Risk Factors Comparison 2024-04-09 to 2023-04-13 Form: 10-K

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We undertake no obligation to revise or update any forward- looking statements in order to reflect any event or circumstance that may arise after the date of this Annual Report on Form 10- K, except as required by law. Readers are urged to carefully review and consider the various disclosures made throughout the entirety of this Annual Report on Form 10- K, which are designed to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects. ~~iiPART~~ -- **PART** I Item 1. Business Overview **Kartoon Studios, Inc. (formerly known as** Genius Brands International, Inc. **)** (**the " Company " or** " we, " " us ~~,~~ " **or** " our ~~, " or the " Company~~ ") is a global content and brand management company that creates, produces, licenses, and broadcasts timeless and educational, multimedia animated content for children. Led by experienced industry personnel, we distribute our content primarily on streaming platforms and television **,** and ~~license~~ **licenses** ~~our~~ properties for a broad range of consumer products based on our characters. We are a " work for hire " producer for many of the streaming outlets and animated content intellectual property (~~"~~ **"** IP ~~"~~ **"**) holders. In the children' s media sector, our portfolio features " content with a purpose " for toddlers to tweens, providing enrichment as well as entertainment. With the exception of **selected WOW** ~~our recent acquisition of Wow~~ Unlimited Media Inc. ~~' s and related~~ **(" Wow ")** titles, our programs, along with ~~those~~ **licensed** programs ~~we license~~ , are being broadcast in the United States on our wholly- owned advertisement supported video on demand (" AVOD ") service, our free ad supported TV (~~"~~ **"** FAST ~~"~~ **"**) channels and ~~our~~ subscription video on demand (" SVOD ") outlets, Kartoon Channel! and Ameba TV ~~. These streaming services are available on Apple TV, Apple iOS, Android TV, Android mobile, Amazon Prime, Amazon Fire, Tubi, Roku, Comcast, Cox, Dish / Sling, Xumo, Pluto, Samsung Smart TVs, LG Smart TVs~~ , as well as **linear streaming platforms. These streaming platforms include Comcast, Cox, DISH, Sling TV, Amazon Prime Video, Amazon Fire, Roku, Apple TV, Apple iOS, Android TV, Android mobile, Pluto TV, Xumo, Tubi,** YouTube, ~~among other platforms~~ **YouTube Kids and via KartoonChannel. com, as well as Samsung and LG smart TVs** . Our in- house owned and produced animated shows include Stan Lee' s Superhero Kindergarten starring Arnold Schwarzenegger, Llama Llama starring Jennifer Garner, Rainbow Rangers, KC Pop Quiz ~~,~~ and ~~the upcoming~~ Shaq' s Garage starring Shaquille O' Neal ~~, scheduled to debut in the second quarter of 2023~~ . Our library titles include the award- winning Baby Genius, adventure comedy Thomas Edison' s Secret Lab ®, and Warren Buffett' s Secret Millionaires Club, created with and starring iconic investor Warren Buffett, Team Zenko Go!, Reboot, Bee & PuppyCat: Lazy in Space and Castlevania. We also license our programs to other services worldwide, in addition to the operation of our own channels, including **,** but not limited to **,** Netflix ~~, HBO Max~~ , Paramount **, Max** , Nickelodeon, and satellite, cable and terrestrial broadcasters around the world. Through our investments in Germany' s Your Family Entertainment **AG** (" YFE "), a publicly traded company on the Frankfurt **Stock** Exchange (RTV- Frankfurt), we have gained access to one of the largest animation catalogues in Europe with over 50 titles consisting of over 1, 600 episodes, and a global distribution network which currently covers over 60 territories worldwide. Through the ownership of WOW ~~Unlimited Media Inc. (" Wow ")~~ , we established an affiliate relationship with Mainframe Studios, which is one of the largest animation producers in the world. In addition, Wow owns Frederator Networks Inc. (" Frederator ") and its Channel Frederator Network, the largest animation focused multi- channel network on YouTube with over 2, 500 channels. **Frederator also owns Frederator Studios, focused on developing and producing shorts and series for and with partners. Over the past 20 years, Frederator Studios has partnered with Nickelodeon, Nick Jr., Netflix, Sony Pictures Animation and Amazon.** We have rights to a select amount of valuable IP, including among them a controlling interest in Stan Lee Universe **, LLC** (" SLU "), through which we control the name, likeness, signature, and all consumer product and IP rights to Stan Lee (the " Stan Lee Assets "). We also own **The** Beacon Media Group **, LLC** (~~"~~ **"** Beacon ~~"~~ **Media "**) **and The Beacon Communications Group** , ~~the largest~~ **Ltd. (" Beacon Communications ") (collectively, " Beacon "), a leading North American marketing and** media **agency and its first- class media research, planning and** buying **division** ~~service for children in North America~~ . Beacon represents over 30 ~~major toy companies~~ **kids and family clients** , including ~~Playmobile,~~ Bandai **Namco** ~~Toys, Bazooka~~ , Moose Toys, **Bazooka** ~~and~~ **Candy** ~~JAKKS Pacific~~ **Brands and Playmobil** . In addition, we own the Canadian company Ameba Inc. (" Ameba "), which distributes ~~a profitable~~ SVOD service for kids ~~,~~ and has become ~~the~~ **a** focal point of revenue ~~growth~~ for ~~Genius~~ **TOON Media** Networks' subscription offering. ~~We and our affiliates provide world class animation production~~ **On June 23, 2023, we were renamed Kartoon** ~~studios~~ **Studios** , ~~a catalogue representing thousands of~~ **Inc. On June 26, 2023, we transferred** ~~hours~~ -- **our** ~~of premium global content for children, a broadcast system for delivering that content and an in- house consumer products licensing~~ --- **listing** ~~infrastructure~~ to ~~fully exploit~~ **NYSE American LLC (" NYSE American "). In connection with listing on NYSE American, we voluntarily delisted from** the ~~content~~ **Nasdaq Capital Market (" Nasdaq "). Our common stock began trading on NYSE American under the new symbol " TOON " on June 26, 2023** . Recent Developments **Exercise of 2021 Warrants and Issuance of New Warrants** On ~~February 6~~ **June 26** , 2023, ~~our board~~ **we entered into warrant exercise inducement offer letters (the " Letter Agreements ") with certain existing institutional and accredited investors pursuant to which such investors agreed to exercise for cash certain warrants issued by us in January 2021 (the " 2021 Warrants ") to purchase 2, 311, 550 shares** of ~~directors approved~~ **common stock (the " Exercise "). To induce the Exercise by holders of the 2021 Warrants, we also amended the exercise price of the 2021 Warrants from $ 23. 70 per share (as adjusted pursuant to** a 1- for- 10 reverse stock split of our outstanding shares of common stock ~~. The reverse stock split was~~ effected on February 10, 2023 ~~at 5:~~ **) to $ 2. 50 per share pursuant to the terms of the 2021 Warrants. In consideration for the Exercise, the exercising holders received warrants to purchase up to 4, 623,** ~~00~~ **100** ~~p. m. Eastern time. At the effective~~

~~time, every 10 issued and outstanding~~ shares of ~~the Company' s~~ common stock ~~were converted into 1~~ **, and The Special Equities Group, LLC, a division of Dawson James Securities, Inc. (" SEG ") which acted as the warrant solicitation agent for the Exercise, received a warrant to purchase up to 161, 809** ~~share~~ **shares** of common stock **(collectively, the " Warrants ")** . ~~Any fractional~~ **The Warrants are exercisable at any time beginning on November 1, 2023 (i. e., the date stockholder approval was received as described therein) (the " Initial Exercise Date ") and ends on the fifth anniversary of the Initial Exercise Date at a price per share of $ 2. 50. Pursuant to the Letter Agreements, we filed a registration statement on Form S- 3 covering the resale of the** shares of ~~common stock resulting from the reverse stock split were rounded up to the nearest whole post- split share and no shareholders received cash in lieu of fractional shares. The par value of each share of common stock remained unchanged. The reverse stock split proportionately reduced the number of shares of authorized common stock from 400, 000, 000 to 40, 000, 000 shares. The reverse stock split also applied to~~ common stock issuable upon the exercise of **the Warrants on July 26, 2023. Declaration of Series C Preferred Stock Dividend; Redemption of Series C Preferred Stock On September 21, 2023,** our **board of directors declared a dividend of one one- thousandth of a share of Series C Preferred Stock, par value $ 0. 001 per share (" Series C Preferred Stock "), for each** outstanding ~~warrants and stock options. The reverse stock split did not affect the authorized preferred stock of 10, 000, 001 shares~~ - **share** ~~. Unless noted, all references to shares~~ of **our** common stock ~~and~~ **, par value $ 0. 001** per share **to stockholders of record** ~~amounts contained in this Annual Report~~ on ~~Form 10~~ **October 2, 2023 (the " Record Date "). Each share of Series C Preferred Stock would entitle the holder thereof to 1, 000, 000 votes per share (and, for the avoidance of doubt, each fraction of a share of Series C Preferred Stock would have a ratable number of votes). Thus, each one** - **thousandth of** ~~K have been retroactively adjusted to reflect~~ a **share of Series C Preferred Stock would entitle the holder thereof to** 1 ~~- for- 10 reverse stock split. 2022 Investments On January 13, 2022, we acquired Ameba Inc. (" Ameba") and gained access to its kid- safe platform technology and 13~~ , 000 ~~episodes of owned and licensed content. Refer to Note 3 in the notes~~ **votes** ~~to our consolidated financial statements included elsewhere in this Annual Report on Form 10- K for additional details~~ . **The** ~~On April 6, 2022, we completed the acquisition of Wow. On October 26, 2021, our wholly- owned subsidiary, 1326919 B. C. LTD., a corporation existing under the laws of the Province of British Columbia and Wow, entered into an Arrangement Agreement to effect a plan of arrangement under the arrangement provisions of Part 9, Division 5 of the Business Corporations Act. We purchased 100 % of the issued and~~ outstanding shares of **Series C Preferred Stock would vote together with the outstanding** ~~Wow, including Wow' s subsidiary Frederator, for $ 38. 3 million in cash and 1, 105, 708~~ shares of ~~our~~ common stock ~~. The plan~~ **as a single class exclusively with respect to the approval** of ~~arrangement~~ **the proposal (the " Share Increase Proposal ") to** ~~and~~ **amend** ~~final agreement~~ **our Articles of Incorporation to increase the authorized shares of common stock from 40** , **000, 000 shares to 190, 000, 000 shares with a corresponding increase in the total number of authorized shares of capital stock from 50, 000, 000 shares to 200, 000, 000 shares (the " Share Increase Amendment ") and any proposal to adjourn any meeting of stockholders called for the purpose of voting on the Share Increase Amendment (the " Adjournment Proposal " and** together with the ~~acquisition of Wow' s Mainframe Studios and its subsidiary Frederator, are~~ **Share Increase Proposal, the " Proposals "). The Series C** ~~referred~~ **Preferred Stock would not be entitled** to **vote on any other matter, except to the extent required under Chapter 78 of the Nevada Revised Statues. We held a special meeting of stockholders on November 1, 2023 (the " Special Meeting "), at which both Proposals were approved by the stockholders. All shares of Series C Preferred Stock that had not been duly voted by proxy prior to the opening of the Special Meeting were automatically redeemed in whole, but not in part, by the Company** as **of immediately prior** ~~the " Wow Acquisition. " Refer~~ to ~~Note 3 in~~ the **opening of such meeting. Any outstanding shares of Series C Preferred Stock that had** ~~notes~~ -- **not been redeemed prior** to ~~our consolidated financial statements included elsewhere~~ **the opening of the Special Meeting were redeemed** in ~~this Annual Report on Form 10- K~~ **whole, but not in part, automatically upon the approval of the Share Increase Proposal by the stockholders. Each share of Series C Preferred Stock was redeemed in consideration** for **the right to** ~~additional details. On December 1, 2021, we completed a $ 6. 8 million investment in YFE. In exchange for $ 3. 4 million in cash and 228, 127 shares of our common stock (valued at approximately $ 3. 4 million), we received~~ - **receive** ~~3, 000, 500 shares of YFE' s common stock, a 28. 