

Genius Brands International, Inc.
Form DEF 14A
August 18, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

**INFORMATION REQUIRED IN
PROXY STATEMENT**

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-12.

GENIUS BRANDS INTERNATIONAL, INC.

(Name of Registrant as Specified in its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies.

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

GENIUS BRANDS INTERNATIONAL, INC.

301 N. Canon Drive, Suite 305

Beverly Hills, CA 90210

(310) 273-4222

NOTICE OF CONSENT SOLICITATION

August 18, 2015

To our Stockholders:

We are soliciting your consent to approve (i) an amendment to our Articles of Incorporation, as amended, to effect a reverse split (the "Reverse Split") of our issued and outstanding common stock by a ratio of not less than one-for-two and not more than one-for-five at any time prior to August 31, 2016, with the exact ratio to be set at a whole number within this range as determined by the board of directors (the "Board of Directors") in its sole discretion and (ii) the Company's 2015 Incentive Plan (collectively, the "Proposals"). On March 25, 2015, the Company's Board of Directors approved the 2015 Incentive Plan and on July 29, 2015, approved the Reverse Split. The Company's Board of Directors has deemed it advisable to seek stockholder approval of the Proposals, as required under the Nevada Revised Statutes, and has decided to seek the written consent of stockholders through a consent solicitation process rather than holding a special meeting of stockholders, in order to eliminate the costs and management time involved in holding a special meeting. The Proposals described in more detail in the accompanying Consent Solicitation Statement.

We have established the close of business on August 17, 2015, as the record date for determining stockholders entitled to submit written consents. Stockholders holding a majority of our outstanding voting capital as of the close of business on the record date must vote in favor of the Proposals to be approved by stockholders.

This solicitation is being made on the terms and subject to the conditions set forth in the accompanying Consent Solicitation Statement and Written Consent. To be counted, your properly completed Written Consent must be

received before 5:00 p.m. Eastern Time, on September 18, 2015, subject to early termination of the Consent Solicitation by our Board of Directors if a majority approval is received, or extension of the time of termination by our Board of Directors (the "Expiration Time").

Failure to submit the Written Consent will have the same effect as a vote against the Proposals. We recommend that all stockholders consent to the Proposals, by marking the box entitled "FOR" with respect to the Proposals and submitting the Written Consent by one of the methods set forth in the form of Written Consent which is attached as Appendix C to the Consent Solicitation Statement. If you sign and send in the Written Consent form but do not indicate how you want to vote as to the Proposals, your consent form will be treated as a consent "FOR" the Proposals.

By Order of the Board of Directors of Genius Brands International, Inc.

Sincerely,

/s/ Andrew Heyward

Andrew Heyward,

Chief Executive Officer and Chairman of the Board of Directors

GENIUS BRANDS INTERNATIONAL, INC.

301 N. Canon Drive, Suite 305

Beverly Hills, California 90210

(310) 273-4222

CONSENT SOLICITATION STATEMENT

General

This Consent Solicitation Statement dated August 18, 2015 is being furnished in connection with the solicitation of written consents of the stockholders of Genius Brands International, Inc., a Nevada corporation (the “Company,” “Genius,” “us,” “we,” or “our”) with regard to the following proposals (the “Proposals”):

1. To approve an amendment to our Articles of Incorporation, as amended, to effect a reverse split (the “Reverse Split”) of our issued and outstanding common stock, par value \$0.001 per share (the “Common Stock”), by a ratio of not less than one-for-two and not more than one-for-five at any time prior to August 31, 2016, with the exact ratio to be set at a whole number within this range as determined by the board of directors (the “Board of Directors”) in its sole discretion; and
2. To consider and act upon a proposal to approve the Company's 2015 Incentive Plan and the reservation of 450,000 shares of Common Stock for issuance thereunder (the “2015 Incentive Plan”).

The foregoing business items are more fully described in the following pages, which are made part of this notice.

Our Board of Directors unanimously adopted the Proposals and recommends that stockholders vote FOR the approval of the Proposals. The Board of Directors has decided to seek written consent rather than calling a special meeting of stockholders, in order to eliminate the costs and management time involved in holding a special meeting. Written consents are being solicited from holders of all of our voting capital of record pursuant to Section 78.320 of the Nevada Revised Statutes and Article I Section 8 of our Bylaws.

Voting materials, which include this Consent Solicitation Statement and a Written Consent form (attached as Appendix C), are being mailed to all stockholders on or about August 20, 2015. Our Board of Directors set the close of business on August 17, 2015, as the record date for the determination of stockholders entitled to act with respect to the Consent Solicitation (the "Record Date").

Stockholders holding a majority of our outstanding voting capital ("Voting Capital"), which consists of our Common Stock and our 0% Series A Convertible Preferred Stock (the "Series A Preferred Stock"), as of the close of business on the Record Date, must vote in favor of the Proposals to be approved by stockholders.

As of the Record Date, the Company had 6,529,450 shares of Common Stock outstanding, held by approximately 165 registered holders of record. Additionally, as of the Record Date, the Company had 5,690 shares of Series A Preferred Stock, convertible into an aggregate of 2,845,000 shares of Common Stock. Holders of our outstanding shares of Series A Preferred Stock are entitled to vote on an "as converted" basis with the holders of Common Stock, equal to the number of shares of Common Stock into which such shares of Series A Preferred Stock are convertible, but not in excess of any applicable beneficial ownership limitations governing such shares, as further described below.

