

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 **March 31, 2011**

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.)

804 Douglas Road, Executive Tower Building, Suite 365, Miami, 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 64,190,987 as of May 20, 2011.

DOLPHIN DIGITAL MEDIA INC. AND SUBSIDIARIES
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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL INFORMATION

DOLPHIN DIGITAL MEDIA INC AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

	March 31, 2011 (Unaudited)	December 31, 2010
ASSETS		
Current		
Cash	\$ 332,228	\$ 1,467
Inventory	8,256	8,256
Other current assets	724	724
Total Current Assets	\$ 341,208	\$ 10,447
Total Assets	\$ 341,208	\$ 10,447
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current		
Accounts payable	\$ 1,296,145	\$ 1,388,395
Other current liabilities	299,521	480,599
Deferred revenue	439,073	352,823
Advances	459,000	—
Loans from related party	1,286,361	930,145
Notes payable — Convertible	95,000	100,000
Total Current Liabilities	3,875,100	3,251,962
STOCKHOLDERS' DEFICIT		
Common stock, \$0.015 par value, 100,000,000 shares authorized, 64,190,987 and 64,190,987 issued and outstanding as of March 31, 2011 and December 31, 2010, respectively	962,865	962,750
Preferred stock \$0.001 par value, 10,000,000 shares authorized, 1,042,753 and 1,042,753 shares issued and outstanding as of March 31, 2011 and December 31, 2010, respectively	1,043	1,043
Additional Paid-In Capital	29,128,041	29,028,156
Accumulated deficit	(33,560,606)	(33,168,229)
Accumulated comprehensive loss	(65,235)	(65,235)
Total Stockholders' Deficit	(3,533,892)	(3,241,515)
Total Liabilities and Stockholders' Deficit	\$ 341,208	\$ 10,447

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

DOLPHIN DIGITAL MEDIA INC AND SUBSIDIARIES
Condensed Consolidated Statement of Operations
(Unaudited)

	For The Three Months Ended March 31,	
	2011	2010
Revenues	\$ 13,750	\$ —
Cost of Sales	—	—
Gross Profit	13,750	—
Expenses:		
General and administrative	380,288	586,210
Total Expenses	380,288	586,210
Loss from Operations	(366,538)	(586,210)
Other Expenses		
Finance charges	—	966,649
Interest expense	25,839	38,108
Total Other Expenses	25,839	1,004,757
Net loss	\$ (392,377)	\$ (1,590,967)
Foreign currency adjustments	—	266
Comprehensive Loss	\$ (392,377)	\$ (1,590,701)
Basic and Diluted Loss per Share	\$ (0.01)	\$ (0.03)
Basic and Diluted Weighted Average Number of Shares Outstanding during the Period	64,190,987	59,997,836

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

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

	For The Three Months Ended March 31,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (392,377)	\$ (1,590,967)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of debt discount	—	24,175
Common Stock issued for compensation	—	72,500
Warrants repricing	—	945,615
Changes in operating assets and liabilities:		
Decrease in prepaid expenses	—	204,065
Increase in other current assets	—	(59)
Decrease in Inventory	—	3,440
Increase in deferred revenue	86,250	—
Decrease in accounts payable	(92,250)	(81,916)
Increase in accrued expenses	26,138	49,717
Net Cash Used In Operating Activities	(372,239)	(373,430)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payment for intangible assets	—	(239,564)
Net Cash Used In Investing Activities	—	(239,564)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in cash overdraft	—	(14,087)
Proceeds from sale of common stock	—	685,500
Repayment of note payable	(5,000)	—
Advances from related party	174,500	45,000
Repayment to related party	(25,500)	—
Proceeds from revenue sharing agreements	459,000	—
Proceeds from reduction in warrant pricing	100,000	200,000
Net Cash Provided By Financing Activities	703,000	916,413
Foreign Currency Adjustments	—	(127,008)
NET INCREASE IN CASH AND CASH EQUIVALENTS	330,761	176,411
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,467	3,218
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 332,228	\$ 179,629
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:		
Interest paid	\$ 17,534	\$ —
Income taxes	\$ —	\$ —
SUPPLEMENTAL DISCLOSURES OF NON CASH FLOWS INVESTING AND FINANCING ACTIVITIES:		
Conversion of accrued interest to note payable	\$ 207,216	\$ —

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

DOLPHIN DIGITAL MEDIA, INC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2011
(Unaudited)

NOTE 1 — ORGANIZATION AND BASIS OF PRESENTATION:

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 rules and regulations 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, all adjustments (consisting only of normal occurring accruals) considered necessary in order to make the financial statements not misleading, have been included. Operating results for the three months ended March 31, 2011 are not necessarily indicative of results that may be expected for the year ending December 31, 2011. 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 was inactive between the years 1995 and 2003. On November 19th, 2003, the Company amended its Articles of Incorporation to change its name to Maximum Awards Inc. On July 3, 2007, the Company amended its Articles of Incorporation again to change its name to Logica Holdings Inc. On July 29, 2008, the Company amended its Articles of Incorporation again to change its name to Dolphin Digital Media Inc.

