EDCI HOLDINGS, INC.
Form DEFM14A
November 16, 2009

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

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

o	Preliminary Proxy Statement
o	Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material under §240.14a-12

EDCI Holdings, Inc.

(Name of Registrant as Specified In Its Charter)

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

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o	No fee required.	
o	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:
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how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

EDCI HOLDINGS, INC.

11 E. 44th Street, Suite 1201
New York, New York 10017

(646) 401-0084

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON January 7, 2010

To Our Stockholders:

You are cordially invited to attend a special meeting of the stockholders of EDCI Holdings, Inc., a Delaware corporation ("EDCI"). The meeting will be held on January 7, 2010, at 9:00 a.m., local time, at the Forum Conference & Events Center, 11313 USA Parkway, Fishers, IN, 46037, for the following purposes:

1. To consider and vote upon a proposal to approve the voluntary dissolution and liquidation of EDCI pursuant to a Plan of Complete Liquidation and Dissolution ("Plan of Dissolution") in substantially the form attached to the accompanying proxy statement as Appendix A.

2. To consider and vote upon a proposal to adjourn the special meeting to another date, time or place, if necessary in the judgment of the proxy holders, for the purpose of soliciting additional proxies to vote in favor of Proposal 1.

3. To transact such other business as may properly come before the meeting and any adjournments or postponements thereof.

The foregoing matters are described in more detail in the accompanying proxy statement. A copy of the Plan of Dissolution is included with the proxy statement as Appendix A. You are encouraged to read the entire proxy statement carefully. In particular, you should consider the discussion entitled "Risk Factors" beginning on page 20.

EDCI's Board of Directors has fixed the close of business on November 12, 2009 as the record date for the determination of stockholders entitled to notice of and to vote at the special meeting and any adjournments or postponements thereof. Each share of EDCI common stock is entitled to one vote on all matters presented at the special meeting and any adjournments or postponements thereof.

Holders of our shares of common stock are not entitled to assert dissenters' rights with respect to the Plan of Dissolution.

This notice and the accompanying proxy statement and related materials are first being mailed to holders of record of our common stock on or about November 23, 2009.

You can vote by signing, dating and mailing your proxy card in the enclosed postage prepaid envelope or following the instructions for telephone or Internet voting, whether or not you plan to attend the special meeting in person.

We hope you can attend the special meeting. However, whether or not you plan to attend, please complete, sign, date and return the accompanying proxy card as soon as possible in the enclosed postage prepaid envelope. If you attend the meeting, you may revoke your proxy and vote in person if you wish. The proposal to approve the Plan of Dissolution requires the affirmative vote of a majority of the outstanding shares of our common stock. Abstentions and broker non-votes will have the same effect as votes against the proposal to approve the Plan of Dissolution. Therefore, it is very important that your shares be represented.

EDCI's Board of Directors has unanimously approved the Plan of Dissolution and determined that it is advisable and in our best interests and the best interests of our stockholders. The Board of Directors unanimously recommends that you vote "FOR" approval of both proposals described in the accompanying proxy statement.

BY ORDER OF THE BOARD OF DIRECTORS

Clarke H. Bailey
Chairman and Chief Executive Officer
November 16, 2009
New York, New York

YOUR VOTE IS IMPORTANT.

ALL STOCKHOLDERS ARE INVITED TO ATTEND THE SPECIAL MEETING IN PERSON. WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, YOU SHOULD READ THE ACCOMPANYING PROXY STATEMENT CAREFULLY, AND VOTE YOUR SHARES BY COMPLETING, SIGNING AND DATING THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE AND RETURNING IT IN THE ENCLOSED POSTAGE PREPAID ENVELOPE; OR, YOU MAY VOTE VIA THE INTERNET OR BY TELEPHONE, IN EACH CASE AS INSTRUCTED ON THE ENCLOSED PROXY CARD. PLEASE NOTE, HOWEVER, THAT IF YOUR SHARES ARE HELD OF RECORD BY A BROKER, BANK OR OTHER NOMINEE AND YOU WISH TO VOTE AT THE MEETING, YOU MUST OBTAIN FROM THE RECORD HOLDER A PROXY ISSUED IN YOUR NAME AND BRING AN ACCOUNT STATEMENT OR LETTER FROM THE NOMINEE INDICATING YOUR BENEFICIAL OWNERSHIP AS OF THE RECORD DATE. A FAILURE TO VOTE YOUR SHARES WILL HAVE THE EFFECT OF A VOTE AGAINST THE PLAN OF DISSOLUTION.

Table of Contents

EDCI HOLDINGS, INC.
11 E. 44th Street, Suite 1201
New York, New York 10017

(646) 401-0084

PROXY STATEMENT
FOR
SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON JANUARY 7, 2010

The Board of Directors of EDCI Holdings, Inc., a Delaware corporation, is soliciting the enclosed proxy from you. The proxy will be used at our Special Meeting of Stockholders to be held on January 7, 2010, beginning at 9:00 a.m., local time, at the Forum Conference & Events Center, 11313 USA Parkway, Fishers, IN 46037, and at any postponements or adjournments thereof. This Proxy Statement contains important information regarding the meeting. Specifically, it identifies the matters upon which you are being asked to vote, provides information that you may find useful in determining how to vote and describes the voting procedures.

In this Proxy Statement, the terms "we," "our," "EDCI" and our "Company" each refer to EDCI Holdings, Inc.; the term "proxy materials" means this Proxy Statement, filed with the U.S. Securities and Exchange Commission (the "SEC") on November 16, 2009, the enclosed proxy card, our annual report on Form 10-K for the year ended December 31, 2008, filed with the SEC on March 31, 2009, a copy of which is being delivered with this Proxy Statement as Appendix B, and our quarterly report on Form 10-Q for the quarter ended September 30, 2009, filed with the SEC on October 30, 2009, a copy of which is being delivered with this Proxy Statement as Appendix C, all of which you should read; and the term "Special Meeting" means our Special Meeting of Stockholders to be held on January 7, 2010, and any postponements or adjournments thereof. We are sending these proxy materials on or about November 23, 2009, (the "Proxy Date"), to all stockholders of record at the close of business on November 12, 2009 (the "Record Date").

At the Special Meeting, our stockholders will consider and vote upon:

1. a proposal to approve the voluntary dissolution and liquidation of EDCI pursuant to a Plan of Dissolution in substantially the form attached to this proxy statement as Appendix A; and

2. a proposal to adjourn the Special Meeting to another date, time or place, if necessary in the judgment of the proxy holders, for the purpose of soliciting additional proxies to vote in favor of Proposal 1.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SPECIAL MEETING OF STOCKHOLDERS TO BE HELD ON JANUARY 7, 2010: A complete set of proxy materials relating to the Special Meeting is available on the Internet. These materials, consisting of the Notice of Special Meeting, Proxy Statement and form of proxy card, are available at the investor relations section of EDCI's website at http://www.edcih.com, or from the SEC's website at http://www.sec.gov. You also may request a copy of these materials by calling (646) 401-0084 or by sending an email to EDCInvestorRelations@edcih.com. For meeting directions please call (646) 401-0084.