Each share of Common Stock is entitled to one vote. Each share of Series A Preferred Stock is initially convertible into 500 shares of Common Stock and is entitled to such number of votes as such shares of Series A Preferred Stock are convertible into, subject to applicable beneficial ownership limitations. As of the Record Date, the outstanding Voting Capital was 8,735,450, which includes 6,529,450 shares of Common Stock and 4,412 shares of Series A Preferred Stock convertible into 2,206,000 shares of common stock. The foregoing breakdown is reflection of limitations on voting of our Series A Preferred Stock due to conversion, voting or beneficial ownership limitations even though such shares are otherwise issued and outstanding.

Any beneficial owner of the Company who is not a record holder must arrange with the person who is the record holder or such record holder's assignee or nominee to: (i) execute and deliver a Written Consent on behalf of such beneficial owner; or (ii) deliver a proxy so that such beneficial owner can execute and deliver a Written Consent on its own behalf.

Stockholders who wish to consent must deliver their properly completed and executed Written Consents to VStock Transfer, LLC in accordance with the instructions set forth in the Written Consent. The Company reserves the right (but is not obligated) to accept any Written Consent received by any other reasonable means or in any form that reasonably evidences the giving of consent to the approval of the Proposals.

Requests for copies of this Consent Solicitation Statement should be directed to Genius Brands International, Inc. at the address or telephone number set forth above.

The Company expressly reserves the right, in its sole discretion and regardless of whether any of the conditions of the Consent Solicitation have been satisfied, subject to applicable law, at any time prior to 5:00 p.m. Eastern Time, on September 18, 2015 (the "Expiration Date") to (i) terminate the Consent Solicitation for any reason, including if the consent of stockholders holding a majority of the Company's outstanding Voting Capital has been received, (ii) waive any of the conditions to the Consent Solicitation, or (iii) amend the terms of the Consent Solicitation.

The final results of this solicitation of written consents will be published in a Current Report on Form 8-K (the "Form 8-K") by the Company. This Consent Solicitation Statement and the Form 8-K shall constitute notice of taking of a corporate action without a meeting by less than unanimous written consent as permitted by applicable law and Article I Section 8 of our Bylaws.

All questions as to the form of all documents and the validity and eligibility (including time of receipt) and acceptance of consents and revocations of consents will be determined by the Company, in its sole discretion, which determination shall be final and binding.

Revocation of Consents

Written consents may be revoked or withdrawn by any stockholder at any time before the Expiration Date. A notice of revocation or withdrawal must specify the record stockholder's name and the number of shares being withdrawn. After the Expiration Date, all written consents previously executed and delivered and not revoked will become irrevocable. Revocations may be submitted to the Corporate Secretary of the Company by the same methods as written consents

may be submitted, as set forth in the form of Written Consent attached hereto as Appendix C.

Solicitation of Consents

Our Board of Directors is sending you this Consent Solicitation Statement in connection with its solicitation of stockholder consent to approve the Proposals. The Company will pay for the costs of solicitation. We will pay the reasonable expenses of brokers, nominees and similar record holders in mailing consent materials to beneficial owners of our Common Stock. Because the approval of holders of a majority of the outstanding Voting Capital is required to approve the Proposals, not returning the Written Consent will have the same effect as a vote against the Proposals.

Other than as discussed above, the Company has made no arrangements and has no understanding with any other person regarding the solicitation of consents hereunder, and no person has been authorized by the Company to give any information or to make any representation in connection with the solicitation of consents, other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized. In addition to solicitations by mail, consents may be solicited by directors, officers and other employees of the Company who will receive no additional compensation therefor.

Members of our management beneficially own shares of our Common Stock and intend to submit their consents “For” the Proposals. As a result, approximately 3,034,298 shares held by our Chief Executive Officer, President and Board of Directors will be voted in favor of the Proposals constituting approximately 46.5% of our issued and outstanding Common Stock as of the Record Date. See “Security Ownership of Certain Beneficial Owners and Management”.

No Appraisal Rights

Under the Nevada Revised Statutes and our charter documents, holders of our outstanding Voting Capital will not be entitled to statutory rights of appraisal, commonly referred to as dissenters' rights or appraisal rights (i.e., the right to seek a judicial determination of the "fair value" of their shares and to compel the purchase of their shares for cash in that amount) with respect to the Proposals.

Householding Matters

Stockholders that share a single address will receive only one Consent Solicitation Statement and Written Consent at that address, unless we have received instructions to the contrary from any stockholder at that address. This practice, known as "householding," is designed to reduce our printing and postage costs. However, if a stockholder of record residing at such an address wishes to receive a separate copy of this Consent Solicitation Statement or of future consent solicitations (as applicable), he or she may write to us at: Genius Brands International, Inc. 301 N. Canon Drive, Suite 305, Beverly Hills, CA 90210, Attention: Corporate Secretary. We will deliver separate copies of this Consent Solicitation Statement and form of Written Consent promptly upon written request. If you are a stockholder of record receiving multiple copies of our Consent Solicitation Statement and form of Written Consent, you can request householding by contacting us in the same manner. If you own your shares through a bank, broker or other stockholder of record, you can request additional copies of this Consent Solicitation Statement and form of Written Consent or request householding by contacting the stockholder of record.