7 % ownership in YFE. Following the initial equity investment in YFE, we participated in a mandatory tender offer for the remaining publicly traded shares held by YFE shareholders. Upon the expiration of the offer on February 14, 2022, we purchased~~ an **amount equal to** ~~additional 2, 637, 717 shares of YFE at 2. 00 EUROS per share or $ 5. 3 million EUROS ($ 6. 0 million USD) in the aggregate. On March 9, 2022, bonds held by YFE shareholders were converted into $ 2. 6 million shares of YFE common stock, 304, 431 of which were purchased by us, at 2. 00 EUROS per share or~~ $ 0. ~~6 million EUROS~~ **01 in cash for each ten whole shares of Series C Preferred Stock that had been held as of immediately prior to the applicable redemption. However, the redemption consideration in respect of the shares of Series C Preferred Stock** (**or fractions thereof** ~~$ 0. 7 million USD~~) **was only payable** ~~. On April 5, 2022, we exercised our subscription rights~~ to ~~purchase~~ **such owners on the number of shares owned and redeemed pursuant to the redemptions rounded down to the nearest whole number that is a multiple of ten (such, that for example,** an **owner of 25** ~~additional 914, 284~~ shares of **Series C Preferred** ~~YFE' s common stock~~ **Stock** ~~at 3. 00 EUROS per~~ **redeemed was entitled to receive cash payment only on redemption of 20** ~~share~~ **shares of Series C Preferred Stock** ~~, or $ 2. 7 million EUROS ($ 2. 9 million USD~~) ~~, increasing the number of YFE' s outstanding shares to 6, 857, 132. During the fourth quarter of 2022, we did not take part in a round of financing raised by YFE which increased YFE' s outstanding shares and therefore decreased our ownership in YFE from 48. 03 % to 44. 8 % as of December 31, 2022. Strategy Our over arching strategic goal is to be a leading global producer and distributor of kids' media. To achieve that goal, we are developing, producing, marketing and licensing new branded children' s entertainment properties. The criteria for moving forward on a new project include positive social messaging and fun and unique storytelling. We have invested heavily into our wholly owned worldwide distribution system and our content is also available to kids and families on a multitude of platforms and devices. We also have a licensing team to develop and sell consumer products based on the brands~~

~~we own or manage~~ . Our Products During ~~2022~~ **2023** , we produced numerous **owned** IP and ~~service titles~~ **for- hire projects** including: ~~Ukulele U: Ukulele U is a live- action IP preschool music series for the Canadian Broadcasting Corporation (" CBC ") in Canada. Renowned music producer Bob Ezrin (Alice Cooper, Pink Floyd, U2, Peter Gabriel) and award- winning performer Melanie Doane spearheaded the project. The Company' s Mainframe subsidiary completed delivery of 52 x 7 minute episodes. Team Zenko Go!: Team Zenko Go! is a preschool computer animated~~ **Animated** ~~children' s streaming television series~~ **Series** ~~produced by DreamWorks Animation Television and our subsidiary Mainframe Studios. During the second quarter of 2022, Mainframe completed delivery of the 44 x 11- minute episode series to Netflix. DreamWorks distributes the title globally. Rainbow Rangers: Season 3 of our popular IP series launched on the Kartoon Channel! on April 15, 2022. From Shane Morris, the writer of Frozen, and Rob Minkoff, the director of The Lion King, this animated IP series presents the adventures of seven magical girls from Kaleidoscopia, who serve as Earth' s guardians and first- responders. Bee & PuppyCat: Lazy in Space: In September 2022, the Company' s Frederator Studios animated IP series premiered on Netflix. During the fourth quarter of 2022, we created an online store for Bee & PuppyCat merchandise and also announced that it has partnered with Toho Co., Ltd. of Japan for global distribution and merchandising & licensing exploitation of the brand. Guava Juice: Guava Juice is a 2D animated IP series, produced in partnership with Studio71 and YouTube sensation Roi Fabito, who boasts a 16. 5 million subscriber channel on YouTube. As of December 31, 2022, Mainframe completed delivery of 26 x 11- minute episodes to YouTube.~~ Shaq' s Garage: Shaq' s Garage production ~~continues~~ **was completed** on this animated IP series, starring and co- produced by NBA legend, Shaquille O' Neal, is a children' s animated series about the secret adventures of Shaquille' s extraordinary collection of cars, trucks, and other unique vehicles — the Shaq Pack. Shaq' s Garage **was** ~~is expected to be~~ launched on the Kartoon Channel! during the second quarter of 2023 ~~. Madagascar: A Little Wild: Madagascar: A Little Wild based upon the successful movie series is an American computer- animated streaming television series about the young residents of the Central Park Zoo who have big dreams and big plans; in a celebration of being yourself and never giving up, Alex, Marty, Gloria and Melman pursue their dreams, with abandon, no matter the size. During the fourth quarter of 2022, Mainframe completed delivery of 52 x 22- minute animated episodes for DreamWorks Animation on a services basis~~ . Cocomelon: Cocomelon specializes in 3D animation videos of both traditional nursery rhymes and original children' s songs. Mainframe produces content on a services basis for Moonbug Productions USA Inc. and **had** delivered ~~49~~ **52** x 3 **-** ~~. 5~~ minutes of animated shorts ~~in~~ **by** the **end** ~~second quarter~~ of ~~2022~~ **2023** ~~. Production continues on an~~ **and** ~~additional 64~~ **the final 12** x 3 **-** minutes of **animated** shorts **are** ~~with deliveries~~ scheduled ~~throughout 2023 and into~~ **to be delivered by the end of** the first quarter of 2024. Eggventurers: Eggventurers is a preschool animated series featuring a zany cast of egg characters who jump into grand engineering adventures, building spectacular chain reaction machines to help them overcome obstacles and achieve their goals. **During the first and second quarter of 2023,** Mainframe **completed delivery** ~~' s production~~ of ~~this~~ 13 x 7- minute **episodes and in the second half of 2023, delivered an additional 21 minutes of new** animated ~~series~~ **content** for GoldieBlox ~~has spanned 2022 and final deliveries are scheduled for the second quarter of 2023~~ . Barbie Productions: throughout ~~2022~~ **2023** , Mainframe produced and delivered several outstanding animated Barbie series, specials ~~,~~ **and** shorts **,** ~~and vlogs~~ including Barbie: ~~It Takes Two,~~ **A Touch of Magic and** Barbie ~~: Epic Road Trip, Barbie: Mermaid Power, Barbie: Skipper~~ and **Stacie to** the **Rescue** ~~Big Babysitting Adventure and Barbie: Vlogger seasons 7 and 8~~ on a services basis for its longstanding client, Mattel ~~. Production continues on additional projects with production and deliveries scheduled through the fourth quarter of 2023~~ . Octonauts: Above & Beyond: Octonauts is a children' s television series based on the children' s books written by Vicki Wong and Michael C. Murphy. The series is about a team of undersea explorers always ready to dive into action to explore new underwater worlds, rescue amazing sea creatures and protect the ocean. Production of Seasons 6 through 8 of this animated title for Silvergate Media on a services basis continued at Mainframe throughout ~~2022 and into~~ 2023, with final deliveries ~~scheduled for~~ **completed during** the fourth quarter of 2023. Roblox Rumble: Kidaverse Roblox Rumble is an elimination- style competitive reality series featuring a diverse group of girls and boys across the United States, ages 8 to 12, who compete in 10 different Roblox games to win prizes and find out who is the ultimate gamer. ~~Genius~~ **Kartoon Studios** commenced production of this series in 2022 and completed production in 2023. The series premiered on Kartoon Channel! during March of 2023. Spin Master Productions: ~~throughout 2022,~~ Mainframe produced on a services basis and **completed** ~~delivered~~ **delivery of** several animated series, specials and shorts for Unicorn Academy, the fantasy- adventure children' s franchise ~~owned by its client,~~ **that hit the Netflix Global Top 10 across three weeks. Unicorn Academy was delivered to** Spin Master **Entertainment** , a global Canadian toy and entertainment company. **Final** ~~Production and~~ deliveries **were completed during** ~~are scheduled to continue through~~ the ~~third~~ **fourth** quarter of 2023. Licensed Content In addition to the wholly owned or partially- owned properties listed above, we represent Llama Llama, Bee & PuppyCat and Castlevania in the licensing and **consumer products sector of the market. Consumer Products A source of our revenue is our licensing and** merchandising ~~space~~ **activities from our underlying intellectual property content. We work directly in licensing properties to a variety of manufacturers and occasionally to retailers. We currently have, across all brands, multiple licensees and hundreds of licensed products either in development, in market or scheduled to enter the market. Products bearing our trademarks can be found in a wide variety of retail distribution outlets reaching consumers in retailers such as Wal- Mart, Target, Barnes & Noble, Kohl' s, Amazon. com, Hot Topic, Spirit, YOTTOY and many more. License agreements that we enter into often include financial guarantees and commitments from the manufacturers guaranteeing a minimum stream of revenue for us. As licensed merchandise is sold at retail, these advances and / or minimum guarantees can earn out, at which point we could earn additional revenue. Distribution Today' s global marketplace and the manner in which content is consumed has evolved to a point where we believe there is only one viable strategy; ubiquity. Kids today expect to be able to watch what they want whenever they want and wherever they want. As such, content creators now must offer direct access on multiple fronts. This includes not only linear broadcast in key territories around the world but also across a multitude of digital platforms. We have strong relationships with and actively solicit placement for our content with major linear**

broadcasters, as well as on the digital side with Netflix, Comcast’ s Xfinity platform, AppleTV, Roku, Samsung TV, Amazon Fire, Amazon Prime, Netflix, YouTube, Cox, Dish, Sling, Xumo, IOS, Android / Google Play, LG TV, Tubi, Pluto, Xbox and Connected TV. We replicate this model of ubiquity around the world defining content distribution strategies by market that blends the best of linear, video on demand (“ VOD ”) and digital distribution . Kartoon Channel! Network In June 2020, we launched the Kartoon Channel!, a digital family entertainment destination that delivers enduring childhood moments of humor, adventure, and discovery and is available across multiple AVOD **, SVOD** and **linear streaming** ~~over- the- top~~ platforms, including Comcast, Cox, DISH, Sling TV, Amazon Prime **Video** , Amazon Fire, **Roku,** Apple TV, Apple iOS, Android TV, Android Mobile, ~~Google Play~~ **Pluto TV** , Xumo, ~~Roku,~~ Tubi ~~,~~ and ~~streaming~~ via KartoonChannel. com, as well as accessible via Samsung ~~Smart TVs~~ and LG **smart** TVs. The Kartoon Channel! is available in over 100 million U. S. television households and on over 400 million devices, delivering numerous episodes of carefully curated family- friendly content. The channel features animated ~~programs~~ **classics** for little kids, including “ Peppa Pig Shorts, ” “ ~~Super Simple Songs~~ **Mother Goose Club** , ” “ ~~Mellodees~~ **Barney and Friends** , ” “ ~~Finny the Shark~~ **Om Nom Stories** , ” **as well as** ~~“ Strawberry Shortcake ” and~~ content for bigger kids, such as “ Angry Birds, ” **“ Talking Tom and Friends ” and** “ Yu- Gi- Oh **!** ” and ~~“ Bakugan, ” to~~ original programming like ~~"~~ **“** Rainbow Rangers ~~"~~ **”** and ~~"~~ **“** Stan Lee’ s Superhero Kindergarten, ” starring Arnold Schwarzenegger. The Kartoon Channel! also offers STEM- based content ~~through its~~ **and Spanish language programming.** Kartoon ~~Classroom~~ **Channel** ! **Network WW** ~~, including “ Baby Genius, ” and more. Distribution Today’ s global marketplace and the manner in which content is consumed has evolved to a point where we believe there is only one viable strategy, ubiquity. Kids today expect to be able to watch what they want whenever they want and wherever they want. As such, content creators now must offer direct access on multiple fronts. This includes not only linear broadcast in key territories around the world but also across a multitude of digital platforms.