SUMMARY TERM SHEET

This summary term sheet highlights selected information contained in this proxy statement and may not contain all of the information that is important to you. To understand fully the legal requirements for the voluntary dissolution of EDCI Holdings, Inc. under Delaware law and the Special Meeting and for a more complete description of the terms of the Plan of Complete Liquidation and Dissolution, you should carefully read this entire proxy statement and the documents delivered with this proxy statement.

The Company	EDCI is a holding company and parent of Entertainment Distribution Company, Inc. which, together with its wholly owned and controlled majority owned subsidiaries, is a multi-national company that exists to enhance stockholder value by pursuing acquisition opportunities while continuing to oversee its majority investment in Entertainment Distribution Company, LLC ("EDC"), a business operating in the manufacturing and distribution segment of the entertainment industry. EDCI is currently comprised of the following: first, EDCI, indirectly through certain subsidiaries, owns 97.99% of the limited liability company units of EDC, which was formed through the acquisition of the U.S. and central European CD and DVD manufacturing and distribution operations of Universal Music Group ("UMG") in May 2005. Additionally, EDCI has approximately $51.8 million of cash, cash equivalents and investments that are unencumbered by EDC and U.S. net operating loss carry-forwards ("NOLs") aggregating approximately $291.0 million that do not begin to expire until 2019. EDCI also has known and unknown operating and non-operating liabilities relating to its corporate overhead costs and past business activities. Our principal executive office is located at 11 East 44th Street, Suite 1201, New York, New York 10017, and our telephone number at our principal executive office is (646) 401-0084. You can find more information about us in the documents that are delivered with this proxy statement.

PROPOSAL 1: APPROVAL OF PLAN OF DISSOLUTION

General (See page 26)	At the Special Meeting, the stockholders of EDCI will be asked to approve the voluntary dissolution and liquidation of EDCI pursuant to the Plan of Dissolution. On September 9, 2009, our Board of Directors unanimously approved recommending a dissolution process to EDCI's stockholders, and on October 14, 2009 approved the final Plan of Dissolution, subject to stockholder approval. Delaware law provides that a corporation may dissolve upon the recommendation of the Board of Directors of the corporation, followed by the approval of its stockholders. If the Plan of Dissolution is approved by the requisite vote of our stockholders at the Special Meeting and any adjournments or postponements of the Special Meeting, we intend to file a certificate of dissolution with the Delaware Secretary of State as soon as reasonably practicable after receipt of the required revenue clearance certificate from the Delaware Department of

Finance. We will be dissolved upon the effective date of our certificate of dissolution, or upon any later date specified in the certificate of dissolution (the "Effective Date"). We intend to make a public announcement in advance of the anticipated Effective Date.

The Plan of Dissolution provides for the voluntary dissolution, liquidation and winding up of EDCI. If the Plan of Dissolution is approved by our stockholders and implemented by us, we will, after the Effective Date, cease all of EDCI's business activities except for those relating to winding up EDCI's business and affairs during a minimum three-year period required under Delaware law, including, but not limited to, gradually settling and closing its business, prosecuting and defending suits by or against EDCI, seeking to convert EDCI's assets into cash or cash equivalents, discharging or making provision for discharging EDCI's known and unknown liabilities, making cash distributions to our stockholders, withdrawing from all jurisdictions in which EDCI is qualified to do business and, if EDCI is unable to convert any assets to cash or cash equivalents by the end of the three-year period, distributing EDCI's remaining assets in-kind among our stockholders according to their interests or placing them in a liquidating trust for the benefit of our stockholders, and, subject to statutory limitations, taking all other actions necessary to wind up the Company's business and affairs.

EDCI's indirect ownership of 97.99% of the membership units of EDC will be an asset of EDCI that is subject to the Plan of Dissolution. The Plan of Dissolution does not directly involve the operating business, assets, liabilities or corporate existence of EDC and its subsidiaries, however, subsequent to the Effective Date, EDCI's consolidated financials will be required to reflect the value of EDC's assets and liabilities under liquidation accounting, During EDCI's three-year dissolution period, EDCI will continue to seek value for its investment in EDC by exploring strategic alternatives and seeking, as appropriate, cash distributions, subject to repayment of EDC's bank debt and other legal requirements. If EDCI continues to own any interest in EDC at the end of the three year dissolution period, EDCI anticipates transferring such interests to a liquidating trust, for the benefit of our stockholders. For more information regarding the proposed dissolution and liquidation of EDCI, see "Proposal 1: Approval of Plan of Dissolution."

Reasons for Dissolution and Liquidation (See page 29)	In consultation with an outside financial advisory firm, management and the Board of Directors have concluded that the factors impeding EDCI's ability to identify and successfully consummate a transaction remain. As a result, and based on the reasons discussed elsewhere in this proxy statement, our Board of Directors believes that the voluntary dissolution and liquidation of EDCI is advisable and in our best interests and the best interests of our stockholders, and recommends that our stockholders approve the Plan of Dissolution. See "Proposal 1: Approval of Plan of Dissolution—Reasons for Dissolution and Liquidation." Our Board of Directors, in making its determination, considered, in addition to other pertinent factors, the following: · the continued uncertain economic outlook, which adds difficulty to the valuation of acquisition opportunities, as well as excessive valuation expectations by sellers; · earnings of potential targets are particularly unpredictable given continued economic uncertainty; · even though the credit markets are continuing to stabilize, leverage remains expensive and limited, particularly in the small- to mid-cap mergers and acquisitions market; · the typical gestation period for an acquisition is 18-24 months, during which time EDCI would continue to burn cash, potentially at a higher rate as EDCI would need to augment its current staff to execute and integrate an acquisition, and the risk that an attractive acquisition could not be found during that 18-24 month period, as a result of which any future distribution of cash to stockholders – through a dissolution in the future – could be substantially lower than the cash that could be distributed in connection with the Plan of Dissolution; · EDCI faces additional unique obstacles in its acquisition strategy, including having less ability to diversify than a private equity investor, fewer synergies (if any) than are available to a strategic acquiror, the acquisition of private companies could generate additional acquisition-level overhead expenses, and the operational, financial and legal risks and management time associated with the continued operations of EDC. · the fact that high valuation expectations together with limited, and expensive, financing opportunities limits current acquisition opportunities to a size and profit level that is unlikely to meaningfully utilize the Company's NOLs; · the significant competition EDCI faces from private equity funds and special purpose acquisition companies ("SPACs") with substantial resources to pursue acquisitions; · the risk of completing an acquisition that performs below our target expectations and results in a loss of invested capital; · the potential enhanced stockholder value that might be derived if we were to continue to pursue our strategic plan and consummate an attractive acquisition that could utilize our NOLs; and

· in the event of a distribution of substantially all of EDCI's cash to stockholders, EDCI would be unlikely to realize any future value from its NOLs.

