total assets	$16,442,292	$
Total liabilities	$4,333,842	$4,333,842
Accumulated (deficit)	$(22,776,771)	$(22,776,771)
Stockholders' equity	$12,108,450	$

(1) Pro form amounts give effect to the sale of the Units in this offering at the assumed public offering price of $ per Unit (the closing price of our common stock on _______, 2015) after deducting underwriting discounts and commissions and other estimated offering expenses payable by us.

RISK FACTORS

Any investment in our common stock involves a high degree of risk. Investors should carefully consider the risks described below and all of the information contained in this prospectus before deciding whether to purchase our common stock. Our business, financial condition or results of operations could be materially adversely affected by these risks. This prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks we face as described below and elsewhere in this prospectus.

Risks Related to Our Business

We have incurred net losses since inception.

We have a history of operating losses and incurred net losses in each fiscal quarter since our inception. For the six months ended June 30, 2015, we generated revenues of $430,249 and incurred a net loss of $1,624,117. For the year ended December 31, 2014, we generated revenues of $925,788 and incurred a net loss of $3,728,599, while for the previous year, we generated revenue of $2,556,538 and incurred a net loss of $7,216,031. These losses, among other things, have had an adverse effect on our results of operations, financial condition, stockholders' equity, net current assets and working capital.

We will need to generate additional revenue to achieve profitability. We have already achieved significant cost savings and are beginning to generate revenues derived from our existing properties, properties in production, new brands being introduced into the marketplace, the re-launch of Baby Genius, and incremental revenue derived from the licensing business we manage on behalf of our clients. However, the ability to sustain these revenues and generate significant additional revenues or achieve profitability will depend upon numerous factors some of which are outside of our control.

We may need additional capital to fund our growing operations. If we are not able to obtain sufficient capital, we may then be forced to limit the scope of our operations.

We expect that as our business continues to grow we may need additional working capital. While we believe that we will be able to fund our business through operating cash flows generated though our enhanced business model, if these cash flows are less than anticipated or do not come to fruition in the time horizon we anticipate, we will require additional debt and /or equity financing to sustain our operations. If adequate additional debt and/or equity financing is not available on reasonable terms or at all, we may not be able to continue to expand our business, and we will have to modify our business plans accordingly. These factors could have a material adverse effect on our future operating results and our financial condition.

If we reach a point where we are unable to raise needed additional funds to continue as a going concern, we could be forced to cease our activities and dissolve. In such an event, we will need to satisfy various creditors and other claimants, severance, lease termination and other dissolution-related obligations.

Our ability to raise financing through sales of equity securities depends on general market conditions and the demand for our common stock. We may be unable to raise adequate capital through sales of equity securities, and if our stock has a low market price at the time of such sales, our existing stockholders could experience substantial dilution. If adequate financing is not available or unavailable on acceptable terms, we may find we are unable to fund expansion, continue offering products and services, take advantage of acquisition opportunities, develop or enhance services or products, or to respond to competitive pressures in the industry which may jeopardize our ability to continue operations.

Our revenues and results of operations may fluctuate from period to period.

Cash flow and projections for any entertainment company producing original content can be expected to fluctuate until the animated content and ancillary consumer products are in the market and could fluctuate thereafter even when the content and products are in the marketplace. There is significant lead time in developing and producing animated content before that content is in the marketplace. Unanticipated delays in entertainment production can delay the release of the content into the marketplace. Structured retail windows that dictate when new products can be introduced at retail are also out of our control. While we believe we have mitigated this in part by creating a slate of properties at various stages of development or production as well as representing certain established brands which contribute immediately to cash flow, any delays in the production and release of our content and products or any changes in the preferences of our customers could result in lower than anticipated cash flows.