As of the Record Date, the closing price of our Common Stock was \$2.02 per share and our total market capitalization was approximately \$13,189,489.

INTEREST OF DIRECTORS AND EXECUTIVE OFFICERS IN THE PROPOSAL

Members of the Board of Directors and executive officers of the Company are eligible to receive grants under the 2015 Incentive Plan. Accordingly, members of the Board of Directors and the executive officers of the Company have a substantial interest in Proposal 2. Members of the Board of Directors and executive officers of the Company do not have any interest in any other proposal that is not shared by all other stockholders of the Company.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table is based upon 6,529,450 shares of Common Stock outstanding as of August 17, 2015, and sets forth, based on the public filings of such individuals and entities and our knowledge of securities issued by us to them, certain information concerning the ownership of voting securities of: (i) each current member of the Board, (ii) our Chief Executive Officer and other executive officers, (iii) all of our current directors and executive officers as a group and (iv) each beneficial owner of more than 5% of the outstanding shares of any class of our voting securities. Except as otherwise indicated, addresses are c/o Genius Brands International, Inc., 301 N. Canon Drive, Suite 305, Beverly Hills, California 90210.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percent of Class(1)
A Squared Holdings, LLC	2,972,183	45.5%
Andrew Heyward	2,980,019 (2)	45.6%
Amy Moynihan Heyward	2,980,019 (2)	45.6%
Gregory Payne	—	*
Michael Handelman	—	*
Bernard Cahill	53,934 (3)	*
Joseph “Gray” Davis	—	*
P. Clark Hallren	—	*
Lynne Segal	—	*
Anthony Thomopoulos	345	*
Margaret Loesch	—	*
Wolverine Flagship Fund Trading Limited (4)	702,513 (5)	9.99%
Iroquois Master Fund Ltd. (6)	467,102 (7)	6.8%
All Officers and Directors (Consisting of 10 persons)	3,034,298	46.5%

* Indicates ownership less than 1%

(1) Applicable percentage ownership is based on 6,529,450 shares of Common Stock outstanding as of August 17, 2015, together with securities exercisable or convertible into shares of Common Stock within 60 days of August 17, 2015. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of Common Stock that a person has the right to acquire beneficial ownership of upon the exercise or conversion of options, convertible stock, warrants or other securities that are currently exercisable or convertible or that will become exercisable or convertible within 60 days of August 17, 2015 are deemed to be beneficially owned by the person holding such securities for the purpose of computing the number of shares beneficially owned and percentage of ownership of such person, but are not treated as outstanding for the purpose of computing the percentage

ownership of any other person.

(2) Consists of (i) 2,972,183 shares of Common Stock held by A Squared Holdings LLC over which Andrew Heyward and Amy Moynihan Heyward hold voting and dispositive power and (ii) 7,836 shares of Common Stock held by Andrew Heyward. Excludes 50,000 shares of Common Stock issuable upon conversion of 100 shares of the Company's Series A Convertible Preferred Stock which contains a beneficial ownership blocker. Andrew Heyward and Amy Moynihan Heyward are spouses who own such shares jointly, and thus both maintain joint voting and dispositive power over such shares.

(3) Consists of (i) 41,434 shares of Common Stock owned and controlled directly by Bernard Cahill and (ii) 12,500 shares of Common Stock owned by Mr. Cahill's wife for which Mr. Cahill exercises indirect control.

(4) The address of this beneficial owner is 175 West Jackson Blvd., Suite 340, Chicago, Illinois 60604.

(5) Consists of (i) 199,800 shares of Common Stock and (ii) 1,125,000 shares of Common Stock issuable upon conversion of 2,250 shares of the Company's Series A Convertible Preferred Stock. The Series A Convertible Preferred Stock may not be converted to the extent that the holder or any of its affiliates would own more than 9.99% of the outstanding Common Stock of the Company after such conversion, and the Series A Convertible Preferred Stock may not be voted to the extent that the holder or any of its affiliates would control more than 9.99% of the voting power of the Issuer. Based solely on the holder's most recent filing with the Securities and Exchange Commission on Schedule 13G.

(6) The address of this beneficial owner is 641 Lexington Avenue, 26th Floor, New York, New York 10022.

(7) Consists of (i) 92,102 shares of Common Stock and (ii) 375,000 shares of Common Stock issuable upon conversion of 750 shares of the Company's Series A Convertible Preferred Stock. Based solely on the holder's most recent filing with the Securities and Exchange Commission on Schedule 13G.

Section 16(A) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers, and persons who own more than ten percent of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of our Common Stock and our other equity securities. Officers, directors and greater than ten percent stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

Based solely on a review of the copies of such forms furnished to us during 2014, SEC filings and certain written representations that no other reports were required during the fiscal year ended December 31, 2014, our officers, directors and greater than ten percent stockholders complied with all applicable Section 16(a) filing requirement, except that a Form 4 for Bernard Cahill Robert II was filed late on March 31, 2015.

PROPOSAL I:

**AMENDMENT TO THE COMPANY'S ARTICLES OF
INCORPORATION, AS AMENDED, TO EFFECT A REVERSE SPLIT**

Our Board of Directors has adopted resolutions (1) declaring that submitting an amendment to the Company's Articles of Incorporation, as amended, to effect the Reverse Split of our issued and outstanding Common Stock, as described below, was advisable and (2) directing that a proposal to approve the Reverse Split be submitted to the holders of our Voting Capital for their approval.