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

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

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

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

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

NOTE 2 — GOING CONCERN

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America which contemplate continuation of the Company as a going concern. The Company has net losses for the three months ended March 31, 2011 of \$392,377. As of March 31, 2011 the Company recorded an accumulated deficit of approximating \$33,560,606. 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 unaudited condensed 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 sales of its common stock. There is no assurance that the Company will be successful in raising additional capital.

DOLPHIN DIGITAL MEDIA, INC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2011
(Unaudited)

NOTE 3 — SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES

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

Principles of Consolidation

The accompanying 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 subsidiaries. The accompanying unaudited condensed consolidated financial statements include the accounts of Dolphin Digital Media, Inc and its subsidiaries, Dolphin Digital Media (Canada) Inc, Anne's World Limited and Curtain Rising Inc. for three months ended March 31, 2011 and 2010. Intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

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

Reclassification

Certain prior period amounts have been reclassified to conform to March 31, 2011 presentations.

Revenue Recognition

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

The Company recognizes the monthly and annual subscription revenues over the service period. Advertising revenue is recognized over the period the advertisement is displayed. Online shopping revenues and affiliate commission income are both recognized when a customer purchases a subscription. The Company had revenue of \$13,750 and \$0 for three months ended March 31, 2011 and 2010, respectively. Dolphin Digital Studios will record revenue when deliverables have been completed in accordance with its agreements. As of March 31, 2011 and December 31, 2010 the Company had recorded deferred revenue of \$439,073 and \$352,823, respectively.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At March 31, 2011 and December 31, 2010, there was \$332,228 and \$1,467 cash and cash equivalents, respectively. Cash and cash equivalents are defined to include cash on hand and cash in the bank.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. These inventories consisted of fingerprint readers. As of March 31, 2011 and December 31, 2010 the value of the Company's inventory was \$8,256 and \$8,256, respectively.

Property and Equipment

Property and equipment is recorded at cost and depreciated over the estimated useful lives of the assets using principally the straight-line method. When items are retired or otherwise disposed of, income is charged or credited for the difference between net book value and proceeds realized thereon. Ordinary maintenance and repairs are charged to expense as incurred, and replacements and betterments are capitalized. The range of estimated useful lives to be used to calculate depreciation for principal items of property and equipment are as follow:

Depreciation/
Amortization

Asset Category	Period
Furniture and Fixture	5 Years
Computer equipment	3 Years
Leasehold improvements	5 Years

DOLPHIN DIGITAL MEDIA, INC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2011
(Unaudited)

Goodwill and Other Intangibles

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

Long-Lived Assets

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

Comprehensive Income (Loss)

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

Foreign Currency Translation

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

Loss per share

The Company has adopted FASB Accounting Standards Codification No. 260 Earnings Per Share, Loss per common share is computed by dividing loss available to common shareholders by the weighted average number of common shares outstanding during the period. Stock warrants were not included in the computation of loss per share for the periods presented because their inclusion is anti-dilutive. The total potential dilutive warrants and stock options outstanding at March 31, 2011 and December 31, 2010 was 10,614,007 shares. There were no dilutive securities outstanding at March 31, 2011 and December 31, 2010.

Business Operations

The Company's current and planned operations consist of the following:

- 1) Dolphin Digital Media (USA): The Company's primary business model is monthly and annual membership fees in the US for subscription to Dolphinsecure.com.
- 2) Dolphin Digital Studios as a new division of the Company. Dolphin Digital Studios will create original programming that premieres online, with an initial focus on content geared toward tweens and teens. Dolphin Digital Studios received \$359,000 through an Equity Finance Agreement for productions costs of web series.

During the three months ended March 31, 2011 the Company focus has primarily been devoted to its new division of the

company, Dolphin Digital Studios. Dolphin Digital Studios will create original content that premieres online, with an initial focus on content geared toward tweens and teens. Substantially all of the Company's operating expenses during the three months ended March 31, 2011 were derived from its new division.

DOLPHIN DIGITAL MEDIA, INC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2011
(Unaudited)

Fair Value of Financial Instruments

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

Fair value, as defined in ASC 820, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset should reflect its highest and best use by market participants, principal (or most advantageous) markets, and an in-use or an in-exchange valuation premise. The fair value of a liability should reflect the risk of nonperformance, which includes, among other things, the Company's credit risk.