~~ We have ~~strong relationships with~~ **expanded the distribution footprint of Kartoon Channel! to over 61 territories across Europe, the Middle East, Africa, Latin America** and ~~actively solicit placement for our content with major linear broadcasters~~ **Asia by rolling out Kartoon Channel! WW. The channel includes the original Kartoon Channel! programming** , as well as ~~on~~ the **animated content from YFE** ~~digital side with Netflix, Comcast~~ ’ s ~~Xfinity platform~~ **animation catalogue. Channel Frederator Network** , ~~AppleTV~~ **owned by Frederator** , ~~Roku~~ **is a multi- channel network that makes up the largest animation network on YouTube. The multi- channel network has channels featuring over 2** , ~~Samsung~~ **000 exclusive creators and influencers, garnering billions of views annually. We own the Canadian company Ameba Inc. (“ Ameba** TV **”), which distributes SVOD services for kids and has become a focal point of revenue for TOON Media Networks’ subscription offering. Ameba TV provides a streaming service that is full of active, engaging and intelligent programming. It is available across multiple platforms including Comcast, Cox, DISH, Sling TV, Amazon Prime Video** , Amazon Fire, **Roku** ~~Amazon Prime~~ , ~~Netflix~~ **Apple TV** , ~~YouTube~~ **Apple iOS** , ~~Cox~~ **Android TV** , ~~Dish~~ **Android Mobile** , ~~Sling~~ **Pluto TV** , Xumo **, Xbox** and ~~Connected~~ **Tubi. Ameba** TV **is available in** ~~. We replicate this model of ubiquity around~~ the ~~world defining~~ **U. S. and Canada and provides numerous hours of educational programming for children. Ameba TV is comprised of 14, 000 episodes and 2, 800 hours of kids’ shows. The streaming service features educational shows, including “ Gisele’ s Big Backyard, ” “ Grammaropolis ” and “ ABC Monster ”. There are hundreds of kids’ music videos, including “ Alex and the Kaleidoscope Band ” and “ Zinghoppers, ” and a catalog of classic** content ~~distribution strategies by market that blends the best of linear~~ , ~~video on demand (“ VOD ”), and digital distribution. Finally, we expanded our long- term strategic partnership with Sony Pictures Home Entertainment from domestic to global in January 2017. On August 31, 2018, Sony Pictures Home Entertainment assigned all of its rights and interest in our programs to Alliance Entertainment, LLC. Consumer Products A source of our revenue is our licensing and merchandising activities from our underlying intellectual property content. We work directly in licensing properties to a variety of manufacturers and occasionally to retailers. We currently have, across all brands, multiple licensees and hundreds of licensed products either in development, in market or scheduled to enter the market. Products bearing our trademarks can be found in a wide variety of retail distribution outlets reaching consumers in retailers~~ such as **“ Babar ”** ~~Wal- Mart, Target, Barnes & Noble, Kohl’ s, Amazon. com, Hot Topic~~ and **“ Franklin** ~~many more. License agreements that we enter into often include financial guarantees~~ and **Friends** ~~commitments from the manufacturers guaranteeing a minimum stream of revenue for us~~ . **”** ~~As licensed merchandise is sold at retail, these advances and / or minimum guarantees can earn out, at which point we could earn additional revenue.~~ Marketing Our marketing mission is to generate awareness and consumer interest in the brands of ~~Genius~~ **Kartoon Studios** via a 360- degree approach to reach audiences through all touchpoints. Successful marketing campaigns for our brands have not only included traditional marketing tactics but now also include utilizing social media influencers (individuals with a strong, existing social media presence who drive awareness of our brands to their followers), strategic social media marketing, and cross- promotional consumer product campaigns. We also deploy digital and print advertising to support the brands, as well as work with external media relations professionals to promote our efforts to both consumer and industry. We consistently initiate strategic partnerships with brands that align and offer value to us. Our Kartoon Channel! platform, which has potential reach into over 100 million U. S. television households, **nearly 100 % of the U. S. market penetration,** provides additional reach to promote our content and consumer products. Competition We compete against other creators of children’ s content including Disney, Nickelodeon, PBS Kids, and Sesame Street, as well as other small and large creators. In the saturated children’ s media space, we compete with these other creators for both content distribution across linear, VOD, and digital platforms, as well as retail shelf space for our licensed products. To compete effectively, we are focused on our strategic positioning of “ content with a purpose, ” which we believe is a point of differentiation embraced by the industry, as well as parents and educators. Additionally, the Kartoon Channel! enables us to increase the awareness of our brands through an owned platform. Customers and Licensees As of December 31, ~~2022~~ **2023** , we have partnered with over ~~50~~ **40** consumer products licensees. As of the same date, we licensed our content to over ~~40~~ **60** broadcasters in more than 90 countries worldwide, as well as a number of VOD and online platforms that have a global reach. This broad cross- section of customers includes companies such as Comcast, Netflix, Sony, YouTube, Mattel, Target, Penguin Publishing, Manhattan Toys, Roku, Apple TV, Amazon, Google, Bertelsmann Music Group, Discovery International, **Hot Topic** and others both domestically and internationally **. At December 31, 2023, we had four customers whose total revenue accounted for 74. 4 % of our total revenue** . Government Regulation The FCC requires broadcast networks to air a required number of hours of educational and informational content (E / I). We are subject to online distribution regulations, namely the FTC' s Children' s Online Privacy Protection Act (COPPA) which regulates the collection of information of children younger than 13 years old. We are currently subject to regulations applicable to businesses generally, including numerous federal and state laws that impose disclosure and other requirements upon the origination, servicing, enforcement and advertising of credit accounts, and limitations on the maximum amount of finance charges that may be charged by a credit provider. Although credit to some of our customers is provided by third parties without recourse to us based upon a customer' s failure to pay, any restrictive change in the regulation of credit, including the imposition of, or changes in, interest rate ceilings, could adversely affect the cost or availability of credit to our customers and, consequently, our results of operations or financial condition. As an international production company, we are also subject to country- specific requirements such as federal and provincial content regulations and tax credit guidelines in Canada. Licensed toy products are subject to regulation under the Consumer Product Safety Act and regulations issued thereunder. These laws authorize the Consumer Product Safety Commission (the " CPSC ") to protect the public from products which present a substantial risk of injury. The CPSC can require the manufacturer of defective products to repurchase or recall such products. The CPSC may also impose fines or penalties on manufacturers or retailers. Similar laws exist in some states and other countries in which we plan to market our products. Although we do not manufacture and may not directly distribute toy products, a recall of any of the products may adversely affect our business, financial condition, results of operations and prospects. We also maintain websites which include our corporate website located at www. ~~gnusbrands~~ **kartoonstudios** . com and many brand websites. These websites are subject to laws and regulations directly applicable to internet communications and commerce, which is a currently developing area of the law. The United States has enacted internet laws related to children' s privacy, copyrights and taxation. However, laws governing the internet remain largely unsettled. The growth of the market for internet commerce may result in more stringent consumer protection laws, both in the United States and abroad, that place additional burdens on companies conducting business over the internet. We cannot predict with certainty what impact such laws will have on our business in the future. In order to comply with new or existing laws regulating internet commerce, we may need to modify the manner in which we conduct our website business, which may result in additional expense. Because our products are manufactured by third parties and licensees, we are not significantly impacted by federal, state and local environmental laws and do not have significant costs associated with compliance with such laws and regulations. Intellectual Property As of December 31, ~~2022~~ **2023** , we own the following properties and related trademarks such as: " Rainbow Rangers, " " SpacePop, " " Secret Millionaires Club, " " Thomas Edison' s Secret Lab, " " Baby Genius, " " Kid Genius, " " Wee Worship, " " Kaflooey, " ~~"~~ **"** Bravest Warriors, ~~""~~ **" "** Bee & Puppycat ~~"~~ **"** and ~~"~~ **"** Castlevania, ~~"~~ **"** as well as several other names and trademarks on characters that had been developed for our content and brands. Additionally, we have the United States trademark and various international trademarks applications pending for Kartoon Channel!, Kartoon Channel! Jr., KC! Pop Quiz, Little Genius and Little Genius Jukebox. **Through our controlling interest in Stan Lee Universe, we control the rights to the name, image, the likeness, the signature, and the consumer product licensing to the iconic Stan Lee.** As of December 31, ~~2022~~ **2023** , we hold 22 registered trademarks in multiple classes in the United States associated with the ~~Genius~~ **Kartoon Studios** brand. We also have a number of registered and pending trademarks in Europe, Australia, China, Japan and Mexico and other countries in which our products are sold. We also jointly hold 92 registered trademarks in multiple classes in multiple countries associated with our ownership interest in Stan Lee Universe, in addition to 6 pending trademarks. As of December 31, ~~2022~~ **2023** , we also hold ~~146~~ **rights in over 200** motion pictures, ~~42~~ **over 600 different shows across our partnerships with over 150 different licensors. In addition, we hold 270** sound recordings ~~,~~ and two literary work copyrights related to our video, music and written work products. We have 50 / 50 ownership agreements with Martha Stewart and her related brand " Martha & Friends " and Gisele Bündchen' s and her related brand " Gisele & the Green Team. " In addition to the wholly- owned or partially- owned properties listed above, we represent Llama Llama in the licensing and merchandising space. Environmental, Social and Governance Strategy We are attempting to shape culture, social attitudes and societal outcomes with our animated content and consumer products that touch the lives of young people and their families. As a global content company that reaches millions of people, we aim to be a positive force in the world. We are committed to advancing and strengthening our approach to environmental, social and governance (" ESG ") topics to help serve our partners, audiences, employees and ~~shareholders~~ **stockholders** — and to enhance our success as a business. We are committed to responsible, ethical and inclusionary business practices as outlined below: Human Capital Management As of December 31, ~~2022~~ **2023** , we employed ~~743~~ **242** full- time employees and ~~57~~ **40** independent contractors. We aim to build a culture that attracts and retains the best employees and a workplace where everyone feels welcome, safe and inspired. Our human capital management strategy is intended to address the following areas: A Culture of Diversity, Equity and Inclusion We seek to foster a culture of diversity, equity and inclusion through a range of partnerships, collaborations, programs and initiatives, some of which are described below. We strive to be an inclusionary workplace because we believe that it strengthens our business. • **We maintain a** ~~In 2021, we created the role of~~ Chief Diversity Officer **who** ~~. That role~~ is responsible for ~~both~~ helping **us** meet our hiring goals and reviewing the content we create. • Our board of directors is diverse with representation from people of color and the LGBTQ community. Preventing Harassment