As with our cash flows, our revenues and results of operations depend significantly upon the appeal of our content to our customers, the timing of releases of our products and the commercial success of our products, none of which can be predicted with certainty. Accordingly, our revenues and results of operations may fluctuate from period to period. The results of one period may not be indicative of the results of any future period. Any quarterly fluctuations that we report in the future may not match the expectations of market analysts and investors. This could cause the price of our common stock to fluctuate.

Production cost will be amortized according to the individual film forecasting methodology. If estimated remaining revenue is not sufficient to recover the unamortized production costs, the unamortized production costs will be written down to fair value. In any given quarter, if we lower our previous forecast with respect to total anticipated revenue, we will be required to adjust amortization of related production costs. These adjustments would adversely impact our business, operating results and financial condition.

Changes in the United States, global or regional economic conditions could adversely affect the profitability of our business.

A decrease in economic activity in the United States or in other regions of the world in which we do business could adversely affect demand for our products, thus reducing our revenue and earnings. A decline in economic conditions could reduce demand for and sales of our products. In addition, an increase in price levels generally, or in price levels in a particular sector, could result in a shift in consumer demand away from the animated content and consumer products we offer, which could also decrease our revenues, increase our costs, or both.

Inaccurately anticipating changes and trends in popular culture, media and movies, fashion, or technology can negatively affect our sales.

While trends in the toddler to tween sector change quickly, we respond to trends and developments by modifying, refreshing, extending, and expanding our product offerings on an on-going basis. However, we operate in extremely competitive industries where the ultimate appeal and popularity of content and products targeted to this sector can be difficult to predict. We believe our focus on "content and products with a purpose" serves an underrepresented area of the toddler to tween market; however, if the interest of our audience trends away from our current properties toward other offerings based on current media, movies, animated content or characters, and if we fail to accurately anticipate trends in popular culture, movies, media, fashion, or technology, our products may not be accepted by children, parents, or families and our revenues, profitability, and results of operations may be adversely affected.

If we are unable to compete effectively with existing or new competitors, our sales and market share could decline.

The industries in which we operate are competitive, and our results of operations are sensitive to, and may be adversely affected by, competitive pricing, promotional pressures, additional competitor offerings and other factors, many of which are beyond our control. Indirectly through our licensing arrangements, we compete for retailers as well as other outlets for the sale and promotion of our licensed merchandise. Our primary competition comes from competitors such as The Walt Disney Company, Nickelodeon Studios, and the Cartoon Network.

We have sought a competitive advantage by providing “content and products with a purpose” which are both entertaining and enriching for children and offer differentiated value that parents seek in making purchasing decisions for their children. While we do not believe that this value proposition is specifically offered by our competitors, our competitors have greater financial resources and more developed marketing channels than we do which could affect our ability, through our licensees, to secure shelf space thereby decreasing our revenues or affecting our profitability and results of operations.

The production of our animated content is accomplished through third-party production and animation studios around the world, and any failure of these third-parties could negatively impact our business.

As part of our business model, to manage cash flows, we have partnered with a number of third-party production and animation studios around the world for the production of our new content in which these partners fund the production of the content in exchange for a portion of revenues generated in certain territories. We are reliant on our partners to produce and deliver the content on a timely basis meeting the predetermined specifications for that product. The delivery of inferior content could result in additional expenditures by us to correct any problems to ensure marketability. Further, delays in the delivery of the finished content to us could result in our failing to deliver the product to broadcasters to which it has been pre-licensed. While we believe we have mitigated this risk by aligning the economic interests of our partners with ours and managing the production process remotely on a daily basis, any failures or delays from our production partners could negatively affect our profitability.

If we fail to honor our obligations under the terms of our third party supply agreements, our business may be adversely affected.