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

Level 1

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

Level 2

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

Level 3

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

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

Concentrations of Credit Risk

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

Advertising

The Company follows the policy of charging the costs of advertising to expenses incurred. The Company incurred \$45,000 and \$3,200 in advertising costs during the three months ended March 31, 2011 and 2010, respectively.

DOLPHIN DIGITAL MEDIA, INC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2011
(Unaudited)

Recent Accounting Pronouncements

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

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

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

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

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

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

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

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

In October 2009, the FASB issued ASC 985-605, *"Software Revenue Recognition."* This ASC changes the accounting model for revenue arrangements that include both tangible products and software elements that are "essential to the functionality," and scopes these products out of current software revenue guidance. The new guidance will include factors

to help companies determine what software elements are considered “essential to the functionality.” The amendments will now subject software-enabled products to other revenue guidance and disclosure requirements, such as guidance surrounding revenue arrangements with multiple-deliverables. The amendments in this ASC are effective prospectively for revenue arrangements entered into or materially modified in the fiscal years beginning on or after June 15, 2010. Early application is permitted. The Company is currently assessing the impact on its condensed consolidated financial position and results of operations.

DOLPHIN DIGITAL MEDIA, INC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(Unaudited)

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

NOTE 4 — DEFERRED REVENUE

On September 29, 2010 the Company entered into Software License Agreement for licensing right of its technology in specific European countries. The Company delivered the licensing rights during the first quarter 2011 as per the agreement. During 2010 the Company received licensing fees of \$275,000 and the amount was recorded as deferred revenue at December 31, 2010. During the three months ended March 31, 2011 the Company recognized revenue of \$13,750 as licensing fees. Deferred revenue amounted to \$261,250 at March 31, 2011.

On November 8, 2010 the Company entered into a 6 months production agreement in the amount of \$100,000. \$77,823 was received as of December 31, 2010 and March 31, 2011 and the Company recorded the full amount as deferred revenue.

On January 25, 2011, the Company received \$100,000 of a total contract price of \$200,000 for Production income related to a web series. The \$100,000 was recorded as Deferred Revenues as of March 31, 2011.

NOTE 5 — ADVANCES

In February of 2011, the Company entered into a Revenue Participation Agreement with two parties for the development of a Dolphin Group Kids Club (Kids Club). Each party gave the Company \$50,000 in return for the participation of revenue related to that Kids Club. The amount will be repaid based on a pro rata basis of the revenue generated by the Kids Club until the total investment is recouped. Thereafter, they will share in a percentage of the profit of that Kids Club. As of March 31, 2011 there were no revenues generated from the Kids Club.

In March of 2011, the Company entered into an Equity Finance Agreement for the production of web series. The Investors contributed a total of \$359,000 and will share in the revenues of the web series, on a pro rata basis, until the investment is recouped and then will share at a lower percentage of the additional revenues. As of March 31, 2011 the Company has not generated any revenue from its web series.

NOTE 6 — NOTES PAYABLE — CONVERTIBLE

	March 31, 2011	December 31, 2010
Note Amount	\$ 100,000	\$ 600,000
Repayments	(5,000)	—
Conversion to preferred stock	—	(500,000))
Balance	\$ 95,000	\$ 100,000

In January 2009 the Company received proceeds of \$200,000 from a note payable. The note bears interest at a rate of 10% per annum and is convertible at \$.50 per share. The note is due two years from the date of issuance. Accrued interest at December 31, 2010 and December 31, 2009 amount to \$42,753 and \$19,616, respectively. The Company recorded a discount of \$112,000. The Company is amortizing the beneficial conversion over the term of the note. Amortization expense for the year ended December 31, 2010 and December 31, 2009 amounted to \$56,000 and \$56,000 respectively. On December 30, 2010 the Company and the note holder agreed to convert the outstanding balance of \$200,000 and accrued interest of \$42,753 into 242,753 shares on convertible preferred stock. The preferred stock converts into common stock at the ratio of 4 shares of common to each share of preferred stock.

In March 2009 the Company received proceeds of \$100,000 from a note payable. The note bears interest at a rate of 10% and is convertible at \$.50 per share. The note is due two years from the date of issuance. During the three months ended March 31, 2011, the Company paid accrued interest of \$17,534 and repaid \$5,000 of the note. Accrued interest at March 31, 2011 and December 31, 2010 amounted to \$2,455 and \$17,534, respectively. The Company recorded a discount of \$56,000. The Company is amortizing the beneficial conversion over the term of the note. Amortization expense for the year ended December 31, 2010 and 2009 amounted to \$28,000 and \$28,000, respectively.