and Discrimination We have enacted policies addressing harassment, discrimination and other behaviors that could create a hostile workplace, some of which are described below. • We make training on preventing sexual harassment, discrimination and retaliation available to our employees. • We expect employees to report any violations of Company policies, including sexual harassment, they witness. Among other ways, employees can report incidents of harassment using our anonymous complaint and reporting hotline. Social Impact and Corporate Social Responsibility We believe that the content we produce, primarily directed at young people and their families, both reflects and influences how our young viewers perceive and understand important issues. We endeavor to earn our viewers' trust through a variety of practices, and we are focused on using our platforms to create positive social impacts. By way of just a few examples: in our show Rainbow Rangers, a diverse cast of girls works to save animals and protect the environment, while demonstrating the power of teamwork; in our Llama Llama series, we teach kindness and inclusion, and feature a differently abled character, which we have been told is appreciated by moms and kids who deal with physical challenges. In the earliest days of the COVID- 19 pandemic, we spread public service messages to keep our audiences safe and informed with animated shorts featuring the iconic voices from our series including Warren Buffett from The Secret Millionaires Club and Jennifer Garner, the voice of Mama Llama from the Llama Llama series. Our mission statement says it all: " Content with a Purpose. " Social justice, caring about the environment and modeling appropriate and inclusionary behavior for kids has been part of our company for many years and we are constantly seeking ways to improve on what we have already been doing. Website Access to Our SEC Filings and Corporate Governance Documents On the Investors page on our website www. ~~gnusbrands~~ **kartoonstudios** . com we post links to our filings with the SEC, our Corporate Code of Conduct and Whistleblower Policy, which applies to our Board of Directors, executives and all of our employees, our Company Bylaws, our Insider Trading Policy and the charters of the committees of our Board of Directors. Our filings with the SEC are posted as soon as reasonably practical after they are electronically filed with, or furnished to, the SEC. You can also obtain copies of these documents by writing to us at: **Kartoon Studios** ~~Genius Brands International~~ , Inc., at 190 N. Canon Drive, 4th Floor, Beverly Hills, California 90210, Attn: Corporate Secretary or by using the " Contact " page of our website www. ~~gnusbrands~~ **kartoonstudios** . com / contact- us. All of these documents and filings are available free of charge. Generally, stockholders who have questions or concerns should contact our Investor Relations department at 212- 564- 4700. The contents of our website are not incorporated in, or otherwise to be regarded as part of, this Annual Report on Form 10- K. Item 1A. Risk Factors Risk Factor Summary We are providing the following summary of the risk factors contained in this Annual Report on Form 10- K to enhance the readability and accessibility of our risk factor disclosures. We encourage you to carefully review the full risk factors contained in this Annual Report on Form 10- K in their entirety for additional information regarding the material factors that make an investment in our securities speculative or risky. These risks and uncertainties include, but are not limited to, the following: Risks Relating to our Business • We have incurred net losses since inception. • If we are not able to obtain sufficient capital, we may not be able to continue our growth. • Our revenues and results of operations may fluctuate from period to period. • The value of our investments is subject to significant capital markets risk related to changes in interest rates and credit spreads as well as other investment risks, which may adversely affect our results of operations, financial condition or cash flows. • Changes in the United States, global or regional economic conditions could adversely affect the profitability of our business ~~. • Our business has been and may continue to be adversely affected by the COVID- 19 pandemic~~ . • Inaccurately anticipating changes and trends in popular culture, media and movies, fashion, or technology can negatively affect our sales. • We face competition from a variety of content creators that sell similar merchandise and have better resources than we do. • The production of our animated content is accomplished through third- party production and animation studios around the world, and any failure of these third parties could negatively impact our business. • We cannot assure you that our original programming content will appeal to our distributors and viewers or that any of our original programming content will not be cancelled or removed from our distributors' platforms. • Failure to successfully market or advertise our products could have an adverse effect on our business, financial condition and results of operations. • The failure of others to promote our products may adversely affect our business. • We may not be able to keep pace with technological advances. • Failure in our information technology and storage systems could significantly disrupt the operation of our business. • Our internal computer systems, or those of our collaborators or other contractors or consultants, may fail or suffer security breaches, which could result in a material disruption and cause our business and reputation to suffer. • Loss of key personnel may adversely affect our business. • Litigation may harm our business or otherwise distract management. • Our vendors and licensees may be subject to various laws and government regulations, violation of which could subject these parties to sanctions which could lead to increased costs or the interruption of normal business operations that could negatively impact our financial condition and results of operations. • Protecting and defending against intellectual property claims may have a material adverse effect on our business. • Any additional future acquisitions or strategic investments may not be available on attractive terms and would subject us to additional risks. • We are exposed to investment risk with the acquisition of an equity interest in Your Family Entertainment AG. • We operate internationally, which exposes us to significant risks. • We are exposed to foreign currency exchange rate risk. • A decrease in the fair values of our reporting units may result in future goodwill impairments. Risk Related to our Indebtedness • We have incurred indebtedness that could adversely affect our operations and financial condition. ~~Risk~~ **Risks** Related to Tax Rules and Regulations • Changes in foreign, state and local tax incentives may increase the cost of original programming content to such an extent that they are no longer feasible. • Changes in, or interpretations of, tax rules and regulations, and changes in geographic operating results, may adversely affect our effective tax rates. Risks Relating to our Common Stock • Our stock price may be subject to substantial volatility, and stockholders may lose all or a substantial part of their investment. • Our failure to meet the continued listing requirements of ~~Nasdaq Capital Market~~ **New York Stock Exchange American (" NYSE American ")** could result in a delisting of our common stock. • If our common stock becomes subject to the penny stock rules, it may be more difficult to sell our common stock. • ~~If we fail to maintain effective~~ **We have identified material weaknesses in our** internal ~~controls~~ - **control** over financial reporting **which** ~~, the price of our common stock~~ may ~~be adversely affected~~ **, if not effectively remediated, result in additional material misstatements in our financial statements** . • We are authorized to issue " blank check " preferred stock without stockholder approval, which could adversely impact the rights of holders of our common stock. • We do not expect to pay dividends in the future and any return on investment may be limited to the value of our common stock. • Offers or availability for sale of a substantial number of shares of our common stock may cause the price of our common stock to decline. The following discussion of risk factors contains forward- looking statements. These risk factors may be important to understanding any statement in this Annual Report on Form 10- K or elsewhere. The following information should be read in conjunction with Part II, Item 7, " Management' s Discussion and Analysis of Financial Condition and Results of Operations " and the consolidated financial statements and related notes beginning on Page F- 1 of this Annual Report on Form 10- K. You should consider carefully the risks and uncertainties described below, in addition to other information contained in this Annual Report on Form 10- K, including our consolidated financial statements and related notes. The risks and uncertainties described below are not the only ones we face. Our business, financial condition and operating results can be affected by a number of factors, whether currently known or unknown, including but not limited to those described below. Any one or more of such factors could directly or indirectly cause our actual results of operations and financial condition to vary materially from past or anticipated future results of operations and financial condition. Any of these factors, in whole or in part, could materially and adversely affect our business, financial condition, results of operations and stock price. Because of the following factors, as well as other factors affecting our financial condition and operating results, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods. RISKS RELATING TO OUR BUSINESS We have a history of operating losses and incurred net losses in each fiscal quarter since our inception. For the year ended December 31, ~~2022~~ **2023** , we generated net revenues of $ ~~62~~ **44** . ~~3~~ **1** million and incurred a net loss of $ ~~44~~ **77** . ~~5~~ **1** million, while for the previous year, we generated net revenue of $ ~~7~~ **62** . ~~9~~ **3** million and incurred a net loss of $ ~~126~~ **45** . ~~3~~ **6** million. These losses, among other things, have had an adverse effect on our results of operations, financial condition, stockholders' equity, net current assets and working capital. We will need to generate additional revenue and / or reduce costs to achieve profitability. We are generating revenues derived from our existing properties, properties in production, and new brands being introduced into the marketplace. However, the ability to sustain these revenues and generate significant additional revenues and reduce our expenses or achieve profitability will depend upon numerous factors some of which are outside of our control. We expect that as our business continues to evolve and grow, we will need additional working capital. If adequate additional debt and / or equity financing is not available on reasonable terms or at all, we may not be able to continue to expand our business, and we will have to modify our business plans accordingly. These factors could have a material adverse effect on our future operating results and our financial condition. Cash flow and projections for any entertainment company producing original content can be expected to fluctuate until the animated content and ancillary consumer products are in the market and could fluctuate thereafter even when the content and products are in the marketplace. There is significant lead time in developing and producing animated content before that content is in the marketplace. Unanticipated delays in entertainment production can delay the release of the content into the marketplace. Structured retail windows that dictate when new products can be introduced at retail are also out of our control. While we believe that we have mitigated this in part by creating a slate of properties at various stages of development or production as well as representing certain established brands which contribute immediately to cash flow, any delays in the production and release of our content and products or any changes in the preferences of our customers could result in lower than anticipated cash flows. As with our cash flows, our revenues and results of operations depend significantly upon the appeal of our content to our customers, the timing of releases of our products and the commercial success of our products, none of which can be predicted with