Amendment, Modification or Revocation of Plan of Dissolution (See page 35)	If for any reason our Board of Directors determines that such action would be in the best interest of EDCI, our Board of Directors may, in its sole discretion and without requiring further stockholder approval, revoke the Plan of Dissolution and all action contemplated thereunder, to the extent permitted by the DGCL. Our Board of Directors may not amend or modify the Plan of Dissolution under circumstances that would require additional stockholder approval under the DGCL and federal securities laws without complying with such requirements. The Plan of Dissolution would be void upon the effective date of any such revocation. In addition, the Plan of Dissolution may also be revoked subsequent to stockholder approval by a subsequent vote by our stockholders, to the extent permitted by the DGCL.

Estimated Liquidating Distributions (See page 36)

Although we are not able to predict with certainty the precise nature, amount or timing of any distributions, we presently expect to make an initial distribution to holders of record of our common stock as of the close of business on the Effective Date of up to an aggregate amount of $30 million shortly following the filing of a certificate of dissolution with the Delaware Secretary of State. EDCI is also considering using a portion of the initial distribution of up to $30 million to effect a tender offer in conjunction with the dissolution process, described in more detail below. Thereafter, we expect to make further distributions over time as we settle, pay or make reasonable provision to pay claims against and obligations of EDCI that are less than the amounts we have included in the contingency reserves or are successful in obtaining value for our other non-cash assets, consisting primarily of our investment in EDC. EDCI will continue to seek value for its investment in EDC by exploring strategic alternatives and seeking, as appropriate, cash distributions, subject to repayment of EDC's bank debt and other legal requirements.

EDCI is also considering using a portion of the initial distribution of up to $30 million to effect a tender offer in conjunction with the dissolution process. Such an approach would afford additional flexibility to stockholders who prefer a fixed amount of cash and immediate recognition of any tax-losses, to those who so elect, for a portion of their shares. If EDCI decides to effect a tender offer, it is expected to do so after the initial dissolution distribution in an amount and at a per-share offer price to be determined in the future by the Board of Directors.

We currently estimate that the amount ultimately distributed to our stockholders will be between approximately $4.31 and $7.01 per share of common stock. Because the DGCL provides specific guidance as to the Board's responsibility for setting appropriate reserves for known and unknown contingencies in connection with a dissolution and also provides that stockholders could be held liable – solely up to the amounts distributed to such stockholder under the Plan of Dissolution – if the contingency reserves are insufficient, the Board of Directors has conservatively estimated the amount of cash that is available for distribution. Due to the uncertainty of the value of our investment in EDC, we have not included any estimate of the value of EDC in the amount of liquidating distributions, and we can provide no assurance that our efforts to seek value for our investment in EDC will result in any additional proceeds. The difference between the low- and high-end of the range is primarily due to reserves for the following three items: i) public company costs, based on current allocations of shared costs among EDCI and EDC, for the entire three-year dissolution period that could be incurred in the event we are unsuccessful in our efforts to reduce our public company costs; ii) incremental overhead costs that could be incurred if EDC is unable to continue to support its allocation of shared expenses, either due to general declines in EDC's business or if EDC is unsuccessful in its pending arbitration claims against certain subsidiaries of UMG and iii) contingency reserves for known and unknown contingent liabilities. See "Risk Factors – We may continue to incur the expenses of complying with public company reporting requirements"; "Risk Factors – EDC's ability to pay its portion of certain overhead costs it shares with EDCI depends on the continued viability of physical manufacturing and distribution of music as well as success in pending arbitration claims against UMG" and Proposal 1: Approval of Plan of Dissolution—Estimated Liquidating Distributions."

	The foregoing estimates are not guarantees and do not reflect the total range of possible outcomes. Many of the factors influencing the amount of cash distributed to our stockholders as a liquidating distribution cannot be currently quantified with certainty and are subject to change. Accordingly, you will not know the exact amount of any liquidating distributions you may receive as a result of the Plan of Dissolution when you vote on the proposal to approve the Plan of Dissolution. You may receive substantially less than the amount we currently estimate.
Conduct of the Company During Dissolution (See page 38)	After the Effective Date, our corporate existence will continue but we may not carry on any business except that relating to winding up EDCI's business and affairs during a minimum three-year period required under Delaware law, including, but not limited to, gradually settling and closing its business, prosecuting and defending suits by or against EDCI, seeking to convert EDCI's assets into cash or cash equivalents, discharging or making provision for discharging EDCI's known and unknown liabilities, withdrawing from all jurisdictions in which EDCI is qualified to do business and, if EDCI is unable to convert any assets to cash or cash equivalents by the end of the three-year period, distributing EDCI's remaining assets among our stockholders according to their interests or placing them in a liquidating trust for the benefit of our stockholders, and, subject to statutory limitations, taking all other actions necessary to wind up the Company's business and affairs.

Reporting Requirements (See page 39)	Whether or not the Plan of Dissolution is approved, we have an obligation to continue to comply with the applicable reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), even though compliance with such reporting requirements may be economically burdensome and of minimal value to our stockholders. If the Plan of Dissolution is approved by our stockholders, in order to reduce our overhead expenses, we intend to seek relief from the SEC to suspend our reporting obligations under the Exchange Act, and ultimately to terminate the registration of our common stock. We anticipate that, if granted such relief, we would continue to file current reports on Form 8-K to disclose material events relating to our dissolution and liquidation along with any other reports that the SEC might require. However, the SEC typically conditions approval of such limited reporting on, among other factors, the complete cessation of trading in the registrant's shares. Accordingly, EDCI plans to remain publicly traded and subject to SEC reporting requirements through the first half of 2010 to permit continued trading in EDCI's shares through the initial distribution and any tender offer that may be implemented (as described elsewhere in this proxy statement), and thereafter the Board would direct that our stock transfer books be closed and recording of transfers of common stock be discontinued. The approval and implementation of the Plan of Dissolution is not part of any going private transaction regarding EDCI. EDCI believes this approach permits all stockholders to participate equally in any eventual distributions while minimizing public costs over time, and also permits substantial time for stockholders to continue to trade in EDCI's stock during the early portion of the dissolution. Further, the SEC may not grant us the requested relief. In such an event, EDCI would consider other transactions, including going private through a reverse stock split transaction, to further reduce public costs, which would require additional stockholder approval, add further costs and would require cashing-out a number of our smaller stockholders. We will not be eligible to continue to be listed on the NASDAQ Capital Market if we cease full reporting with the SEC. Furthermore, our ability to continue our listing on the NASDAQ Capital Market is subject to various on-going listing requirements we must continue to meet. If we cannot continue to meet these requirements during dissolution, we will be forced to delist from NASDAQ. Although we may thereafter qualify to have our shares of common stock quoted on another over-the-counter service (such as the Pink Sheets or Over-the-Counter Bulletin Board), it is likely that the liquidity of our shares will be substantially reduced, and you may not be able to sell your shares if you desire to do so, see "Risk Factors - We may continue to incur expenses of complying with public company reporting requirements," and "- We intend to close our stock transfer books in the near future, and thereafter it generally will not be possible for stockholders to change record ownership of our stock.."
Absence of Appraisal Rights (See page 40)	Under the DGCL, holders of shares of our common stock are not entitled to assert appraisal rights with respect to the Plan of Dissolution.
Regulatory Approvals	We are not aware of any U.S. federal or state regulatory requirements or governmental approvals or actions that may be required to consummate the Plan of Dissolution,