The form of the proposed amendment to the Company's Articles of Incorporation, as amended, to effect the Reverse Split of our issued and outstanding Common Stock will be substantially as set forth on Appendix A (subject to any changes required by applicable law). If approved by the holders of our Voting Capital, the Reverse Split proposal would permit (but not require) our Board of Directors to effect a Reverse Split of our issued and outstanding Common Stock at any time prior to August 31, 2016 by a ratio of not less than one-for-two and not more than one-for-five, with the exact ratio to be set at a whole number within this range as determined by our Board of Directors in its sole discretion. We believe that enabling our Board of Directors to set the ratio within the stated range will provide us with the flexibility to implement the Reverse Split in a manner designed to maximize the anticipated benefits for our stockholders. In determining a ratio, if any, following the receipt of stockholder approval, our Board of Directors may consider, among other things, factors such as:

- the initial listing requirements of various stock exchanges;
- the historical trading price and trading volume of our Common Stock;
- the number of shares of our Common Stock outstanding;
- the then-prevailing trading price and trading volume of our Common Stock and the anticipated impact of the Reverse Split on the trading market for our Common Stock;
- the anticipated impact of a particular ratio on our ability to reduce administrative and transactional costs; and
- prevailing general market and economic conditions.

Our Board of Directors reserves the right to elect to abandon the Reverse Split, including any or all proposed Reverse Split ratios, if it determines, in its sole discretion, that the Reverse Split is no longer in the best interests of the Company and its stockholders.

Depending on the ratio for the Reverse Split determined by our Board of Directors, no less than two and no more than five shares of existing Common Stock, as determined by our Board of Directors, will be combined into one share of Common Stock. Any fractional shares will be rounded up to the next whole number. The amendment to our Articles of Incorporation, as amended, to effect the Reverse Split, if any, will include only the Reverse Split ratio determined by our Board of Directors to be in the best interests of our stockholders and all of the other proposed amendments at different ratios will be abandoned.

Background and Reasons for the Reverse Split; Potential Consequences of the Reverse Split

Our Board of Directors is submitting the Reverse Split to our stockholders for approval with the primary intent of increasing the market price of our Common Stock to enhance our ability to meet the initial listing requirements of either The NASDAQ Capital Market or NYSE MKT LLC and to make our Common Stock more attractive to a broader range of institutional and other investors. The Company currently does not have any plans, arrangements or understandings, written or oral, to issue any of the authorized but unissued shares that would become available as a result of the Reverse Split. In addition to increasing the market price of our Common Stock, the Reverse Split would also reduce certain of our costs, as discussed below. Accordingly, for these and other reasons discussed below, we believe that effecting the Reverse Split is in the Company's and our stockholders' best interests.

We believe that the Reverse Split will enhance our ability to obtain an initial listing on either The NASDAQ Capital Market or NYSE MKT LLC. The NASDAQ Capital Market requires, among other items, an initial bid price of least \$4.00 per share and following initial listing (subject to certain exceptions), maintenance of a continued price of at least \$1.00 per share. The NYSE MKT LLC requires, among other items, an initial bid price of least \$3.00 per share and following initial listing, maintenance of a continued price of at least \$1.00 per share. Reducing the number of outstanding shares of our Common Stock should, absent other factors, increase the per share market price of our Common Stock, although we cannot provide any assurance that our minimum bid price would remain following the Reverse Split over the minimum bid price requirement of any such stock exchange.

Additionally, we believe that the Reverse Split will make our Common Stock more attractive to a broader range of institutional and other investors, as we have been advised that the current market price of our Common Stock may affect its acceptability to certain institutional investors, professional investors and other members of the investing public. Many brokerage houses and institutional investors have internal policies and practices that either prohibit them from investing in low-priced stocks or tend to discourage individual brokers from recommending low-priced stocks to their customers. In addition, some of those policies and practices may function to make the processing of trades in low-priced stocks economically unattractive to brokers. Moreover, because brokers' commissions on low-priced stocks generally represent a higher percentage of the stock price than commissions on higher-priced stocks, the current average price per share of Common Stock can result in individual stockholders paying transaction costs representing a higher percentage of their total share value than would be the case if the share price were substantially higher. We believe that the Reverse Split will make our Common Stock a more attractive and cost effective investment for many investors, which will enhance the liquidity of the holders of our Common Stock.

Reducing the number of outstanding shares of our Common Stock through the Reverse Split is intended, absent other factors, to increase the per share market price of our Common Stock. However, other factors, such as our financial results, market conditions and the market perception of our business may adversely affect the market price of our Common Stock. As a result, there can be no assurance that the Reverse Split, if completed, will result in the intended benefits described above, that the market price of our Common Stock will increase following the Reverse Split or that the market price of our Common Stock will not decrease in the future. Additionally, we cannot assure you that the market price per share of our Common Stock after a Reverse Split will increase in proportion to the reduction in the number of shares of our Common Stock outstanding before the Reverse Split. Accordingly, the total market capitalization of our Common Stock after the Reverse Split may be lower than the total market capitalization before the Reverse Split.