certainty. Accordingly, our revenues and results of operations may fluctuate from period to period. The results of one period may not be indicative of the results of any future period. Any quarterly fluctuations that we report in the future may not match the expectations of market analysts and investors. This could cause the price of our common stock to fluctuate. Production costs will be amortized according to the individual film forecasting methodology. If estimated remaining revenue is not sufficient to recover the unamortized production costs, the unamortized production costs will be written down to fair value. In any given quarter, if we lower our previous forecast with respect to total anticipated revenue, we would be required to adjust amortization of related production costs. These adjustments would adversely impact our business, operating results and financial condition. Our results of operations are affected by the performance of our investment portfolio. Our excess cash is invested by an external investment management service provider, under the direction of the Company' s management in accordance with the Company' s investment policy. The investment policy defines constraints and guidelines that restrict the asset classes that we may invest in by type, duration, quality and value. Our investments are subject to market- wide risks, and fluctuations, as well as to risks inherent in particular securities. The failure of any of the investment risk strategies that we employ could have a material adverse effect on our financial condition, results of operations and cash flows. The value of our investments is exposed to capital market risks, and our consolidated results of operations, financial condition or cash flows could be adversely affected by realized losses, impairments and changes in unrealized positions as a result of: significant market volatility, changes in interest rates, changes in credit spreads and defaults, a lack of pricing transparency, a reduction in market liquidity, declines in equity prices, changes in national, state / provincial or local laws and the strengthening or weakening of foreign currencies against the U. S. dollar. Levels of write- down or impairment are impacted by our assessment of the intent to sell securities that have declined in value as well as actual losses as a result of defaults or deterioration in estimates of cash flows. If we reposition or realign portions of the investment portfolio and sell securities in an unrealized loss position, we will incur **a credit** ~~an other- than- temporary impairment charge or realized losses~~ -- **loss** . Any such ~~charge~~ **loss** may have a material adverse effect on our results of operations and business. For the year ended December 31, ~~2022~~ **2023** , we incurred net realized and unrealized investment gains and losses, as described in Item 8, " Financial Statements and Supplementary Data " included herein. A decrease in economic activity in the United States or in other regions of the world in which we do business could adversely affect demand for our products, thus reducing our revenue and earnings. A decline in economic conditions could reduce demand for and sales of our products. In addition, an increase in price levels generally, or in price levels in a particular sector, could result in a shift in consumer demand away from the animated content and consumer products we offer, which could also decrease our revenues, increase our costs, or both. ~~We may experience~~ **Further, recent global events have adversely affected and are continuing to adversely affect workforces,**

organizations, economies, and financial markets globally, leading to economic downturns, inflation, and increased market volatility. Military conflicts and wars (such as the ongoing conflicts between Russia and Ukraine, Israel and Hamas, and the Red Sea crisis and its impact on shipping and logistics), terrorist attacks, instability in Venezuela, other geopolitical events, high inflation, increasing interest rates, bank failures and associated financial instability and crises, and supply chain issues can cause exacerbated volatility and disruptions to various aspects of the global economy. The uncertain nature, magnitude, and duration of hostilities stemming from such conflicts, including the potential effects of sanctions and counter- sanctions, or retaliatory cyber- attacks on the world economy and markets, have contributed to increased market volatility and uncertainty, which could have an adverse impact on **macroeconomic factors that affect** our ~~results of~~ **business and** operations ~~due to the current geopolitical tensions caused by the Russian invasion of Ukraine~~ . ~~The~~ **Regulatory requirements or** ~~governments~~ - **government** ~~of the European Union, the United States, Japan and other jurisdictions have recently announced the imposition of sanctions~~ --- **action against our service** ~~on certain industry sectors and parties in Russia and the regions of Donetsk and Luhansk~~ , **whether in** ~~as well as enhanced export controls on certain products and industries. These and any additional sanctions and export controls, as well as any counter responses~~ - **response to enforcement** ~~by the governments~~ of ~~Russia~~ **actual** or ~~other jurisdictions~~ **purported legal and regulatory requirements or otherwise** , could **result in disruption** ~~adversely affect, directly~~ or ~~indirectly, the levels of government spending or the global supply chain, with negative implications on~~ **non** ~~the~~ **-** availability ~~and prices~~ of ~~raw materials, energy prices, and our customers, as well as the global financial markets. We face various risks related to health epidemics, pandemics and similar outbreaks, including the COVID- 19 pandemic. The COVID- 19 pandemic and the mitigation efforts by governments to attempt to control its spread have adversely impacted the global economy, leading to reduced consumer spending and lending activities. Our customers, and therefore our business and revenues, are sensitive to negative changes in general economic conditions. We experienced significant revenue declines in several of our markets as a result of COVID- 19, primarily due to the supply chain issues that are affecting the toy industry and which impacted our Beacon subsidiary. We continue to work with our stakeholders (including customers, employees, consumers, suppliers, business partners and local communities) to responsibly address this global pandemic. We will continue to monitor the situation and assess possible implications to our business and our stakeholders and will take appropriate actions in an effort to mitigate adverse consequences. We cannot assure you that we will be successful in any such mitigation efforts. The extent to which the COVID- 19 pandemic will continue to negatively impact our operations will depend on future developments which are highly uncertain and cannot be predicted with confidence, including the duration of the pandemic, the emergence of new virus variants, new information which may emerge concerning the severity of the COVID- 19 pandemic, outbreaks occurring at any of our facilities, the actions taken to control the spread of COVID- 19 or~~ **our** ~~treat its impact, and changes in worldwide and U. S. economic conditions. Further deterioration in economic conditions, as a result of the COVID- 19 pandemic or otherwise, could lead to a further or prolonged decline in demand for our products and services~~ - **service** ~~and negatively impact our~~ - **or particular content** ~~business. It may also impact financial markets and corporate credit markets which could adversely impact our~~ - **or increased** ~~access to financing or the terms of any such financing. We cannot at this time predict the extent of the impact of the COVID- 19 pandemic and its resulting economic impact, but it could have a material adverse effect on our business, financial position, results of operations~~ - **operating costs in** ~~and cash flows. To the extent the COVID- 19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other~~ -- **the applicable jurisdiction** ~~risks described in this “ Item 1A. Risk Factors ”~~ and **foreign intellectual property laws** ~~elsewhere in this Annual Report on Form 10- K~~ , such as **the EU copyright directive, or changes to such laws, among other issues, may impact the economics of creating or distributing content, anti- piracy efforts, or** our ability to protect ~~our~~ - **or exploit intellectual property rights** ~~information technology networks and infrastructure from unauthorized access, misuse, malware, phishing and other events that could have a security impact as a result of our remote working environment or otherwise. On March 15, 2022, we began implementing our “ Return to Office ” plan and currently the majority of the employees based in our Beverly Hills headquarters are in the office five days a week~~ . While trends in the toddler to tween sector change quickly, we respond to trends and developments by modifying, refreshing, extending, and expanding our product offerings on an on- going basis. However, we operate in extremely competitive industries where the ultimate appeal and popularity of content and products targeted to this sector can be difficult to predict. We believe our focus on “ content with a purpose ” serves an underrepresented area of the toddler to tween market; however, if the interests of our audience trend away from our current properties toward other offerings based on current media, movies, animated content or characters, and if we fail to accurately anticipate trends in popular culture, movies, media, fashion, or technology, our products may not be accepted by children, parents, or families and our revenues, profitability, and results of operations may be adversely affected. The industries in which we operate are competitive, and our results of operations are sensitive to, and may be adversely affected by, competitive pricing, promotional pressures, additional competitor offerings and other factors, many of which are beyond our control. Indirectly through our licensing arrangements, we compete for retailers as well as other outlets for the sale and promotion of our licensed merchandise. Our primary competition comes from competitors such as The Walt Disney Company, Nickelodeon Studios, and the Cartoon Network. We have sought a competitive advantage by providing “ content with a purpose ” which are both entertaining and enriching for children and offer differentiated value that parents seek in making purchasing decisions for their children. While we do not believe that this value proposition is specifically offered by our competitors, our competitors have greater financial resources and more developed marketing channels than we do which could impact our ability, through our licensees, to secure shelf space thereby decreasing our revenues or affecting our profitability and results of operations. **In addition, new technological developments, including the development and use of generative artificial intelligence (“ AI ”), are rapidly evolving. If our competitors gain an advantage by using such technologies, our ability to compete effectively and our results of operations could be adversely impacted.