(See page 40) except for compliance with applicable SEC regulations in connection with this proxy statement and compliance with the DGCL. Additionally, our dissolution requires that we obtain a revenue clearance certificate from the Delaware Department of Finance certifying that we have paid or provided for all taxes and penalties, if any, of EDCI.

5

Interests of Management in the Dissolution of the Company (See page 40)

Our directors and executive officers have vested and exercisable options to purchase an aggregate of 98,053 shares of our common stock, 4,000 of which have exercise prices below $6.07 per share, which was the closing price of our common stock on the NASDAQ Capital Market on October 15, 2009. In addition, our directors have unvested options to purchase 8,000 shares of our comment stock which have an exercise price below $ 6.07 per share. Based on the current vesting schedule contained in the Company's 1996 Incentive Stock Plan (the "Incentive Plan") under which the options were granted, some of these options will vest during the required three year dissolution period, most likely after the initial dissolution distribution. Because the options do not participate in any dissolution distributions, and the public per share price is likely to fall subsequent to the initial and any subsequent dissolution distribution, the value of the unvested options would be materially and adversely affected if no adjustments were made to their terms. Pursuant to the Incentive Plan, the Compensation Committee of the Board of Directors is authorized to accelerate the vesting of these previously awarded grants in its sole discretion. The Compensation Committee has approved the acceleration of the vesting of these options to the day immediately following the date that the proposed Plan of Dissolution of the Company is approved by stockholders. Each option-holder will then elect if and when to exercise their options pursuant to the terms of the Plan and their award agreements. See "Security Ownership of Certain Beneficial Owners and Management" for information on the number of options held by our directors and executive officers.

Our directors also hold approximately 29,000 unvested restricted stock units ("RSUs") which, based on the terms set forth by the Plan under which the RSUs were issued, would participate in any distributions made pursuant to the Plan of Dissolution. However, unvested RSI would not be able to participate in any tender offer. Pursuant to the terms of the Plan, the RSU's vest into unrestricted shares of the Company's common stock over a three year period. Pursuant to the terms of the Incentive Plan, the Compensation Committee of the Board of Directors is also authorized to and has approved the acceleratation of the vesting of those previously awarded grants to the day immediately following the date that the proposed Plan of Dissolution of the Company is approved by stockholders.

Pursuant to the terms of the Incentive Plan under which options and RSUs are granted, the Compensation Committee of the Board of Directors is authorized to and has approved the suspension new grants of options and RSUs effective upon stockholder approval of the proposed Plan of Dissolution.

In connection with the Plan of Dissolution, we will continue to compensate our officers and employees at their existing compensation levels in connection with their services provided. However, as part of EDCI's overall efforts to contain costs and minimize EDCI's cash burn, and taking particular note of EDCI's ongoing evaluation of a potential dissolution, EDCI reduced overall corporate salaries by 19% as of July 1, 2009. In addition, EDCI intends to enter into new severance arrangements with employees of EDCI who will be involved in the Plan of Dissolution, which are expected to provide for severance payments only in the event an eligible employee is terminated without cause. The severance payments are generally expected to equal between 4 and 8 weeks of salary based on seniority, except the following four

employees are expected to be eligible for severance equal to 26 weeks upon termination without cause: Matthew K. Behrent, Executive Vice President, Corporate Development and Legal Counsel; Richard A. Friedman, Vice President Internal Audit and Compliance; Kyle E. Blue, Treasurer and Michael D. Nixon, Chief Accounting Officer. In addition, following dissolution, we will continue to indemnify our directors, officers, employees, consultants and agents to the maximum extent permitted in accordance with applicable law, our certificate of incorporation, bylaws and limited liability company agreements, and have entered into contractual indemnification agreements with our directors and officers on terms that are generally consistent with our certificate of incorporation, bylaws and limited liability company agreements, including for actions taken in connection with the Plan of Dissolution and the winding up of our business and affairs. We also will indemnify any trustees and their agents on similar terms. Our Board of Directors and trustees are authorized to, and plan to, obtain and maintain insurance for the benefit of such directors, officers, employees, consultants, agents and trustees to the extent permitted by law and as may be necessary or appropriate to cover obligations under the Plan of Dissolution.

Certain Material U.S. Federal Income Tax Consequences (See page 41)	After the approval of the Plan of Dissolution and until our liquidation is completed, we will continue to be subject to U.S. federal income tax on our taxable income, if any, such as interest income, gain from the sale of any remaining assets or income from operations. Upon the sale of any of our assets in connection with our liquidation, we will recognize gain or loss in an amount equal to the difference between the fair market value of the consideration received for each asset sold and our adjusted tax basis in the asset sold. We should not recognize any gain or loss upon the distribution of cash to our stockholders in liquidation of their shares of our common stock. We currently do not anticipate making distributions of property other than cash to stockholders in our liquidation. In the event we were to make a liquidating distribution of property other than cash to our stockholders, we will recognize gain or loss upon the distribution of such property as if we sold the distributed property for its fair market value on the date of the distribution. We currently do not anticipate that our dissolution and liquidation pursuant to the Plan of Dissolution will produce a material corporate tax liability for U.S. federal income tax purposes. However, if there is a significant repatriation of earnings and profits from a foreign subsidiary of EDCI in a year, it is possible that Company could have alternative minimum tax liability in the U.S. In general, for U.S. federal income tax purposes, we intend that amounts received by our stockholders pursuant to the Plan of Dissolution will be treated as full payment in exchange for their shares of our common stock. As a result of our dissolution and liquidation, stockholders generally will recognize gain or loss equal to the difference between the sum of the amount of cash and the fair market value (at the time of distribution) of property, if any, distributed to them and their tax basis for their shares of our common stock. In general, a stockholder's gain or loss will be computed on a "per share" basis. If we make more than one liquidating distribution, which is expected, each liquidating distribution will be allocated proportionately to each share of stock owned by a stockholder, and the value of each liquidating distribution will be applied against and reduce a stockholder's tax basis in his or her shares of stock. In general, a stockholder will recognize gain as a result of a liquidating distribution to the extent that the aggregate value of the distribution and prior liquidating distributions received by the stockholder with respect to a share exceeds the stockholder's tax basis for that share. Such gain will be recognized in the year of the first distribution in excess of the stockholder's basis, and further gain will be recognized with subsequent distributions, if any such distributions are made. Any loss generally will be recognized by a stockholder only when the stockholder receives our final liquidating distribution to stockholders, and then only if the aggregate value of all liquidating distributions with respect to a share is less than the stockholder's tax basis for that share. Gain or loss recognized by a stockholder generally will be capital gain or loss and will be long term capital gain or loss if the stock has been held for more than one year. The deductibility of capital losses is subject to limitations. The above tax discussion is based on current U.S. federal tax regulations, which regulations could change during the three-year period of dissolution and thereafter. Stockholders are urged to consult their own tax advisors as to the specific tax consequences to them of our dissolution and liquidation pursuant to the Plan of Dissolution.