DOLPHIN DIGITAL MEDIA, INC AND SUBSIDIARIES
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MARCH 31, 2011
(Unaudited)

In July 2009 the Company entered into a convertible promissory note in the amount of \$300,000. The note is convertible into 769,231 shares of common stock (\$.39 per share), bears no interest and is due on July 29, 2015. A warrant for 384,616 common shares was issued with an exercise price of \$.80 expiring on July 29, 2012. A warrant for 231,000 common shares was issued with an exercise price of \$.0001 expiring July 29, 2014. The fair value of the warrants was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield 0%, volatility 121%, risk-free interest rate of 1%, and expected warrant life of 6 months. The fair value of the warrants on the date of issuance was \$76,207. The Company will amortize the value of the warrants over the term of the note. For the years ended December 31, 2010 and 2009 the Company recorded amortization expense of \$60,331 and \$6,350, respectively related to the note. On December 30, 2010 the Company and the note holder agreed to covert the outstanding balance of \$300,000 into 300,000 shares on convertible preferred stock. The preferred stock converts into common stock at the ratio of 4 shares of common to each share of preferred stock.

NOTE 7 — NOTE PAYABLE RELATED PARTY

As of March 31, 2011 and December 31, 2010 the Company's CEO had loaned the Company a total of \$1,079,145 and \$930,145, respectively. On January 1, 2011, the Company and the Company's CEO, signed a Promissory Note in the amount of \$1,137,361 for the outstanding principal and interest as of December 31, 2010. During the three months ended March 31, 2011 the Company CEO loaned the Company an additional \$174,500 and received repayments of \$25,500. During the year ended December 31, 2010, the Company's CEO loaned the Company an additional \$171,145 and received repayments of \$320,000. The note accrues interest at a rate of 10%. Accrued interest amounted to \$23,384 and \$207,216 at March 31, 2011 and December 31, 2010, respectively.

NOTE 8 — LICENSING AGREEMENTS

The Company recognizes a ten year licensing agreement between Dolphin Entertainment Inc. and Dolphin Digital Media Inc. Under the license, the Company is authorized to use Dolphin Entertainment's brand properties in connection with the creation, promotion and operation of subscription based Internet social networking websites for children and young adults. The license requires that the Company pays to Dolphin Entertainment, Inc. royalties at the rate of fifteen percent of net sales from performance of the licensed activities. No sales were recorded for the three months ended March 31, 2011 and 2010.

NOTE 9 — STOCKHOLDERS' EQUITY

A) Preferred Stock

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

a) On October 4, 2007 the Company issued 250,000 preferred shares for a cash consideration of \$250,000. These preferred shares are convertible by the investor into 2.5 shares of common stock or \$.40 per share. The holder was initially entitled to a re-pricing provision based on subsequent share issuances below their conversion price. Both, the Company and the holder subsequently agreed to rescind this term as no additional shares had ever been issued and they had operated as this term was not effect.

b) On November 7, 2007 the Company issued 250,000 preferred shares for a cash consideration of \$250,000. These preferred shares are convertible by the investor into 2.0833 shares of common stock or \$.48 per share. The holder was initially entitled to a re-pricing provision based on subsequent share issuances below their conversion price. Both, the Company and the holder subsequently agreed to rescind this term as no additional shares had ever been issued and they had operated as this term was not effect.

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

provision based on subsequent share issuances below their conversion price. Both, the Company and the holder subsequently agreed to rescind this term as no additional shares had ever been issued and they had operated as this term was not effect.

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As of March 31, 2011 and December 31, 2010, the Company had 1,042,753 and 1,042,753 respectively of preferred shares issued and outstanding.

B) Common Stock

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

The following transactions occurred during the year ended December 31, 2010:

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

During the year ended December 31, 2010 the Company sold to twelve individuals a total of 1,584,851 shares of common for \$523,000 (\$.33 per share). In addition the Company issued 792,426 common stock warrants with an exercise price of \$1.00.

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

Common stock issued for services

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

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

As of March 31, 2011 and December 31, 2010, the Company had 64,190,987 shares issued and outstanding.

NOTE 10 — STOCK OPTION PLAN

As of March 31, 2011, the Company had not implemented a stock option plan.

Warrants

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

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

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

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

Post such cancellation, the only warrants held by T Squared Investments LLC was their existing Warrant "D" for 231,000 shares with an exercise price of \$0.0001 per share and the following warrant below. Pursuant to this agreement the expiration date of Warrant "D" was reduced from July 29, 2014 to December 31, 2012.

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

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

T Squared Investments LLC may not exercise such warrant if post the exercise, T Squared Investments LLC would be above the 9.99% ownership level of the Company.

The Company incurred an expense of \$945,615 as a result of the repricing of these warrants. The fair value of the warrants was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield 0%, volatility 136%, risk-free interest rate of 1%, and expected warrant life of 18 months.