Procedure for Implementing the Reverse Split

The Reverse Split, if approved by our stockholders, would become effective upon the filing (the "Effective Time") of a certificate of amendment to our Articles of Incorporation, as amended, with the Secretary of State of the State of Nevada. The exact timing of the filing of the certificate of amendment that will effect the Reverse Split will be determined by our Board of Directors based on its evaluation as to when such action will be the most advantageous to the Company and our stockholders. In addition, our Board of Directors reserves the right, notwithstanding

stockholder approval and without further action by the stockholders, to elect not to proceed with the Reverse Split if, at any time prior to filing the amendment to the Company's Articles of Incorporation, as amended, our Board of Directors, in its sole discretion, determines that it is no longer in our best interest and the best interests of our stockholders to proceed with the Reverse Split. If a certificate of amendment effecting the Reverse Split has not been filed with the Secretary of State of the State of Nevada by the close of business on August 31, 2016, our Board of Directors will abandon the Reverse Split.

Effect of the Reverse Split on Holders of Outstanding Common Stock

Depending on the ratio for the Reverse Split determined by our Board of Directors, a minimum of two and a maximum of five shares of existing Common Stock will be combined into one new share of Common Stock. The table below shows, as of the Record Date, the number of outstanding shares of Common Stock (excluding Treasury shares) that would result from the listed hypothetical Reverse Split ratios (without giving effect to the treatment of fractional shares):

Reverse Split Ratio	Approximate Number of Outstanding Shares of Common Stock Following the Reverse Split
1-for-2	3,264,725
1-for-3	2,176,484
1-for-4	1,632,363
1-for-5	1,305,890

The actual number of shares issued after giving effect to the Reverse Split, if implemented, will depend on the Reverse Split ratio that is ultimately determined by our Board of Directors.

The Reverse Split will affect all holders of our Common Stock uniformly and will not affect any stockholder's percentage ownership interest in the Company, except that as described below in "Fractional Shares," record holders of Common Stock otherwise entitled to a fractional share as a result of the Reverse Split will be rounded up to the next whole number. In addition, the Reverse Split will not affect any stockholder's proportionate voting power (subject to the treatment of fractional shares).

The Reverse Split may result in some stockholders owning "odd lots" of less than 100 shares of Common Stock. Odd lot shares may be more difficult to sell, and brokerage commissions and other costs of transactions in odd lots are generally somewhat higher than the costs of transactions in "round lots" of even multiples of 100 shares.

After the Effective Time, our Common Stock will have new Committee on Uniform Securities Identification Procedures (CUSIP) numbers, which is a number used to identify our equity securities, and stock certificates with the

older CUSIP numbers will need to be exchanged for stock certificates with the new CUSIP numbers by following the procedures described below. After the Reverse Split, we will continue to be subject to the periodic reporting and other requirements of the Securities Exchange Act of 1934, as amended. Our Common Stock will continue to be listed on the OTCBB under the symbol “GNUS”, subject to any decision of our Board of Directors to list our securities on another stock exchange.

Beneficial Holders of Common Stock (i.e. stockholders who hold in street name)

Upon the implementation of the Reverse Split, we intend to treat shares held by stockholders through a bank, broker, custodian or other nominee in the same manner as registered stockholders whose shares are registered in their names. Banks, brokers, custodians or other nominees will be instructed to effect the Reverse Split for their beneficial holders holding our Common Stock in street name. However, these banks, brokers, custodians or other nominees may have different procedures than registered stockholders for processing the Reverse Split. Stockholders who hold shares of our Common Stock with a bank, broker, custodian or other nominee and who have any questions in this regard are encouraged to contact their banks, brokers, custodians or other nominees.

Registered “Book-Entry” Holders of Common Stock (i.e. stockholders that are registered on the transfer agent’s books and records but do not hold stock certificates)

Certain of our registered holders of Common Stock may hold some or all of their shares electronically in book-entry form with the transfer agent. These stockholders do not have stock certificates evidencing their ownership of the Common Stock. They are, however, provided with a statement reflecting the number of shares registered in their accounts.

Stockholders who hold shares electronically in book-entry form with the transfer agent will not need to take action (the exchange will be automatic) to receive whole shares of post-Reverse Split Common Stock, subject to adjustment for treatment of fractional shares.

Holders of Certificated Shares of Common Stock

Stockholders holding shares of our Common Stock in certificated form will be sent a transmittal letter by our transfer agent after the Effective Time. The letter of transmittal will contain instructions on how a stockholder should surrender his, her or its certificate(s) representing shares of our Common Stock (the “Old Certificates”) to the transfer agent in exchange for certificates representing the appropriate number of whole shares of post-Reverse Split Common Stock (the “New Certificates”). No New Certificates will be issued to a stockholder until such stockholder has surrendered all Old Certificates, together with a properly completed and executed letter of transmittal, to the transfer agent. No stockholder will be required to pay a transfer or other fee to exchange his, her or its Old Certificates. Stockholders will then receive a New Certificate(s) representing the number of whole shares of Common Stock that they are entitled as a result of the Reverse Split, subject to the treatment of fractional shares described below. Until surrendered, we will deem outstanding Old Certificates held by stockholders to be cancelled and only to represent the number of whole shares of post-Reverse Split Common Stock to which these stockholders are entitled, subject to the treatment of fractional shares. Any Old Certificates submitted for exchange, whether because of a sale, transfer or other disposition of stock, will automatically be exchanged for New Certificates. If an Old Certificate has a restrictive legend on the back of the Old Certificate(s), the New Certificate will be issued with the same restrictive legends that are on the back of the Old Certificate(s).