Accounting Treatment (See page 43)	If EDCI's stockholders approve the Plan of Dissolution, EDCI will change its basis of accounting from that of an operating enterprise, which contemplates realization of assets and satisfaction of liabilities in the normal course of business, to the liquidation basis of accounting. Although EDC's assets and liabilities are not directly involved in the Plan of Dissolution, EDCI's consolidated financial statements will nonetheless be required to reflect the value of EDC's assets and liabilities under the liquidation basis of accounting. Under the liquidation basis of accounting, assets are stated at their estimated net realizable values and liabilities are stated at their estimated settlement amounts. Recorded liabilities will include the estimated expenses associated with carrying out the Plan of Dissolution. The financial information presented in the attached annual report on Form 10-K and quarterly report on Form 10-Q do not include any adjustments necessary to reflect the possible future effects on recoverability of the assets or settlement of liabilities that may result from adoption of the Plan of Dissolution or EDCI's potential to complete such plan in an orderly manner.
Required Vote (See page 43)	The approval of the Plan of Dissolution requires the affirmative vote of a majority of the outstanding shares of our common stock. Abstentions and broker non-votes will have the same effect as votes against the proposal to approve the Plan of Dissolution. Members of our Board of Directors who beneficially owned an aggregate of approximately 6.88% of the outstanding shares of our common stock as of October 15, 2009 have indicated that they intend to vote in favor of the Plan of Dissolution.
Recommendation of Our Board of Directors (See page 43)	Our Board of Directors has determined that the voluntary dissolution and liquidation of EDCI pursuant to the Plan of Dissolution is advisable and is in our best interests and the best interests of our stockholders. Our Board of Directors has approved the Plan of Dissolution and unanimously recommends that stockholders vote "FOR" Proposal 1.

PROPOSAL 2: APPROVAL OF ADJOURNMENT OF SPECIAL MEETING
TO SOLICIT ADDITIONAL PROXIES

General (See page 44)	We are seeking proxies to grant authority to the proxy holders to adjourn the Special Meeting to another date, time or place, if necessary, in the judgment of the proxy holders, for the purpose of soliciting additional proxies to vote in favor of Proposal 1 if there are not sufficient votes cast at the Special Meeting to approve the proposal.
Required Vote (See page 44)	The approval of any adjournment of the Special Meeting requires that the votes cast in favor of the proposal exceed the votes cast against the proposal at the Special Meeting.
Recommendation of Our Board of Directors (See page 44)	Our Board of Directors unanimously recommends that stockholders vote “FOR” Proposal 2.

QUESTIONS AND ANSWERS REGARDING THIS SOLICITATION AND VOTING AT THE SPECIAL MEETING

Q: Why am I receiving these proxy materials?

A: You are receiving these proxy materials from us because you were a stockholder of record at the close of business on the Record Date which was November 12, 2009. As a stockholder of record, you are invited to attend the meeting and are entitled to and requested to vote on the items of business described in this Proxy Statement.

Q: Who is entitled to attend the meeting?

A: You are entitled to attend the meeting only if you were an EDCI stockholder (or joint holder) of record as of the close of business on November 12, 2009, or if you hold a valid proxy for the meeting. You should be prepared to present photo identification for admittance.

Please also note that if you are not a stockholder of record but hold shares in street name (that is, through a broker or nominee), you will need to provide proof of beneficial ownership as of the Record Date, such as your most recent brokerage account statement, a copy of the voting instruction card provided by your broker, trustee or nominee, or other similar evidence of ownership. You will also need to obtain a "legal proxy" from the broker, trustee or nominee that holds your shares, giving you the right to vote the shares at the meeting.

The meeting will begin promptly at 9:00 a.m., local time. Check-in will begin at 8:30 a.m., local time.

Q: Who is entitled to vote at the meeting?

A: Only stockholders who owned our common stock at the close of business on the Record Date are entitled to notice of the Special Meeting and to vote at the meeting, and at any postponements or adjournments thereof.

Q: How many shares must be present to conduct business?

A: The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of our common stock at the close of business on the Record Date will constitute a quorum. A quorum is required to conduct business at the meeting. Both abstentions and broker non-votes are counted for the purpose of determining the presence of a quorum.

Q: What will be voted on at the meeting?

A: The items of business scheduled to be voted on at the meeting are as follows:

1. a proposal to approve the voluntary dissolution and liquidation of EDCI pursuant to a Plan of Dissolution in substantially the form attached to this proxy statement as Appendix A; and

2. a proposal to adjourn the Special Meeting to another date, time or place, if necessary in the judgment of the proxy holders, for the purpose of soliciting additional proxies to vote in favor of Proposal 1.

These proposals are described more fully below in this Proxy Statement. As of the date of this Proxy Statement, the only business that our Board of Directors intends to present or knows of that others will present at the meeting is set

forth in this Proxy Statement. If any other matter or matters are properly brought before the meeting, it is the intention of the persons who hold proxies to vote the shares they represent in accordance with their best judgment.

Q: How does the Board of Directors recommend that I vote?

A: Our Board of Directors recommends that you vote your shares “FOR” the approval of both Proposals 1 and 2.

Q: What shares can I vote at the meeting?

A: You may vote all shares owned by you as of the Record Date, including (1) shares held directly in your name as the stockholder of record, and (2) shares held for you as the beneficial owner through a broker, trustee or other nominee such as a bank.

Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?

A: If your shares are held in street name through a broker, bank, trustee or other nominee, you are considered the beneficial owner of shares held in street name. As the beneficial owner, you have the right to direct your broker, bank, trustee or other nominee on how to vote your shares.