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

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

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

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

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

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

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

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

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

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

On February 16, 2011 T-Squared Investments, LLC paid down an additional \$100,000 reducing the exercise price on the warrants to \$.0214.

During 2010, the Company issued 824,477 warrants in connection with the sale of shares of common stock. $\frac{A}{2}$ warrant was issued for each share purchased as detailed under "Common Stock" above.

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

Exercise Prices	Warrants Outstanding	
	Number Outstanding	Weighted Average Remaining Contractual Life (Years)
\$.0001	231,000	1.75
.0214	7,000,000	1.75
.80	1,461,794	1.30
\$ 1.00	1,921,213	1.85
	<u>10,614,007</u>	<u>1.66</u>

Warrant activity is summarized as follows:

	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2009	6,824,145	\$ 1.11
Granted	7,824,477	.14
Exercised	—	—
Expired or cancelled	(4,034,615)	(1.31)
Outstanding at December 31, 2010	10,614,007	\$.31
Granted	—	—
Exercised	—	—
Expired or cancelled	—	—
Outstanding at March 31, 2011	<u>10,614,007</u>	<u>\$.31</u>

NOTE 11 — COMMITMENTS AND CONTINGENCIES

LEASE COMMITMENTS

The Company headquarters is in Miami, Florida, where it leases office space at \$4,624 per month.

NOTE 12 — LITIGATION

On October 1, 2009, Dolphin Digital Media, Inc, Dolphin Entertainment, Inc. and Dolphin Entertainment Capital, Inc. brought suit in the U.S. District Court for the Southern District of Florida against Mark Peikin, Joshua M. Gold, Bespoke Growth Partners, Inc., Gsquared, Ltd., Carta De Dinero, LLC, Nevada Agency And Transfer Co. and Merrill Lynch Pierce Fenner & Smith Incorporated. The suit sought recovery of corporate stock and damages occasioned by the misfeasance of Peikin, Gold and the corporate entities over which they presided. As alleged in the complaint, Peikin and Gold served as outside and inside counsel to and officers of Plaintiffs in 2008 and 2009. In the course of their affiliation with Plaintiffs, they were able to use their positions of trust to gain access to Plaintiffs' assets and opportunities and divert same to Bespoke, Gsquared and Carta De Dinero. Among their actions, the Company alleged Peikin and Gold improperly directed Nevada Agency And Transfer Co. to issue one million shares of Dolphin Digital Media, Inc.'s stock to Carta De Dinero, who then transferred such shares to its account at Merrill Lynch and sold them on the open market. In this lawsuit, Plaintiffs sought recovery of the damages occasioned by the improper issuance and sale of the Dolphin Digital Media, Inc. stock, as well as the value of the actual funds and opportunities misappropriated by Peikin and Gold and also alleged civil racketeering counts. On or about April 19, 2010, the Court dismissed the civil racketeering counts on the basis that the alleged enterprise was primarily formed and existed for the commission of the theft of the above-mentioned stock. The Court made no determination on the merits of the underlying allegations. As a result of the dismissal, the Court was deprived of jurisdiction over the cause. On April 20, 2010, Peikin and Gold filed an action in Miami-Dade County Circuit Court against Dolphin Entertainment, Inc. and Dolphin Digital Media, Inc., respectively, relating to their employment with the companies. Peikin has sued Dolphin Entertainment, Inc. for: 1) breach of contract; 2) promissory estoppel; 3) fraud in the inducement; and 4) negligent misrepresentation and Gold has sued Dolphin Digital Media, Inc. for negligent misrepresentation. On or about May 10, 2010, Dolphin Entertainment, Inc. and Dolphin Digital Media, Inc. filed their

Answer, Affirmative Defenses, Counterclaim against Peikin and Gold and a Third Party Claim against Bespoke Growth Partners, Inc., Gsquared, Ltd. and Carta De Dinero, LLC, alleging virtually the same counts alleged in the action filed in the U. S. District Court action. The Counterclaim and the Third-Party Claim allege among other things, fraud, civil theft, unjust enrichment and conversion and seek an accounting. On March 24, 2011 the parties entered into a confidential Mutual Stipulation and Settlement Agreement wherein they settled all matters between them which were the subject of the Peikin and Gold action.

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

NOTE 13 — RELATED PARTY TRANSACTIONS

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

As of March 31, 2011 and December 31, 2010 the Company's CEO had loaned the Company a total of \$1,079,145 and \$930,145, respectively. On January 1, 2011, the Company and its CEO signed a Promissory Note in the amount of \$1,137,361 for the principal and interest accrued as of December 31, 2010. During the three months ended March 31, 2011 the Company CEO loaned the Company an additional \$174,500 and received repayments of \$25,500. During year ended December 31, 2010 the Company's CEO loaned the Company an additional \$171,145 and received repayments of \$320,000. The note accrues interest at a rate of 10%. Accrued interest amounted to \$23,384 and \$207,216 at March 31, 2011 and December 31, 2010, respectively.