** As part of our business model to manage cash flows, we have partnered with a number of third- party production and animation studios around the world for the production of our new content in which these partners fund the production of the content in exchange for a portion of revenues generated in certain territories. We are reliant on our partners to produce and deliver the content on a timely basis meeting the predetermined specifications for that product. The delivery of inferior content could result in additional expenditures by us to correct any problems to ensure marketability. Further, delays in the delivery of the finished content to us could result in our failure to deliver the product to broadcasters to which it has been pre- licensed. While we believe we have mitigated this risk by aligning the economic interests of our partners with ours and managing the production process remotely on a daily basis, any failures or delays from our production partners could negatively affect our profitability. Our business depends on the appeal of our content to distributors and viewers, which is difficult to predict. Our business depends in part upon viewer preferences and audience acceptance of our original programming content. These factors are difficult to predict and are subject to influences beyond our control, such as the quality and appeal of competing programming, general economic conditions and the availability of other entertainment activities. We may not be able to anticipate and react effectively to shifts in tastes and interests in markets. A change in viewer preferences could cause our original programming content to decline in popularity, which could jeopardize renewal of agreements with distributors. Low ratings or viewership for programming content produced by us may lead to the cancellation, removal or non- renewal of a program and can negatively affect future license fees for such program. If our original programming content does not gain the level of audience acceptance we expect, or if we are unable to maintain the popularity of our original programming, we may have a diminished negotiating position when dealing with distributors, which could reduce our revenue. We cannot assure you that we will be able to maintain the success of any of our current original programming content or generate sufficient demand and market acceptance for new original programming content in the future. This could materially adversely impact our business, financial condition, operating results, liquidity and prospects. Our products are marketed worldwide through a diverse spectrum of advertising and promotional programs. Our ability to sell products is dependent in part upon the success of these programs. If we or our licensees do not successfully market our products or if media or other advertising or promotional costs increase, these factors could have an adverse effect on our business, financial condition, and results of operations. The availability of retailer programs relating to product placement, co- op advertising and market development funds, and our ability and willingness to pay for such programs, are important with respect to promoting our properties. In addition, although we may have agreements for the advertising and promotion of our products through our licensees, we will not be in direct control of those marketing efforts and those efforts may not be done in a manner that will maximize sales of our products and may have a material adverse effect on our business and operations. The entertainment industry in general, and the music and motion picture industries in particular, continue to undergo significant changes, primarily due to technological developments **, such as AI** . Because of the rapid growth of technology, shifting consumer tastes and the popularity and availability of other forms of entertainment, it is impossible to predict the overall effect these factors could have on potential revenue from, and profitability of, distributing entertainment programming. As it is also impossible to predict the overall effect these factors could have on our ability to compete effectively in a changing market, if we are not able to keep pace with these technological advances, our revenues, profitability and results from operations may be materially adversely affected. Our ability to execute our business plan and maintain operations depends on the continued and uninterrupted performance of our information technology (" IT ") systems. IT systems are vulnerable to risks and damages from a variety of sources, including telecommunications or network failures, malicious human acts and natural disasters. Moreover, despite network security and back- up measures, some of our and our vendors' servers are potentially vulnerable to physical or electronic break- ins, including cyber- attacks, computer viruses and similar disruptive problems. These events could lead to the unauthorized access, disclosure and use of non- public information. The techniques used by criminal elements to attack computer systems are sophisticated, change frequently and may originate from less regulated and remote areas of the world. As a result, we may not be able to address these techniques proactively or implement adequate preventative measures. If our computer systems are compromised, we could be subject to fines, damages, litigation and enforcement actions, and we could lose trade secrets, the occurrence of which could harm our business. Despite precautionary measures to prevent unanticipated problems that could affect our IT systems, sustained or repeated system failures that interrupt our ability to generate and maintain data could adversely affect our ability to operate our business. In the ordinary course of business, our internal computer systems and those of our current and any future collaborators and other contractors or consultants are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. ~~There~~ **We and many of the third parties we work with rely on open source software and libraries that are integrated into a variety of applications, tools and systems, which may increase our exposure to vulnerabilities. Additionally, outside parties may attempt to induce employees, vendors, partners, or users to disclose sensitive or confidential information in order to gain access to data. Any attempt by hackers to obtain our data (including member and corporate information) or intellectual property (including digital content assets), disrupt our service, or otherwise access our systems, or those of third parties we use, if successful, could harm our business, be expensive to remedy and damage our reputation. We have implemented certain systems and processes to thwart hackers and protect our data and systems. However, the techniques used to gain unauthorized access to data and software are constantly evolving, and we** may be ~~an increased risk of~~ **unable to anticipate, detect or prevent unauthorized access or address all** cybersecurity **incidents** ~~attacks by state actors due to the current conflict between Russia and Ukraine. Recently, Russian ransomware gangs have threatened to increase hacking activity against critical infrastructure of any nation or organization~~ that ~~retaliates against Moscow for its invasion of Ukraine. While we do not believe that we have experienced any such material system failure, accident or security breach to date, if such an event were to~~ occur **. Further** ~~and cause interruptions in our operations~~ , **access** ~~it could adversely affect our business operations, whether due~~ to ~~a~~ **, disclosure of,** loss of **and misuse of personal** ~~our~~ **or** ~~trade secrets or other~~ proprietary ~~information or other similar disruptions. Any such access, disclosure or other loss of such~~ information could result in legal claims or proceedings ~~and damage our reputation~~ . Our success greatly depends on the performance of our executive management team, including Andy Heyward, our

Chief Executive Officer. The loss of the services of any member of our core executive management team or other key persons could have a material adverse effect on our business, results of operations and financial condition. We do not have " key man " insurance coverage for any of our employees. Substantial, complex or extended litigation could cause us to incur large expenditures and could distract management. For example, lawsuits by licensors, consumers, employees or stockholders could be very costly and disrupt business. ~~We recently had a securities class action and derivative shareholder action filed against us.~~ While disputes from time to time are not uncommon, we may not be able to resolve such disputes on terms favorable to us. Our vendors and licensees may operate in a highly regulated environment in the U. S. and international markets. Federal, state and local governmental entities and foreign governments may regulate aspects of their businesses, including the production or distribution of our content or products. These regulations may include accounting standards, taxation requirements (including changes in applicable income tax rates, new tax laws and revised tax law interpretations), product safety and other safety standards, trade restrictions, regulations regarding financial matters, environmental regulations, advertising directed toward children, product content, and other administrative and regulatory restrictions. While we believe our vendors and licensees take all the steps necessary to comply with these laws and regulations, there can be no assurance that they are compliant or will be in compliance in the future. Failure to comply could result in monetary liabilities and other sanctions which could increase our costs or decrease our revenue resulting in a negative impact on our business, financial condition and results of operations. Our ability to compete in the animated content and entertainment industry depends, in part, upon successful protection of our proprietary and intellectual property. We protect our property rights to our productions through available copyright and trademark laws and licensing and distribution arrangements with reputable companies in specific territories and media for limited durations. Despite these precautions, existing copyright and trademark laws afford only limited, or no, practical protection in some jurisdictions. It may be possible for unauthorized third parties to copy and distribute our productions or portions of our productions. In addition, although we own most of the music and intellectual property included in our products, there are some titles which the music or other elements are in the public domain and for which it is difficult or even impossible to determine whether anyone has obtained ownership or royalty rights. It is an inherent risk in our industry that people may make such claims with respect to any title already included in our products, whether or not such claims can be substantiated. ~~For example, in July 2020, we received a letter from a law firm alleging that rights that we had licensed from POW! Entertainment, LLC (" POW"). had already been sold to another company, Proxima. This matter was settled by POW in November 2021, but the settlement negotiations were costly and required diversion of management attention.~~ If litigation is necessary in the future to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or invalidity. Any such litigation could result in substantial costs and the resulting diversion of resources could have an adverse effect on our business, operating results or financial condition. Much of our growth is attributable to acquisitions. In an effort to implement our business strategies, we may from time to time in the future attempt to pursue other acquisition or expansion opportunities, including strategic investments. To the extent we can identify attractive opportunities, these transactions could involve acquisitions of entire businesses or investments in start- up or established companies and could take several forms. These types of transactions may present significant risks and uncertainties, including the difficulty of identifying appropriate companies to acquire or invest in on acceptable terms, potential violations of covenants in our debt instruments, insufficient revenue acquired to offset liabilities assumed, unexpected expenses, inadequate return of capital, regulatory or compliance issues, potential infringements, difficulties integrating the new properties into our operations, and other unidentified issues not discovered in due diligence. In addition, the financing of any future acquisition completed by us could adversely impact our capital structure. Except as required by law or applicable securities exchange listing standards, we do not expect to ask our shareholders to vote on any proposed acquisition. During the year ended December 31, 2021, we acquired an equity interest in Your Family Entertainment AG (" YFE "). We are exposed to the risk of success of the YFE business. We are also exposed to risk of adverse reactions to the transaction or changes to business relationships; competitive responses; inability to maintain key personnel and changes in general economic conditions in Germany. If YFE fails to perform to our expectations, it could have a material adverse effect on our results of operations or financial condition. We ~~may not realize all of the anticipated financial, marketing and operational benefits of the Wow Acquisition. The benefits we expect to achieve as a result of the Wow Acquisition will depend, in part, on our ability to realize anticipated growth opportunities and cost synergies. Our success in realizing these growth opportunities and cost synergies, and the timing of this realization, depends on the successful integration of Wow' s business and operations with our business and operations. Even if we are able to integrate our business with Wow' s business successfully, this integration may not result in the realization of the full benefits of the growth opportunities and cost synergies we currently expect within the anticipated time frame or at all. For example, we may be unable to eliminate duplicative costs, achieve