Your broker, bank, trustee or other nominee has the discretion to vote on routine corporate matters presented in the proxy materials without your specific voting instructions. Your broker, bank, trustee or other nominee does not have the discretion to vote on non-routine matters. If you hold your shares in street name, you, the beneficial owner, are not the stockholder of record, and therefore you may not vote these shares in person at the Special Meeting unless you obtain a legal proxy from the broker, bank, trustee or other nominee that holds your shares.

If your shares are registered directly in your name with EDCI's transfer agent, American Stock Transfer & Trust Company, you are considered to be a stockholder of record with respect to those shares. As a stockholder of record, you have the right to grant your voting proxy directly to EDCI or to a third party, or to vote in person at the Special Meeting.

Q: How can I vote my shares without attending the meeting?

A: You may vote electronically via the Internet at www.proxyvote.com. If you vote by telephone or the Internet, you will be required to provide the control number contained on your proxy card. If your shares are held in street name, your proxy card may contain instructions from your broker, bank or nominee that allow you to vote your shares using the Internet or by telephone. Please consult with your broker, bank or nominee if you have any questions regarding the electronic voting of shares held in street name. The granting of proxies electronically is allowed by Section 212(c)(2) of the DGCL. Votes submitted telephonically or via the Internet must be received by 11:59 PM (EST) on January 6, 2010.

To vote by mail you will need to mark, sign and date the Voting Instruction Form and return it in the prepaid return envelope provided. Our proxy distributor, Broadridge Financial Solutions, Inc., must receive your Voting Instruction Form no later than close of business on January 6, 2010.

Q: How can I vote my shares in person at the meeting?

A: If you hold EDCI shares in street name through a broker, bank, trustee or other nominee, you must obtain a legal proxy from that institution and present it to the inspector of elections with your ballot to be able to vote at the Special Meeting. To request a legal proxy please follow the instructions at www.proxyvote.com.

If you hold EDCI shares directly in your name as a stockholder of record, you may vote in person at the Special Meeting. Stockholders of record are entitled to one vote per share of common stock held for each matter submitted for vote at the meeting. Stockholders of record also may be represented by another person at the Special Meeting by executing a proper proxy designating that person.

Even if you plan to attend the meeting, we recommend that you also submit your proxy card or voting instructions as described above so that your vote will be counted if you later decide not to, or are unable to, attend the meeting.

10

Q: Can I change my vote?

A: If your shares are held in street name through a broker, bank, trustee or other nominee, you may revoke any proxy that you previously granted or change your vote at any time prior to 11:59 PM (EST) on January 6, 2010, by entering your new vote electronically via the Internet at www.proxyvote.com using the account, control and pin numbers that you previously used or telephonically using the number indicated on your Voting Instruction Form. If you desire to change your vote by mail, you must first request paper copies of the materials and mail your new Voting Instruction Form using the prepaid return envelop provided. However, your new instructions must be received before the close of business on December 8, 2009.

You also may revoke your proxy or change your vote at any time prior to the final tallying of votes by:

- signing and delivering to the Secretary of EDCI a new proxy card relating to the same shares and bearing a later date;

- delivering a written notice of revocation bearing a date later than the date of your proxy card to the Secretary of EDCI; or

- attending the Special Meeting and voting in person, although attendance at the Special Meeting will not, by itself, revoke a proxy.

Q: Is my vote confidential?

A: Proxy instructions, ballots and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within EDCI or to third parties, except: (1) as necessary to meet applicable legal requirements, (2) to allow for the tabulation of votes and certification of the vote, and (3) to facilitate a successful proxy solicitation. Occasionally, stockholders provide written comments on their proxy card, which are then forwarded to EDCI management.

Q: How are votes counted?

A: If you provide specific instructions with regard to an item, your shares will be voted as you instruct on such item. If you sign your proxy card without giving specific instructions, your shares will be voted in accordance with the recommendations of the Board of Directors (“FOR” each of Proposals 1 and 2, and in the discretion of the proxy holders on any other matters that properly come before the meeting).

Q: What is a “broker non-vote” and how are they counted?

A: Under the rules that govern brokers who have record ownership of shares that are held in street name for their clients, who are the beneficial owners of the shares, brokers have the discretion to vote such shares on routine matters. A “broker non-vote” occurs when a beneficial owner of shares held in street name does not give instructions to the broker or nominee holding the shares as to how to vote on matters deemed non-routine. Approval of the Plan of Dissolution is considered non-routine, and therefore your broker or bank does not have the discretionary authority to vote your shares on this matter. Approval of Proposal 2 is considered a routine matter. Therefore, if you do not otherwise instruct your broker, the broker may turn in a proxy card voting your shares “FOR” adjournment of the Special Meeting for the purpose of soliciting additional proxies to vote in favor or Proposal 1. Broker non-votes will be counted for the purpose of determining the presence or absence of a quorum for the transaction of business, but they will not be counted in tabulating the voting result for any particular proposal.

Q: How are abstentions counted?

A: If you return a proxy card that indicates an abstention from voting on all matters, the shares represented will be counted for the purpose of determining both the presence of a quorum and the total number of votes cast with respect to a proposal, but they will not be voted on any matter at the meeting. In the absence of controlling precedent to the contrary, we intend to treat abstentions in this manner. Accordingly, abstentions will have the same effect as a vote “AGAINST” a proposal.

Q: What happens if additional matters are presented at the meeting?

A: If you grant a proxy, the persons named as proxy holders, Clarke H. Bailey (our Chairman and Chief Executive Officer) and Matthew K. Behrent (our Executive Vice President of Corporate Development), will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting. However, other than the two proposals described in this Proxy Statement, we are not aware of any other business to be acted upon at the meeting, and no other matters properly may be presented for a vote at the Special Meeting.

Q: Who will serve as inspector of election?

A: We expect Richard A. Friedman, our Secretary, to tabulate the votes and act as inspector of election at the meeting.

Q: What should I do if I receive more than one proxy?

A: You may receive more than one set of these proxy solicitation materials, including multiple copies of this Proxy Statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate voting instruction card for each brokerage account in which you hold shares. In addition, if you are a stockholder of record and your shares are registered in more than one name, you may receive more than one proxy card. Please complete, sign, date and return each EDCI proxy card and voting instruction card that you receive to ensure that all your shares are voted.

Q: Who is soliciting my vote and who is paying the costs?

A: Your vote is being solicited on behalf of the Board of Directors of our Company, and our Company will pay the costs associated with the solicitation of proxies, including preparation, assembly, printing and mailing of this Proxy Statement.

Q: How can I find out the results of the voting?

A: We intend to announce preliminary voting results at the meeting and publish final results in a Current Report on Form 8-K following the meeting.

Q: What is the deadline for proposing action or director candidates for future meetings?

A: If we have a future annual meeting, you may be entitled to present proposals for action at such a meeting, including director nominations.