The Company has a verbal agreement with Dolphin Entertainment, Inc. to sublease office space and furniture. The Company had accrued expenses in the amount of \$84,370 and \$68,202 as of March 31, 2011 and December 31, 2010, respectively.

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

NOTE 14 — SUBSEQUENT EVENTS

Between April 1, 2011 and May 16, 2011, the Company has received an additional \$230,000 in loans from its CEO.

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 the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such statements are indicated by words or phrases such as “anticipates,” “projects,” “believes,” “intends,” “expects,” and similar words or phrases. Such factors include, among others, the following: competition; seasonality; success of operating initiatives; new product development and introduction schedules; acceptance of new product offerings; advertising and promotional efforts; adverse publicity; availability, changes in business strategy or development plans; availability and terms of capital; labor and employee benefit costs; changes in government regulations; and other factors particular to the Company.

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

Business Summary

Dolphin Digital Media, Inc. is dedicated to the twin causes of online safety for children and the production of high-quality digital content. By creating and managing child-friendly social networking websites utilizing state-of the-art fingerprint identification technology, Dolphin Digital Media has taken an industry-leading position with respect to Internet safety. Also, with the launch of Dolphin Digital Studios, the Company is at the forefront of the growing digital entertainment sector.

Dolphin Secure

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

Safer Surfing with Dolphin Secure

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

Safer Chat with Dolphin Secure

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

- Everyone within the Dolphin Surf social network.
- Only children of a specific gender.

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

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

How “Dolphin Secure” Works: Fingerprint Log-In

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

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

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

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

“Dolphin Surf”

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

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

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

“Dolphin Groups”

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

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

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

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

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

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

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

The Need for “Dolphin Secure”

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

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

Pricing & Availability

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

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

Target Market

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

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

International Expansion — Germany

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

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

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

Dolphin Digital Studios

During the three months ended March 31, 2011 the Company focus has primarily been devoted to its new division of the company, Dolphin Digital Studios. Dolphin Digital Studios will create original content that premieres online, with an initial focus on content geared toward tweens and teens. Substantially all of the Company's operating expenses during the three months ended March 31, 2011 were derived from its new division.

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

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

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

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

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

Warner Bros. Digital Distribution Partnership

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

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

"H+: The Series"

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

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

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

“Aim High”

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

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

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

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

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

Management Expertise

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

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

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

Results for the three months ended March 31, 2011 compared to the three months ended March 31, 2010

The Company had limited revenues of \$13,750 from licensing fees for the three months ended March 31, 2011 compared to \$0 for three months ended March 31, 2010. The Company expects to begin generate additional revenues from Dolphin Secure, Dolphin Surf websites and Dolphin Digital Media during fiscal 2011.

During the three months ended March 31, 2011 the Company focus has primarily been devoted to its new division of the company, Dolphin Digital Studios. Dolphin Digital Studios will create original content that premieres online, with an initial focus on content geared toward tweens and teens. Substantially all of the Company's operating expenses during the three months ended March 31, 2011 were derived from its new division.

General and administration costs decreased by \$205,922 from \$586,210 for the three months ended March 31, 2010 to \$380,288 for the three months ended March 31, 2011 as a result of decreased marketing, administrative, and advertising costs.

Finance charges decreased by \$966,649 from \$966,649 for the three months ended March 31, 2010 to \$0 for the three months ended March 31, 2011. Financing charges for the three months ended March 31, 2010 were primarily as a result of expenses associated with re-pricing of stock warrants.

Interest expense decreased by \$12,269 from \$38,108 for the three months ended March 31, 2010 to \$25,839 for the three months ended March 31, 2011.

The net loss was \$392,377 or \$(.01) per share based on 64,190,987 weighted average shares outstanding for three months ended March 31, 2011 compared to a loss of \$1,590,967 \$(.03) per share based on 59,997,836 weighted average shares outstanding for the three months ended March 31, 2010.

Liquidity and Capital Resources

Cash flows used in operating activities decreased by \$1,191 from \$373,430 for the three months ended March 31, 2010 to \$372,239 for the three months ended March 31, 2011. During the three months ended March 31, 2010 the Company incurred a loss from operation of \$1,590,967 which was primarily offset by Amortization of debt discount of \$24,175, common stock issued for compensation of \$72,500 and warrant repricing of \$945,615.

Cash flows used in investing activities decreased by \$239,564 from \$239,564 for the three months ended March 31, 2010 to \$0 for the three months ended March 31, 2011. During the three months ended March 31, 2010 the Company capitalized costs of \$239,564 for web-site development.