growth plans, or effectively increase market share exposure. Moreover, we anticipate that we will incur substantial expenses in connection with the integration of our business with Wow' s business. While we anticipate that certain expenses will be incurred, such expenses are difficult to estimate accurately, and may exceed current estimates. Accordingly, the benefits from the Wow Acquisition may be offset by costs incurred or delays in integrating the companies, which could cause our financial assumptions to be inaccurate. We~~ have expanded into international operations, including the acquisitions of Wow and Ameba **, our launch of Kartoon Channel! WW** and our investment in YFE. As part of our growth strategy, we will continue to evaluate potential opportunities for further international expansion. Operating in international markets requires significant resources and management attention, and subjects us to legal, regulatory, economic and political risks in addition to those we face in the United States. We have limited experience with international operations, and further international expansion efforts may not be successful. In addition, we face risks in doing business internationally that could adversely affect our business, including: • Fluctuations in currency exchange rates, which could increase the price of our products outside of the United States, increase the expenses of our international operations and expose us to foreign currency exchange rate risk ~~;~~ • Currency control regulations, which might restrict or prohibit our conversion of other currencies into U. S. dollars ~~;~~ • Restrictions on the transfer of funds ~~;~~ • Difficulties in managing and staffing international operations, including difficulties related to the increased operations, travel, infrastructure, employee attrition and legal compliance costs associated with numerous international locations ~~;~~ • Our ability to effectively price our products in competitive international markets ~~;~~ • New and different sources of competition ~~;~~ • The need to adapt and localize our products for specific countries ~~;~~ • Challenges in understanding and complying with local laws, regulations and customs in foreign jurisdictions ~~;~~ • International trade policies, tariffs and other non- tariff barriers, such as quotas ~~;~~ • The continued threat of terrorism and the impact of military and other action ~~, including military actions involving Russia and Ukraine; and~~ • Adverse consequences relating to the complexity of operating in multiple international jurisdictions with different laws, regulations and case law which are subject to interpretation by taxpayers, including us. In addition, due to potential costs from our international expansion efforts outside of the United States, our gross margin for international customers may be lower than our gross margin for domestic customers. As a result, our overall gross margin may fluctuate as we further expand our operations and customer base internationally. Our failure to manage any of these risks successfully could harm our international operations, and adversely affect our business, results of operations and financial condition. Exchange rate fluctuations could result in significant foreign currency gains and losses and affect our business results. Wow' s functional currency is the Canadian dollar, therefore their financial results are translated into USD, our reporting currency, upon consolidation of our financial statements. We are then exposed to more significant currency fluctuation risks as a result of the Wow Acquisition. Fluctuations between the foreign exchange rates, in particular the Canadian dollar and the U. S. dollar, affect the amounts we record for our foreign assets, liabilities, revenues and expenses, and could have a negative effect on our financial results. Further, each entity conducts a growing portion of their businesses in currencies other than such entity' s own functional currency. Therefore, in addition to the foreign currency translation risk, we face exposure to adverse movements in currency exchange rates with each transaction made outside of the entities' functional currency **, including our investment in YFE** . If the functional currency of the entity weakens against the foreign currencies in which transactions are being made, the remeasurement of these foreign currency denominated transactions will result in increased revenue, operating expenses and net income (or loss). However, if the functional currency of the entity weakens against the foreign currencies in which transactions are being made, the remeasurement of these foreign currency denominated transactions will result in decreased revenue, operating expenses and net income (or loss). As exchange rates vary, sales and other operating results, when remeasured, may differ materially from expectations. We continue to review potential hedging strategies that may reduce the effect of fluctuating currency rates on our business, but there can be no assurances that we will implement such a hedging strategy or that once implemented, such a strategy would accomplish our objectives or not result in losses. When we acquire an entity, the excess of the purchase price over the fair value of the net identifiable assets acquired is allocated to goodwill. We conduct impairment tests on our goodwill at least annually based upon the fair value of the reporting unit to which such goodwill relates, including the determination of expected future cash flows and / or profitability of such reporting units, and we take into account market value multiples and / or cash flows of entities that we deem to be comparable in nature, scope or size to our reporting units. A goodwill impairment is created if the estimated fair value of one or more of our reporting units decreases, causing the carrying value of the net assets assigned to the reporting unit — which includes the value of the assigned goodwill — to exceed the fair value of such net assets. If we determine such an impairment exists, we adjust the carrying value of goodwill allocated to that reporting unit by the amount of fair value in excess of the carrying value. The impairment charge is recorded in our income statement in the period in which the impairment is determined. If we are required in the future to record additional goodwill impairments, our financial condition and results of operations would be negatively affected. In connection with fair value measurements and the accounting for goodwill, the use of generally accepted accounting principles requires management to make certain estimates and assumptions. Significant judgment is required in making these estimates and assumptions, and actual results may ultimately be materially different from such estimates and assumptions. ~~RISK~~ **RISKS** RELATING TO OUR INDEBTEDNESS As of December 31, ~~2022~~ **2023** , we and our subsidiaries have production loan facility obligations of approximately $ ~~18~~ **15** . 3 million and advances outstanding of $ ~~1~~ **2** . ~~7~~ **9** million under our senior secured revolving credit facility. We also had an outstanding margin loan of $ ~~60~~ **0** . 8 million secured by our marketable investment securities as of December 31, ~~2022~~ **2023** . The facilities are guaranteed by us and the security reflects substantially all of our tangible and intangible assets including a combination of federal and provincial tax credits, other government incentives, production service agreements and license agreements. The facilities and the margin loan are generally repayable on demand and are subject to customary default provisions, representations and warranties and other terms and conditions. Our level of debt could have adverse consequences on our business, such as making it more difficult for us to satisfy our obligations with respect to our other debt; limiting our ability to refinance such indebtedness or to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements; requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes; increasing our vulnerability to economic downturns and adverse developments in our business; exposing us to the risk of increased interest rates as certain of our borrowings are at fixed long term rates and or variable rates of interest; limiting our flexibility in planning for, and reducing our flexibility in reacting to, changes in the conditions of the financial markets and our industry; placing us at a competitive disadvantage compared to other, less leveraged competitors; increasing our cost of borrowing; and restricting the way in which we conduct our business because of financial and operating covenants in the agreements governing our existing and future indebtedness and exposing us to potential events of default (if not cured or waived) under covenants contained in our debt instruments. ~~RISK~~ **RISKS** RELATED TO TAX RULES AND REGULATIONS Original programming requires substantial financial commitment, which can occasionally be offset by foreign, state or local tax incentives. However, there is a risk that the tax incentives will not remain available for the duration of a series. If tax incentives are no longer available or reduced substantially, it may result in increased costs for us to complete the production, or make the production of additional seasons more expensive. If we are unable to produce original programming content on a cost effective basis our business, financial condition and results of operations would be materially adversely affected. Further we are subject to ordinary course audits from the Canada Revenue Agency (" CRA ") and Provincial agencies. Changes in administrative policies by the CRA or subsequent review of eligibility documentation may impact the collectability of these estimates. We continuously review the results of these audits to determine if any circumstances arise that in management' s judgment would result in previously recognized tax credit receivables to be considered no longer collectible. While we believe our estimates are reasonable, we cannot assure you that final determinations from any review will not be materially different from those reflected in our financial statements. Any adverse outcome from any examinations may have an adverse effect on our business and operating results, which could cause the market price of our securities to decline. We are subject to income taxes in Canada, the U. S. and foreign tax jurisdictions. We also conduct business and financing activities between our entities in various jurisdictions and we are subject to complex transfer pricing regulations in the countries in which we operate. Although uniform transfer pricing standards are emerging in many of the countries in which we operate, there is still a relatively high degree of uncertainty and inherent subjectivity in complying with these rules. In addition, due to economic and political conditions, tax rates in various jurisdictions may be subject to significant change. Our future effective tax rates could be affected by changes in tax laws or regulations or the interpretation thereof, (including those affecting the allocation of profits and expenses to differing jurisdictions), by changes in the amount of revenue or earnings that we derive from international sources in countries with high or low statutory tax rates, by changes in the valuation of our deferred tax assets and liabilities, by changes in the expected timing and amount of the release of any tax valuation allowance, or by the tax effects of stock- based compensation. Unanticipated changes in our effective tax rates could affect our future results of operations. Further, we may be subject to examination of our income tax returns by federal, state, and foreign tax jurisdictions. We regularly assess the likelihood of outcomes resulting from possible examinations to determine the adequacy of our provision for income taxes. In making such assessments, we exercise judgment in estimating our provision for income taxes. While we believe our estimates are reasonable, we cannot assure you that final determinations from any examinations will not be materially different from those reflected in our historical income tax provisions and accruals. Any adverse outcome from any examinations may have an adverse effect on our business and operating results, which could cause the market price of our securities to decline. RISKS RELATING TO OUR COMMON STOCK Our common stock currently trades on **NYSE American** ~~the Nasdaq Capital Market~~ . There is limited public float, and trading volume historically has been low and sporadic. As a result, the market price for our common stock may not necessarily be a reliable indicator of our fair market value. The price at which our common stock trades may fluctuate as a result of a number of factors, including the number of shares available for sale in the market, quarterly variations in our operating results, actual or anticipated announcements of new releases by us or competitors, the gain or loss of significant customers, changes in the estimates of our operating performance, market conditions in our industry and the economy as a whole. **Our failure to meet the continued listing requirements of NYSE American could result in a delisting of our common stock.