Stockholder Proposals: To have a proposal intended to be presented at the Annual Meeting of Stockholders to be held in 2010 be considered for inclusion in the Company's proxy statement and form of proxy relating to that meeting, a stockholder must deliver written notice of such proposal in writing to the Secretary of the Company no later than January 19, 2010. In addition, the Company's By-Laws provide that if a stockholder desires to submit a proposal for consideration at the 2010 Annual Meeting of Stockholders, or to nominate persons for election as director at that meeting, the stockholder must deliver written notice of such proposal or nomination in writing in the form specified by the By-Laws to the Secretary of the Company no later than March 20, 2010 or such proposal will be considered untimely. The Company's By-Laws further provide that the presiding officer of an annual meeting shall refuse to acknowledge any untimely proposal or nomination. Additionally, under applicable SEC rules the persons named in the proxy statement and form of proxy for the 2010 Annual Meeting of Stockholders would have discretionary authority to vote on any such untimely nomination or proposal. If the date of next year's annual meeting is moved more than 30 days before or after the anniversary date of this year's annual meeting, the deadline for inclusion of proposals in our Proxy Statement will instead be a reasonable time before we begin to print and mail next year's proxy materials. Stockholder proposals must comply with the requirements of Rule 14a-8 of the Exchange Act and any other applicable rules established by the SEC. Proposals should be addressed to:

Matthew K. Behrent
EDCI Holdings, Inc.
11 East 44th Street, Suite 1201
New York, New York 10017

Nomination of Director Candidates: If you wish to propose a director candidate for consideration by our Board of Directors, your recommendation should include information required by the By-Laws of EDCI and should be directed to the Secretary of EDCI at the address of our principal executive offices set forth above. In addition, the stockholder must submit the recommendation within the time period set forth above for Stockholder Proposals.

Copy of By-Law Provisions: You may contact the Secretary of EDCI at our principal executive offices for a copy of the relevant By-Law provisions regarding the requirements for making stockholder proposals and nominating director candidates.

Q: What will happen if the Plan of Dissolution is approved?

A: If the Plan of Dissolution is approved by the requisite vote of our stockholders, the steps set forth below will be completed at such times as our Board of Directors, in its discretion and in accordance with the DGCL, deems necessary, appropriate or advisable in our best interests and the best interests of our stockholders:

- the filing of a certificate of dissolution for EDCI with the Delaware Secretary of State, after obtaining a revenue clearance certificate from the Delaware Department of Finance, and the filing of certificates of dissolution or comparable documents for EDCI's subsidiaries in the applicable jurisdictions (excluding EDC and all of its subsidiaries);

- the cessation of all of EDCI's business activities except for those relating to winding up EDCI's business and affairs during a minimum three-year period required under Delaware law, including, but not limited to, gradually settling and closing its business, prosecuting and defending suits by or against EDCI, seeking to convert EDCI's assets into

cash or cash equivalents, discharging or making provision for discharging EDCI's known and unknown liabilities, making cash distributions to stockholders, withdrawing from all jurisdictions in which EDCI is qualified to do business and distributing EDCI's remaining property among our stockholders according to their interests;

- the payment of or the making of reasonable provision for the payment of all claims and obligations known to EDCI, and the making of such provisions as will be reasonably likely to be sufficient to provide compensation for any claim against EDCI which is the subject of a pending action, suit or proceeding to which EDCI is a party, including, without limitation, the establishment and setting aside of a reasonable amount of cash and/or property to satisfy such claims against and obligations of EDCI, as well as reserves for unknown claims that are likely to arise or to become known to EDCI within 10 years after the Effective Date;

- if EDCI is unable to convert any assets to cash or cash equivalents by the end of the three-year period, the pro rata distribution to our stockholders, or the transfer to one or more liquidating trustees, for the benefit of our stockholders under a liquidating trust, of the remaining assets of EDCI in-kind after payment or provision for payment of claims against and obligations of EDCI; and

- the taking of any and all other actions permitted or required by the DGCL and any other applicable laws and regulations.

As discussed elsewhere in this proxy statement, the Plan of Dissolution does not directly involve the operating business, assets, liabilities or corporate existence of EDC and its subsidiaries.

Q: What will happen if the Plan of Dissolution is not approved?

A: If our stockholders do not approve the Plan of Dissolution, our Board of Directors will explore what, if any, alternatives are available for the future of EDCI. Possible alternatives include continuing our efforts to identify an attractive acquisition in alternative industries using EDCI's cash while overseeing the EDC business with a focus on cash flow and continuing to explore strategic alternatives for EDC as they became available, continuing to seek to reduce our public and overhead costs , or seeking voluntary dissolution at a later time and with diminished assets. At this time, our Board of Directors has considered all of these options and has determined that it is in the best interests of our stockholders to dissolve EDCI and distribute the cash to our stockholders. The Board of Directors, however, retains the right to consider other alternatives should a more attractive offer arise before or after the Effective Date. If our stockholders do not approve the Plan of Dissolution, we expect that our cash resources will continue to diminish, potentially at a higher rate as EDCI would need to augment its current staff to execute and integrate an acquisition. Moreover, any alternative we select may have unanticipated negative consequences. See "Risk Factors—Risks Related to the Plan of Dissolution."

Q: What will stockholders receive in the liquidation?

A: Pursuant to the Plan of Dissolution, we intend to liquidate all of our remaining non-cash assets and, after satisfying or making reasonable provision for the satisfaction of claims, obligations and liabilities as required by law, distribute any remaining cash to our stockholders. At this time, we can only estimate the amount of cash that may be available for distribution among our stockholders. We currently estimate that the amount ultimately distributed will be between approximately $4.31 and $7.01 per share of common stock. Because the DGCL provides specific guidance as to the Board's responsibility for setting appropriate reserves for known and unknown contingencies in connection with a dissolution and also provides that stockholders could be held liable – solely up to the amounts distributed to such stockholder under the Plan of Dissolution – if the contingency reserves are insufficient, the Board of Directors has conservatively estimated the amount of cash that is available for distribution. Due to the uncertainty of the value of our investment in EDC, we have not included any estimate of the value of EDC in the amount of liquidating distributions, and we can provide no assurance that our efforts to seek value for our investment in EDC will result in any additional proceeds. The difference between the low- and high-end of the range is primarily due to reserves for the following three items: i) public company costs, based on current allocations of shared costs among EDCI and EDC, for the entire three-year dissolution period that could be incurred in the event we are unsuccessful in our efforts to reduce our public company costs; ii) incremental overhead costs that could be incurred if EDC is unable to continue to support its allocation of shared expenses, either due to general declines in EDC's business or if EDC is unsuccessful in its pending arbitration claims against certain subsidiaries of UMG and iii) contingency reserves for known and unknown contingent liabilities. See "Risk Factors – We may continue to incur the expenses of complying with public company reporting requirements"; "Risk Factors – EDC's ability to pay its portion of certain overhead costs it shares with EDCI on the continued viability of physical manufacturing and distribution of music as well as success in pending arbitration claims against UMG" and "Proposal 1: Approval of Plan of Dissolution—Estimated Liquidating Distributions."