In early 2014, we entered into an exclusive 3-year arrangement with Sony DADC US Inc. which gives Sony the right to fulfill our DVD and CD duplication requirements for our product. In consideration for these exclusive rights we received an initial marketing support payment of $750,000 with an additional $750,000 paid in February 2015. Sony will recoup the marketing support payment through a premium on the physical media unit costs. We are obligated to repay a pro-rata portion of the marketing support payment if we do not order a minimum number of DVD/CD units during the term. However, while we believe the minimum order threshold is achievable over the term based on our existing properties and properties currently in production or in development, if we does not meet the minimum order threshold we would be obligated to repay any outstanding balances in 2017 and to do so may require it to divert funds from operations which may have a material adverse effect on its business.

Failure to successfully market or advertise our products could have an adverse effect on our business, financial condition and results of operations.

Our products are marketed worldwide through a diverse spectrum of advertising and promotional programs. Our ability to sell products is dependent in part upon the success of these programs. If we or our licensees do not successfully market our products or if media or other advertising or promotional costs increase, these factors could have an adverse effect on our business, financial condition, and results of operations.

In addition, the availability of retailer programs relating to product placement, co-op advertising and market development funds, and our ability and willingness to pay for such programs, are important with respect to promoting our properties. In addition, although we may have agreements for the advertising and promotion of our products through our licensees, we will not be in direct control of those marketing efforts and those efforts may not be done in a manner that will maximize sales of our products and may have a material adverse effect on our business and operations.

We may not be able to keep pace with technological advances.

The entertainment industry in general, and the music and motion picture industries in particular, continue to undergo significant changes, primarily due to technological developments. Because of the rapid growth of technology, shifting consumer tastes and the popularity and availability of other forms of entertainment, it is impossible to predict the overall effect these factors could have on potential revenue from, and profitability of, distributing entertainment programming. As it is also impossible to predict the overall effect these factors could have on our ability to compete effectively in a changing market, if we are not able to keep pace with these technological advances, our revenues, profitability and results from operations may be materially adversely affected.

Loss of key personnel may adversely affect our business.

Our success greatly depends on the performance of our executive management team, including Andrew Heyward, our Chief Executive Officer and Amy Moynihan Heyward, our President. The loss of the services of any member of our core executive management team or other key persons could have a material adverse effect on our business, results of operations and financial condition.

Our management team currently owns a substantial interest in our voting stock.

Our officers and directors control a substantial portion of our voting securities. Therefore, our management may significantly affect the outcome of all corporate actions and decisions for an indefinite period of time including election of directors, amendment of charter documents and approval of mergers and other significant corporate transactions. In addition, sales of significant amounts of shares held by our directors and executive officers, or the prospect of these sales, could adversely affect the market price of our common stock.

Litigation may harm our business or otherwise distract management.

Substantial, complex or extended litigation could cause us to incur large expenditures and could distract management. For example, lawsuits by licensors, consumers, employees or stockholders could be very costly and disrupt business. While disputes from time to time are not uncommon, we may not be able to resolve such disputes on terms favorable to us.

Our vendors and licensees may be subject to various laws and government regulations, violation of which could subject these parties to sanctions which could lead to increased costs or the interruption of normal business operations that could negatively impact our financial condition and results of operations.

Our vendors and licensees may operate in a highly regulated environment in the US and international markets. Federal, state and local governmental entities and foreign governments may regulate aspects of their businesses, including the production or distribution of our content or products. These regulations may include accounting standards, taxation requirements (including changes in applicable income tax rates, new tax laws and revised tax law interpretations), product safety and other safety standards, trade restrictions, regulations regarding financial matters, environmental regulations, advertising directed toward children, product content, and other administrative and regulatory restrictions. While we believe our vendors and licensees take all the steps necessary to comply with these laws and regulations, there can be no assurance that they are compliant or will be in compliance in the future. Failure to comply could result in monetary liabilities and other sanctions which could increase our costs or decrease our revenue resulting in a negative impact on our business, financial condition and results of operations.

Protecting and defending against intellectual property claims may have a material adverse effect on our business.