** If we fail to satisfy the continued listing requirements of **NYSE American** ~~Nasdaq Capital Market~~ , such as minimum financial and other continued listing requirements and standards, including those regarding minimum stockholders' equity, minimum share price, and certain corporate governance requirements, ~~Nasdaq~~ **the NYSE** may take steps to delist our common stock. Such a delisting would likely have a negative effect on the price of our common stock and would impair your ability to sell or purchase our common stock when you wish to do so. In the event of a delisting, we would expect to take actions to restore our compliance with ~~Nasdaq~~ **NYSE American** ' s listing requirements, but we can provide no assurance that any such action taken by us would allow our common stock to become listed again, stabilize the market price or improve the liquidity of our common stock, prevent our common stock from dropping below the ~~Nasdaq~~ **NYSE** minimum bid price requirement, or prevent future non- compliance with ~~Nasdaq~~ **NYSE** ' s listing requirements ~~. On March 4, 2022, we received written notice from the Listing Qualifications Department of The Nasdaq Stock Market LLC (" Nasdaq ") notifying us that for the preceding 30 consecutive business days, our common stock did not maintain a minimum closing bid price of $ 1. 00 per share (" Minimum Bid Price Requirement ") as required by Nasdaq Listing Rule 5550 (a) (2). In accordance with Nasdaq Listing Rule 5810 (c) (3) (A), we were granted an initial grace period of 180 calendar days, or until August 31, 2022 (the " Initial Compliance Period "), to regain compliance with the Minimum Bid Price Requirement. We did not regain compliance with the Minimum Bid Price Requirement during the Initial Compliance Period, but on September 1, 2022, we received another notice from Nasdaq notifying us that it had determined to grant us an extension of another 180 days, or until February 27, 2023 (the " Second Compliance Period ") to regain compliance with the Minimum Bid Price Requirement. On February 10, 2023, we effected a reverse stock split of our issued and outstanding shares of common stock at a ratio of 1- for- 10 in order to regain compliance with the Minimum Bid Price Requirement, and on February 28, 2023, we received written notification from Nasdaq notifying us that we had regained compliance with the Minimum Bid Price Requirement and that this matter is now closed. However, there is no guarantee that we will be able to maintain compliance with the Minimum Bid Price Requirement or any other Nasdaq listing requirements in the future~~ . The SEC has adopted rules that regulate broker- dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than $ 5. 00 (other than securities registered on certain national securities exchanges or authorized for quotation on certain automated quotation systems, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system). The OTC Bulletin Board does not meet such requirements and if the price of our common stock is less than $ 5. 00 and our common stock is no longer listed on a national securities exchange such as ~~Nasdaq~~ **the NYSE** , our stock may be deemed a penny stock. The penny stock rules require a broker- dealer, at least two business days prior to a transaction in a penny stock not otherwise exempt from those rules, to deliver to the customer a standardized risk disclosure document containing specified information and to obtain from the customer a signed and date acknowledgment of receipt of that document. In addition, the penny stock rules require that prior to effecting any transaction in a penny stock not otherwise exempt from those rules, a broker- dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive: (i) the purchaser' s written acknowledgment of the receipt of a risk disclosure statement; (ii) a written agreement to transactions involving penny stocks; and (iii) a signed and dated copy of a written suitability statement. These disclosure requirements may have the effect of reducing the trading activity in the secondary market for our common stock, and therefore stockholders may have difficulty selling their shares. Our **management is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rule 13a- 15 (f) under the Securities Exchange Act of 1934, as amended. As disclosed in Item 9A, " Controls and Procedures " in this Annual Report on Form 10- K, management identified material weaknesses in our** internal control over financial reporting ~~may have~~ **. The related control deficiencies resulted in material misstatements in our previously issued audited consolidated financial statements in the annual report for the year ended December 31, 2022, including the unaudited interim periods ended June 30, 2022 and September 30, 2022 and the unaudited interim periods ended March 31, 2023, June 30, 2023 and September 30, 2023. A material** ~~weaknesses~~ - **weakness is defined as a deficiency** ~~and conditions that could require correction or remediation~~ , ~~the disclosure of which may have an adverse impact on the price of our~~ - **or combination of deficiencies, in** ~~common stock. We are required to establish and maintain appropriate~~ internal ~~controls~~ - **control** over financial reporting **, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis** . ~~Failure to establish~~ **As a result of** ~~those~~ - **the material weakness, our management concluded that our internal** ~~controls~~ - **control** ~~,~~ **over financial reporting was not effective based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission. Our management is actively engaged in developing a remediation plan designed to address these material weaknesses. If** ~~or~~ **our remedial measures are insufficient to address the material weaknesses, or if additional material weaknesses or significant deficiencies in our internal control are discovered or occur in the future, our financial statements may contain material misstatements and we could be required to restate our financial results. We cannot assure you that** any ~~failure of~~ **measures we may take in the near future will be sufficient to remediate** ~~those~~ **these** ~~controls once established~~ **material weaknesses or avoid potential future material weaknesses. In addition** , **we may suffer adverse regulatory or other consequences, as well as negative market reaction, as a result of any material weaknesses, and we will incur additional costs as we seek to remediate these material weaknesses. If not remediated, these material weaknesses** could **result in additional material misstatements to our annual or interim consolidated financial statements that might not be prevented or detected on a timely basis, or in delayed filing of required periodic reports. If we are unable to assert that our internal control over financial reporting is effective, or when required in the future, if our independent registered public accounting firm is unable to express an unqualified opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports, the market price of our common stock could be** adversely ~~affect~~ **affected and we could become subject to litigation** ~~our~~ - **or** ~~public disclosures regarding~~ **investigations by NYSE, the SEC,** ~~our~~ - **or** ~~business~~ **other regulatory authorities** , ~~prospects,~~ **which could require additional** financial **and management resources** ~~condition or results of operations~~ . Rules adopted by the SEC pursuant to Section 404 of the Sarbanes- Oxley Act of 2002 require an annual assessment of internal controls over financial reporting, and for certain issuers an attestation of this assessment by the issuer' s independent registered public accounting firm. The standards that must be met for management to assess the internal controls over financial reporting as effective are evolving and complex, and require significant documentation, testing, and possible remediation to meet the detailed standards. We expect to incur significant expenses and to devote resources to Section 404 compliance on an ongoing basis ~~. In addition, we are not subject to auditor attestation of internal controls which may identify weaknesses and conditions that need to be addressed in our internal controls over financial reporting or other matters that may raise concerns for investors. Any actual or perceived weaknesses and conditions that need to be addressed in our internal control over financial reporting or disclosure of management' s assessment of our internal controls over financial reporting may have an adverse impact on the price of our common stock~~ . Our Articles of Incorporation authorize us to issue up to 10, 000, 000 shares of blank check preferred stock. Any additional preferred stock that we issue in the future may rank ahead of our common stock in terms of dividend priority or liquidation premiums and may have greater voting rights than our common stock. In addition, such preferred stock may contain provisions allowing those shares to be converted into shares of common stock, which could dilute the value of common stock to current stockholders and could adversely affect the market price, if any, of our common stock. In addition, the preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of our company. Although we have no present intention to issue any additional shares of authorized preferred stock, there can be no assurance that we will not do so in the future. We do not currently anticipate paying cash dividends in the foreseeable future. The payment of dividends on our common stock will depend on earnings, financial condition and other business and economic factors affecting it at such time as our Board of Directors may consider relevant. Our current intention is to apply net earnings, if any, in the foreseeable future to increasing our capital base and development and marketing efforts. There can be no assurance that we will ever have sufficient earnings to declare and pay dividends to the holders of our common stock, and in any event, a decision to declare and pay dividends is at the sole discretion of our Board of Directors. If we do not pay dividends, our common stock may be less valuable because the return on investment will only occur if its stock price appreciates. If our stockholders sell substantial amounts of our common stock in the public market upon the expiration of any statutory holding period under Rule 144, or shares issued upon the exercise of outstanding options or warrants, it could create a circumstance commonly referred to as an " overhang " and, in anticipation of which, the market price of our common stock could fall. The existence of an overhang, whether or not sales have occurred or are occurring, also could make more difficult our ability to raise additional financing through the sale of equity or equity- related securities in the future at a time and price that we deem reasonable or appropriate. In general, under Rule 144, a non- affiliated person who has held restricted shares of our common stock for a period of six months may sell into the market all of their shares, subject to us being current in our periodic reports filed with the SEC. As of April ~~12~~ **5** , ~~2023~~ **2024** , approximately ~~30~~ **33** , ~~018~~ **147** , ~~578~~ **900** shares of common stock of the ~~32~~ **35** , ~~059~~ **367** , ~~657~~ **653** shares of common stock issued ~~and~~ **are** outstanding ~~are~~ **and** ~~free~~ **freely** trading. As of December 31, ~~2022~~ **2023** , there ~~are 423~~ **were 6** , **852, 952 warrants** ~~793 shares of common stock underlying~~ outstanding ~~warrants that could be sold pursuant to Rule 144 to the extent permitted by any applicable vesting requirements as well as 4, 009, 800 shares of common stock underlying registered warrants~~ . Lastly, as of December 31, ~~2022~~ **2023** , there are 1, ~~351~~ **183** , ~~421~~ **908** shares of common stock underlying outstanding options granted, 1, ~~939~~ **020** , ~~985~~ **067** shares of common stock underlying outstanding restricted stock units (“ RSUs ”) and ~~98~~ **87** , ~~672~~ **045** shares reserved for issuance under our **Kartoon Studios** ~~Genius Brands International~~ , Inc. 2020 Incentive Plan.