STOCKHOLDERS SHOULD NOT DESTROY ANY STOCK CERTIFICATE(S) AND SHOULD NOT SUBMIT ANY STOCK CERTIFICATE(S) UNTIL REQUESTED TO DO SO.

Fractional Shares

We do not currently intend to issue fractional shares in connection with the Reverse Split. Therefore, we will not issue certificates representing fractional shares. In lieu of issuing fractions of shares, we will round up to the next whole number.

Effect of the Reverse Split on Employee Plans, Options, Restricted Stock Awards and Units, Warrants, and Convertible or Exchangeable Securities

Based upon the Reverse Split ratio determined by the Board of Directors, proportionate adjustments are generally required to be made to the per share exercise price and the number of shares issuable upon the exercise or conversion of all outstanding options, warrants, convertible or exchangeable securities entitling the holders to purchase, exchange for, or convert into, shares of Common Stock. This would result in approximately the same aggregate price being required to be paid under such options, warrants, convertible or exchangeable securities upon exercise, and approximately the same value of shares of Common Stock being delivered upon such exercise, exchange or

conversion, immediately following the Reverse Split as was the case immediately preceding the Reverse Split. The number of shares deliverable upon settlement or vesting of restricted stock awards will be similarly adjusted, subject to our treatment of fractional shares. The number of shares reserved for issuance pursuant to these securities will be proportionately based upon the Reverse Split ratio determined by the Board of Directors, subject to our treatment of fractional shares.

Accounting Matters

The proposed amendment to our Articles of Incorporation, as amended, will not affect the par value of our Common Stock per share, which will remain \$0.001 par value per share. As a result, as of the Effective Time, the stated capital attributable to Common Stock and the additional paid-in capital account on our balance sheet will not change due to the Reverse Split. Reported per share net income or loss will be higher because there will be fewer shares of Common Stock outstanding.

Certain Federal Income Tax Consequences of the Reverse Split

The following summary describes certain material U.S. federal income tax consequences of the Reverse Split to holders of our Common Stock:

Unless otherwise specifically indicated herein, this summary addresses the tax consequences only to a beneficial owner of our Common Stock that is a citizen or individual resident of the United States, a corporation organized in or under the laws of the United States or any state thereof or the District of Columbia or otherwise subject to U.S. federal income taxation on a net income basis in respect of our Common Stock (a “U.S. holder”). A trust may also be a U.S. holder if (1) a U.S. court is able to exercise primary supervision over administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) it has a valid election in place to be treated as a U.S. person. An estate whose income is subject to U.S. federal income taxation regardless of its source may also be a U.S. holder. This summary does not address all of the tax consequences that may be relevant to any particular investor, including tax considerations that arise from rules of general application to all taxpayers or to certain classes of taxpayers or that are generally assumed to be known by investors. This summary also does not address the tax consequences to (i) persons that may be subject to special treatment under U.S. federal income tax law, such as banks, insurance companies, thrift institutions, regulated investment companies, real estate investment trusts, tax-exempt organizations, U.S. expatriates, persons subject to the alternative minimum tax, traders in securities that elect to mark to market and dealers in securities or currencies, (ii) persons that hold our Common Stock as part of a position in a “straddle” or as part of a “hedging,” “conversion” or other integrated investment transaction for federal income tax purposes, or (iii) persons that do not hold our Common Stock as “capital assets” (generally, property held for investment).

If a partnership (or other entity classified as a partnership for U.S. federal income tax purposes) is the beneficial owner of our Common Stock, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. Partnerships that hold our Common Stock, and partners in such partnerships, should consult their own tax advisors regarding the U.S. federal income tax consequences of the Reverse Split.

This summary is based on the provisions of the Internal Revenue Code of 1986, as amended, U.S. Treasury regulations, administrative rulings and judicial authority, all as in effect as of the date of this Consent Solicitation. Subsequent developments in U.S. federal income tax law, including changes in law or differing interpretations, which may be applied retroactively, could have a material effect on the U.S. federal income tax consequences of the Reverse Split.

PLEASE CONSULT YOUR OWN TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, LOCAL, AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE REVERSE SPLIT IN YOUR PARTICULAR CIRCUMSTANCES UNDER THE INTERNAL REVENUE CODE AND THE LAWS OF ANY OTHER TAXING JURISDICTION.

U.S. Holders

The Reverse Split should be treated as a recapitalization for U.S. federal income tax purposes. Therefore, a stockholder generally will not recognize gain or loss on the Reverse Split, except to the extent of cash, if any, received in lieu of a fractional share interest in the post-Reverse Split shares. The aggregate tax basis of the post-split shares received will be equal to the aggregate tax basis of the pre-split shares exchanged therefore (excluding any portion of the holder's basis allocated to fractional shares), and the holding period of the post-split shares received will include the holding period of the pre-split shares exchanged. A holder of the pre-split shares who receives cash will generally recognize gain or loss equal to the difference between the portion of the tax basis of the pre-split shares allocated to the fractional share interest and the cash received. Such gain or loss will be a capital gain or loss and will be short term if the pre-split shares were held for one year or less and long term if held more than one year. No gain or loss will be recognized by us as a result of the Reverse Split.