Cash flows from financing activities decreased by \$213,413 from \$916,413 for the three months ended March 31, 2010 to \$703,000 for the three months ended March 31, 2011. During the three months ended March 31, 2010 the Company received advances of \$45,000 from our President and CEO. We received \$200,000 from the pay down of warrants and we sold a total of 1,443,938 shares of common stock for proceeds of \$685,000. During the three months ended March 31, 2011 we have relied on advances of \$174,500 from our President and CEO. The Company has largely relied on loans from the CEO to meet working capital requirements. To date, it has received a net total of \$1,286,361 in loans from him. There is no guarantee that Mr. O'Dowd will continue to loan the Company money. During the first quarter of 2011, we received \$100,000 from the pay down of warrants and \$459,000 in advances for future production.

As of March 31, 2011, we had cash of \$332,228 and a working capital deficit of \$3,533,892.

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

Critical Accounting Policies

Principles of Consolidation

The accompanying 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 subsidiaries. The accompanying unaudited condensed consolidated financial statements include the accounts of Dolphin Digital Media Inc and its subsidiaries, Dolphin Digital Media (Canada) Inc, Anne's World Limited and Curtain Rising Inc. for the year ended December 31, 2010 and March 31, 2011. Intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

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

Reclassification

Certain prior period amounts have been reclassified to conform to March 31, 2011 presentations.

Revenue Recognition

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

The Company recognizes the monthly and annual subscription revenues over the service period. Advertising revenue is recognized over the period the advertisement is displayed. Online shopping revenues and affiliate commission income are both recognized when a customer purchases a subscription. The Company had limited revenues of \$13,750 from licensing fees for the three months ended March 31, 2011 compared to \$0 for three months ended March 31, 2010. Dolphin Digital Studios will record revenue when deliverables have been completed in accordance with its agreements. As March 31, 2011 the Company had recorded deferred revenue of \$439,073.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At March 31, 2011 and December 31, 2010, there was \$332,228 and \$1,467 cash and cash equivalents, respectively. Cash and cash equivalents are defined to include cash on hand and cash in the bank.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. These inventories consisted of fingerprint readers. At March 31, 2011 and December 31, 2010 the value of the Company's inventory was \$8,256 and \$8,256, respectively.

Property and Equipment

Property and equipment is recorded at cost and depreciated over the estimated useful lives of the assets using principally the straight-line method. When items are retired or otherwise disposed of, income is charged or credited for the difference between net book value and proceeds realized thereon. Ordinary maintenance and repairs are charged to expense as incurred, and replacements and betterments are capitalized. The range of estimated useful lives to be used to calculate depreciation for principal items of property and equipment are as follow:

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

Goodwill and Other Intangibles

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

Long-Lived Assets

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

Comprehensive Income (Loss)

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

Foreign Currency Translation

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

Loss per share

The Company has adopted FASB Accounting Standards Codification No. 260 Earnings Per Share, Loss per common share is computed by dividing loss available to common shareholders by the weighted average number of common shares outstanding during the period. Stock warrants were not included in the computation of loss per share for the periods presented because their inclusion is anti-dilutive. The total potential dilutive warrants and stock options outstanding at March 31, 2011 and December 31, 2010 was 10,614,007 shares. There were no dilutive securities outstanding at March 31, 2011 and December 31, 2010.

Business Operations

The Company's current and planned operations consist of the following:

- 1) Dolphin Digital Media (USA): The Company's primary business model is monthly and annual membership fees in the US for subscription to Dolphinsecure.com.
- 2) Dolphin Digital Studios as a new division of the Company. Dolphin Digital Studios will create original programming that premieres online, with an initial focus on content geared toward tweens and teens. Dolphin Digital Studios received \$359,000 through an Equity Finance Agreement for productions costs of web series.

During the three months ended March 31, 2011 the Company focus has primarily been devoted to its new division of the company, Dolphin Digital Studios. Dolphin Digital Studios will create original content that premieres online, with an initial focus on content geared toward tweens and teens. Substantially all of the Company's operating expenses during the three months ended March 31, 2011 were derived from its new division.

Fair Value of Financial Instruments

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

Fair value, as defined in ASC 820, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset should reflect its highest and best use by market participants, principal (or most advantageous) markets, and an in-use or an in-exchange valuation premise. The fair value of a liability should reflect the risk of nonperformance, which includes, among other things, the Company's credit risk.

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

Level 1

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

Level 2

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

Level 3

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

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

Concentrations of Credit Risk

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

Advertising

The Company follows the policy of charging the costs of advertising to expenses incurred. The Company incurred \$45,000 and \$3,200 in advertising costs during the three months ended March 31, 2011 and 2010, respectively.