Our ability to compete in the animated content and entertainment industry depends, in part, upon successful protection of our proprietary and intellectual property. We protect our property rights to our productions through available copyright and trademark laws and licensing and distribution arrangements with reputable companies in specific territories and media for limited durations. Despite these precautions, existing copyright and trademark laws afford only limited, or no, practical protection in some jurisdictions. It may be possible for unauthorized third parties to copy and distribute our productions or portions of our productions. In addition, although we own most of the music and intellectual property included in our products, there are some titles which the music or other elements are in the public domain and for which it is difficult or even impossible to determine whether anyone has obtained ownership or royalty rights. It is an inherent risk in our industry that people may make such claims with respect to any title already included in our products, whether or not such claims can be substantiated. Litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or invalidity. Any such litigation could result in substantial costs and the resulting diversion of resources could have an adverse effect on our business, operating results or financial condition.

Risks Related to Our Common Stock and This Offering

Our common stock may be affected by limited trading volume and price fluctuations which could adversely impact the value of our common stock.

Trading in our common stock can fluctuate significantly and there can be no assurance that an active trading market will either develop or be maintained. Our common stock is expected to continue to experience significant price and volume fluctuations. This trading activity could adversely affect the market price of our common stock without regard to our operating performance. In addition, we believe that factors such as quarterly fluctuations in our financial results and changes in the overall economy or the condition of the financial markets could cause the price of our common stock to fluctuate substantially. These fluctuations may also cause short sellers to periodically enter the market in the belief that our stock price will decline in the future. We cannot predict the actions of market participants or the stock market as a whole. We can offer no assurances that the market for our common stock will be stable or that our stock price will fluctuate in a manner that is consistent with our operating results.

We do not expect to pay dividends in the future and any return on investment may be limited to the value of our common stock.

We do not currently anticipate paying cash dividends in the foreseeable future. The payment of dividends on our common stock will depend on earnings, financial condition and other business and economic factors affecting it at such time as the Board of Directors may consider relevant. Our current intention is to apply net earnings, if any, in the foreseeable future to increasing our capital base and development and marketing efforts. There can be no assurance that we will ever have sufficient earnings to declare and pay dividends to the holders of our common stock, and in any event, a decision to declare and pay dividends is at the sole discretion of our Board of Directors. If we do not pay dividends, our common stock may be less valuable because the return on investment will only occur if its stock price appreciates.

The warrants are speculative in nature.

The warrants to be issued to investors in this offering do not confer any rights of common stock ownership on their holders, such as voting rights or the right to receive dividends, but rather merely represent the right to acquire shares of common stock at a fixed price for a limited period of time. Specifically, commencing on the date of issuance, holders of the warrants may exercise their right to acquire the common stock and pay an exercise price of $___ per share, prior to years from the date of issuance after which date any unexercised warrants will expire and have no further value. Moreover, following this offering, the market value of the warrants is uncertain and there can be no assurance that the market value of the warrants will equal or exceed their public offering price. The warrants will not be listed or quoted for trading on any market or exchange. There can be no assurance that the market price of the common stock will ever equal or exceed the exercise price of the warrants, and consequently, whether it will ever be profitable for holders of the warrants to exercise the warrants.

We are authorized to issue "blank check" preferred stock without stockholder approval, which could adversely impact the rights of holders of our common stock.

Our Articles of Incorporation authorize us to issue up to 10,000,000 shares of blank check preferred stock, 6,000 shares of which have been designated Series A Convertible Preferred Stock (see "Description of Securities"). Any additional preferred stock that we issue in the future may rank ahead of our common stock in terms of dividend priority or liquidation premiums and may have greater voting rights than our common stock. In addition, such preferred stock may contain provisions allowing those shares to be converted into shares of common stock, which could dilute the value of common stock to current stockholders and could adversely affect the market price, if any, of our common stock. In addition, the preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of the Company. Although we have no present intention to issue any additional shares of authorized preferred stock, there can be no assurance that we will not do so in the future.

Our management will