No Appraisal Rights

Under Nevada law and our charter documents, holders of our Common Stock will not be entitled to dissenter's rights or appraisal rights with respect to the Reverse Split.

Board Recommendation

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” APPROVAL OF AN AMENDMENT TO THE COMPANY’S ARTICLES OF INCORPORATION, AS AMENDED, TO EFFECT A REVERSE SPLIT OF OUR ISSUED AND OUTSTANDING COMMON STOCK.

PROPOSAL II:

TO CONSIDER AND ACT UPON A PROPOSAL TO APPROVE

THE COMPANY'S 2015 INCENTIVE PLAN

Our Board of Directors approved the 2015 Incentive Plan on March 25, 2015. The 2015 Incentive Plan shall replace the 2008 Stock Option Plan (the "2008 Plan") as of such date that the 2015 Incentive Plan is adopted by the Company's stockholders.

We are seeking stockholder approval in order to adopt the 2015 Incentive Plan.

The maximum number of shares of Common Stock with respect to which awards may be granted pursuant to the 2015 Incentive Plan shall be 450,000 shares. Shares of Common Stock will be made available from the authorized but unissued shares of the Company or from shares re-acquired by the Company, including shares purchased in the open market.

Purpose of the 2015 Incentive Plan

As described above, we are seeking stockholder approval of the 2015 Incentive Plan. The purpose is to continue to be able to attract, retain and motivate executive officers and other employees and certain consultants. The 2015 Incentive Plan will enable us to continue to grant equity awards to our officers, employees and independent contractors providing services to the Company, at levels determined by our Board of Directors, or a committee designated by our Board of Directors, to be necessary to attract, retain and motivate the individuals who will be critical to the Company's success in achieving its business objectives, and thereby creating greater value for all our stockholders.

We believe equity compensation aligns the interests of our management and other employees with the interests of our other stockholders. Equity awards are a key component of our incentive compensation program. We believe that stock-based awards have been critical in attracting and retaining talented employees and officers, aligning their interests with those of stockholders, and focusing key employees on the long-term growth of the Company. We anticipate that equity awards such as restricted stock awards, option grants, stock appreciation rights and restricted stock unit awards, some of which may be performance-based, may become an increasing component in motivating our independent contractors.

The terms of the 2015 Incentive Plan are summarized below, and the full text of the 2015 Incentive Plan is set forth as Appendix B to this proxy statement. It is intended that the 2015 Incentive Plan qualify as an incentive stock option plan meeting the requirements of Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”).

Eligibility for Awards and Administration of the 2015 Incentive Plan

Employees (including officers) and directors of the Company, and independent contractors providing services to the Company or to subsidiaries of the Company (“Eligible Persons”), are eligible to receive awards (“Awards”) under the 2015 Incentive Plan. Awards may consist of options, stock appreciation rights, restricted stock, restricted stock units, cash awards or other stock-based awards, any of which Awards may be subject to the achievement of certain performance objectives.

The grant of Awards to any eligible party is at the discretion of the Compensation Committee of the Board of Directors (the “Committee”). The 2015 Incentive Plan provides that the Committee shall administer the 2015 Incentive Plan. The Committee has authority to, among other things:

- Grant Awards to Eligible Persons under the 2015 Incentive Plan;
- Determine the terms and conditions (which need not be identical) of all Awards granted;
- Interpret the provisions of the 2015 Incentive Plan and any agreements pursuant to which Awards are granted under the 2015 Incentive Plan;
- Supervise administration of the 2015 Incentive Plan;
- Provide for additional, replacement or alternative Awards upon the occurrence of certain events, including the exercise of the original Award;
- Determine to whom Awards are granted, and the timing, pricing and amount of any Award, subject only to the express provisions in the 2015 Incentive Plan;
- Establish, amend and rescind such rules and regulations as it deems necessary or advisable for the proper administration of the 2015 Incentive Plan; and
- Take such other action as it deems necessary or advisable in relation to the 2015 Incentive Plan.

Description of Material Terms of the Awards

Stock Options and Incentive Stock Options

The Committee may grant non-qualified stock options (“Nonqualified Stock Options”) and incentive stock options (“Incentive Stock Options”) and, collectively with Nonqualified Stock Options, “Options”) under the 2015 Incentive Plan. Employees and Directors of the Company, and independent contractors providing services to the Company, or to any subsidiary of the Company as the Company shall select, are eligible to receive Options. Only employees of the Company, or any subsidiary of the Company as the Company shall select, are eligible to receive Incentive Stock Options.

Incentive Stock Options may not be priced at less than 100% of the fair market value of the Company’s Common Stock on the date of grant (110% of fair market value in the case of individuals holding 10% or more of our Common Stock). Except as otherwise determined by the Board, in the case of Nonqualified Stock Options, the exercise price may not be less than 100% of the fair market value on the date of grant in accordance with applicable law. The fair market value of our Common Stock on August 17, 2015, was \$2.02, based on the last sale price of our Common Stock as reported by the OTCBB on that date. The 2015 Incentive Plan provides that Options may be issued with exercise periods of up to ten years (except that no Incentive Stock Option granted to 10% owners of the Company’s Common Stock shall be exercisable after the expiration of five years after the effective date of grant of such Option).