Recent Accounting Pronouncements

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

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

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

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

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

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

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

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

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

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

Off-Balance Sheet Arrangements

As of March 31, 2011, we did not have any off-balance sheet arrangements.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that material information required to be disclosed in our periodic reports filed under the Securities Exchange Act of 1934, as amended, or 1934 Act, is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and to ensure that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer (principal financial officer) as appropriate, to allow timely decisions regarding required disclosure. During the quarter ended March 31, 2011 we carried out an evaluation, under the supervision and with the participation of our management, including the principal executive officer and the principal financial officer (principal financial officer), of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13(a)-15(e) under the 1934 Act. Based on this evaluation, because of the Company's limited resources and limited number of employees, management concluded that our disclosure controls and procedures were ineffective as of March 31, 2011.

Changes in Internal Controls

There have been no changes in the Company's internal controls over financial reporting that occurred during the Company's last fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

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

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On October 1, 2009, Dolphin Digital Media, Inc, Dolphin Entertainment, Inc. and Dolphin Entertainment Capital, Inc. brought suit in the U.S. District Court for the Southern District of Florida against Mark Peikin, Joshua M. Gold, Bespoke Growth Partners, Inc., Gsquared, Ltd., Carta De Dinero, LLC, Nevada Agency And Transfer Co. and Merrill Lynch Pierce Fenner & Smith Incorporated. The suit sought recovery of corporate stock and damages occasioned by the misfeasance of Peikin, Gold and the corporate entities over which they presided. As alleged in the complaint, Peikin and Gold served as outside and inside counsel to and officers of Plaintiffs in 2008 and 2009. Among their actions, the Company alleged Peikin and Gold improperly directed Nevada Agency And Transfer Co. to issue one million shares of Dolphin Digital Media, Inc.'s stock to Carta De Dinero, who then transferred such shares to its account at Merrill Lynch and sold them on the open market. In this lawsuit, Plaintiffs sought recovery of the damages occasioned by the improper issuance and sale of the Dolphin Digital Media, Inc. stock, as well as the value of the actual funds and opportunities misappropriated by Peikin and Gold and also alleged civil racketeering counts. On or about April 19, 2010, the Court dismissed the civil racketeering counts on the basis that the alleged enterprise was primarily formed and existed for the commission of the theft of the above-mentioned stock. The Court made no determination on the merits of the underlying allegations. As a result of the dismissal, the Federal Court was deprived of jurisdiction over the cause. On April 20, 2010, Peikin and Gold filed an action in Miami-Dade County Circuit Court against Dolphin Entertainment, Inc. and Dolphin Digital Media, Inc., respectively, relating to their employment with the companies. Peikin sued Dolphin Entertainment, Inc. for: 1) breach of contract; 2) promissory estoppel; 3) fraud in the inducement; and 4) negligent misrepresentation and Gold sued Dolphin Digital Media, Inc. for negligent misrepresentation. On or about May 10, 2010, Dolphin Entertainment, Inc. and Dolphin Digital Media, Inc. filed their Answer, Affirmative Defenses, and Counterclaims against Peikin and Gold and a Third Party Claim against Bespoke Growth Partners, Inc., Gsquared, Ltd. and Carta De Dinero, LLC, alleging virtually the same counts alleged in the action filed in the U. S. District Court action. The Counterclaims and the Third-Party Claim alleged among other things, fraud, civil theft, unjust enrichment and conversion and seek an accounting. On March 24, 2011 the parties entered into a confidential Mutual Stipulation and Settlement Agreement wherein they settled all matters between them which were the subject of the actions.

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

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

The shares above were issued pursuant to the exemption from registration provided by Section 4(2) of the Securities Act. Purchasers received current information relating to the Company and had the ability to ask questions about the Company. Certificates representing the securities contain appropriate restrictive legends.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. REMOVED AND RESERVED

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

<u>No.</u>	
31.1	Certification of the Principal Executive Officer and Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Principal Executive Officer and Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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 May 20, 2011.

Dolphin Digital Media Inc.

By: /s/ William O'Dowd IV

Name: William O'Dowd IV
Chief Executive Officer

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

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

1. I have reviewed this Report on Form 10-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 that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting;
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation or internal control over financial reporting which are reasonably likely to adversely effect the Registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control; and

Date: May 20, 2011

/s/ William O'Dowd IV

William O'Dowd IV

Chief Executive Officer

(Principal Executive Officer and Principal Financial Officer)

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

In connection with the accompanying Report of Dolphin Digital Media, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William O'Dowd IV, Principal Executive Officer and Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

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

(2) The information contained in the Report fully presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ William O'Dowd IV

William O'Dowd IV
Principal Executive Officer and
Principal Financial Officer
May 20, 2011