Payment of the exercise price of Options under the 2015 Incentive Plan may be made in the form of: (i) cash; (ii) check; (iii) whole shares of Common Stock (whether by delivery or attestation); (iv) the withholding of shares of Common Stock issuable upon such exercise of the Option; (v) the proceeds of a sale or loan required to pay the purchase price or (vi) any combination of the foregoing methods of payment.

Any portion of any Incentive Stock Option that was vested and exercisable on the date of termination of employment other than for death or disability, shall expire and be forfeited at midnight ninety (90) days from the date of such termination. If termination of employment was on account of death or disability, the portion of any Incentive Stock Option that is vested as of the date of termination of employment shall expire and be forfeited at midnight one (1) year from the date of such termination.

Stock Appreciation Rights (“SARs”)

Eligible Persons are also eligible to receive Stock Appreciation Rights (“SARs”) under the 2015 Incentive Plan. A SAR may be granted to a holder of an option with respect to all or a portion of the shares of Common Stock subject to the related option (a “Tandem SAR”) or may be granted separately to an eligible employee (a “Free Standing SAR”). A Tandem SAR may be granted either concurrently with the grant of the related Option or at any time thereafter prior to the complete exercise, termination, expiration or cancellation of such related Option.

Subject to the limitations of the 2015 Incentive Plan, SARs shall be exercisable in whole or in part upon notice to the Company upon such terms and conditions as are provided in the agreement pursuant to which the SAR is granted. Tandem SARs shall be exercisable only at the time and to the extent that the related Option is exercisable. Upon the exercise or termination of the related Option, the Tandem SARs with respect thereto shall be canceled automatically to the extent of the number of shares of Common Stock with respect to which the related Option was so exercised or terminated.

Restricted Stock Awards

Eligible Persons may also be eligible to receive restricted shares of the Company's Common Stock ("Restricted Stock"). The Committee shall determine when each award of Restricted Stock shall be granted and when, or according to what schedule, it will vest, and may prescribe other restrictions, terms and conditions applicable to the vesting of such Restricted Stock. The Committee shall determine the price, if any, to be paid for such Restricted Stock, provided that the issuance of Restricted Stock shall be made for at least the minimum necessary consideration to permit such Restricted Stock to be deemed fully paid and non-assessable.

Any dividends declared and paid by the Company with respect to Restricted Stock shall be paid to the holder only if and when the Restricted Stock vests and becomes free of restrictions on transferability and forfeitability that apply to such shares.

The holder of Restricted Stock will have the right to vote such Restricted Stock and to exercise all other rights, powers and privileges of a holder of shares of the Company's Common Stock, except that the holder of Restricted Stock shall not be entitled to delivery of the stock certificate or certificates representing such Restricted Stock until the related restriction period has expired and unless all other vesting requirements with respect thereto have been fulfilled or waived by the Company, until which time the Company or its designee may retain custody of the stock certificate or certificates, and the holder may not sell, assign, transfer, pledge, exchange, encumber or dispose of such Restricted Stock.

Restricted Stock Unit Awards

Eligible Persons are also eligible to receive restricted stock units ("Restricted Stock Units"), which may be in the form of shares of Common Stock or units, the value of which is based, in whole or in part, on the fair market value of the shares of Common Stock. The Committee shall determine when each award of Restricted Stock Unit shall be granted and when, or according to what schedule, it will vest, and may prescribe other restrictions, terms and conditions applicable to the vesting of such Restricted Stock Unit. The terms of each Restricted Stock Unit Award need not be identical, and the Committee need not treat holders uniformly.

The Committee may, in its discretion, establish rules for the application for a Restricted Stock Unit Award, including whether shares of Common Stock that are part of a Restricted Stock Unit may be sold, assigned, transferred, pledged, exchanged, encumbered or disposed of prior to the date on which the shares of Common Stock are issued or, if later, the date provided by the Committee at the time of the Award. The Committee shall determine the price, if any, to be paid for such Restricted Stock, provided that the issuance of any shares of Common Stock in connection with a Restricted Stock Unit shall be made for at least the minimum necessary consideration to permit such Restricted Stock

to be deemed fully paid and non-assessable.

The Awards of Restricted Stock Units may provide holders with the right to receive dividends or other distributions (or the economic equivalent thereof) which are payable to stockholders of record during the restriction period (“Dividend Equivalents”). Dividend Equivalents may be settled in cash and/or shares of Common Stock and will be subject to the same vesting conditions and restrictions on transfer and forfeitability as the Restricted Stock Units with respect to which paid, in each case to the extent provided in the agreement pursuant to which they are issued.

Cash Awards and Other Stock-Based Awards

Eligible Persons may also be eligible to receive cash awards (“Cash Awards”) or other stock-based awards (“Other Stock-Based Awards”) under the 2015 Incentive Plan. Each Cash Award shall be subject to the terms, conditions, restrictions and contingencies as the Committee shall determine. Other Stock-Based Awards shall be valued in whole or in part by reference to, or otherwise based on, shares of Common Stock. Such Other Stock-Based Awards may be granted as a form of payment in the settlement of other Awards granted under the 2015 Incentive Plan or as payment in lieu of compensation to which a holder is otherwise entitled. Other Stock-Based Awards may be paid in shares of Common Stock or cash, as the Committee may determine.