The foregoing estimates are not guarantees and do not reflect the total range of possible outcomes. Many of the factors influencing the amount of cash distributed to our stockholders as a liquidating distribution cannot be currently quantified with certainty and are subject to change. Accordingly, you will not know the exact amount of any liquidating distributions you may receive as a result of the Plan of Dissolution when you vote on the proposal to approve the Plan of Dissolution. You may receive substantially less than the amount we currently estimate.

Q: When will stockholders receive payment of any available liquidation proceeds?

A: Although we are not able to predict with certainty the precise nature, amount or timing of any distributions, we presently expect to make an initial distribution to holders of record of our common stock as of the close of business on the Effective Date of up to an aggregate amount of $30 million shortly following the filing of a certificate of dissolution with the Delaware Secretary of State. We do not intend to make any further distributions until after we pay, settle, eliminate or otherwise make reasonable provision for the payment of claims against and obligations of EDCI that we have reserved for. We are not able to predict with certainty the precise nature, amount or timing of any distributions, primarily due to our inability to predict the amount of our remaining liabilities or the amount that we will expend during the course of the liquidation and the net value, if any, of our remaining non-cash assets. Our Board of Directors has not established a firm timetable for any final distributions to our stockholders. Subject to contingencies inherent in winding up our business, our Board of Directors intends to authorize distributions of excess cash promptly. Our Board of Directors, in its discretion, will determine the nature, amount and timing of all distributions. EDCI is also considering using a portion of the initial distribution of up to $30 million to effect a tender offer in conjunction with the dissolution process. Such an approach would afford additional flexibility to stockholders who prefer a fixed amount of cash and immediate recognition of any tax-losses, to those who so elect, for a portion of their shares. If EDCI were to effect a tender offer, it would expect to do so after the initial dissolution distribution in an amount and at a per-share offer price to be determined in the future. See “Proposal 1: Approval of Plan of Dissolution—Estimated Liquidating Distributions” and “Risk Factors—Risks Related to the Plan of Dissolution” for a discussion of the estimates and assumptions made in calculating the estimated range of liquidating distributions.

Q: What happens to my shares of common stock after the dissolution of EDCI?

A: The liquidating distributions to stockholders pursuant to the Plan of Dissolution shall be in complete redemption and cancellation of all of the outstanding shares of our common stock. Thereafter, each holder of our common stock will cease to have any rights with respect to his, her or its shares, except the right to receive distributions pursuant to the Plan of Dissolution.

Q: Should I send in my stock certificates now?

A: No. You should not forward your stock certificates before receiving instructions to do so. As a condition to receipt of the liquidating distributions, our Board of Directors or trustees may require our stockholders to surrender to us their certificates evidencing their shares of common stock or to furnish us with evidence satisfactory to our Board of Directors or any trustees of the loss, theft or destruction of such certificates, together with such surety bond or other security or indemnity as may be required by and satisfactory to our Board of Directors or any trustees. If the surrender of stock certificates will be required following the dissolution, we will send you written instructions regarding such surrender. Any distributions otherwise payable by us to stockholders who have not surrendered their stock certificates, if requested to do so, may be held in trust for such stockholders, without interest, pending the surrender of such certificates (subject to escheat pursuant to the laws relating to unclaimed property).

Q: Can I still sell my shares?

A: Yes. However, in order to continue to reduce our overhead costs, if the Plan of Dissolution is approved, EDCI plans to seek relief from certain continued SEC reporting requirements. However, the SEC typically conditions approval of such limited reporting on, among other factors, the complete cessation of trading in the registrant’s shares. Accordingly, EDCI plans to remain publicly traded and subject to SEC reporting requirements through the first half of 2010 to permit continued trading in EDCI’s shares through the initial distribution and any tender offer

that may be implemented (as described elsewhere in this proxy statement), and thereafter the Board would direct that our stock transfer books be closed and recording of transfers of common stock discontinued. The approval and implementation of the Plan of Dissolution is not part of any going private transaction regarding EDCI. EDCI believes this approach permits all stockholders to participate equally in any eventual distributions while minimizing public costs over time, and also permits substantial time for stockholders to continue to trade in EDCI's stock during the early portion of the dissolution. At such time as the Board of Directors determines to close our stock transfer books, certificates representing shares of our common stock will not be assignable or transferable on our books except by will, intestate succession or operation of law, and we will not issue any new stock certificates, other than replacement certificates. Notwithstanding the foregoing, we may request that our common stock be delisted from the NASDAQ Capital Market at any time after the Effective Date, in the sole discretion of our Board of Directors. At the present time, we have no intention of delisting our common stock from NASDAQ prior to the end of the second quarter of 2010. See "Proposal 1: Approval of Plan of Dissolution—Closing of Transfer Books."

Q: Do I have appraisal rights?

A: No. Under the DGCL, holders of our shares of common stock are not entitled to assert appraisal rights with respect to the Plan of Dissolution.

Q: What do stockholders need to do now?

A: After carefully reading and considering the information contained in this proxy statement and the documents delivered with this proxy statement, each stockholder should complete, sign and date his or her proxy card and mail it in the enclosed postage prepaid envelope as soon as possible so that his or her shares may be represented at the Special Meeting.

Q: Who should I contact with questions?

A: If you have any additional questions about the Special Meeting or the proposals presented in this proxy statement, you should contact:

Matthew K. Behrent
EDCI Holdings, Inc.
11 East 44th Street, Suite 1201
New York, New York 10017-0056
Telephone: (646) 201-9549

THE SPECIAL MEETING OF EDCI'S STOCKHOLDERS

General

This proxy statement is being furnished to EDCI's stockholders in connection with the solicitation of proxies by EDCI's board of directors to be used at the Special Meeting of EDCI's stockholders to be held on January 7, 2010, at 9:00 a.m., Eastern time, at the Forum Conference & Event Center, 11313 USA Parkway, Fishers, IN 46037, and at any adjournment or postponement of that meeting.

At the Special Meeting, EDCI's stockholders will be asked to consider and vote upon a proposal to approve the voluntary dissolution and liquidation of EDCI pursuant to a Plan of Dissolution in substantially the form attached to this proxy statement as Appendix A, and a proposal to adjourn the Special Meeting to another date, time or place, if necessary, in the judgment of the proxy holders, for the purpose of soliciting additional proxies to vote in favor of the Plan of Dissolution. THE EDCI BOARD OF DIRECTORS HAS APPROVED THE PLAN OF DISSOLUTION AND THE PROPOSAL TO ADJOURN THE SPECIAL MEETING, IF NECESSARY, AND RECOMMENDS THAT HOLDERS OF EDCI COMMON STOCK VOTE "FOR" THE APPROVAL OF BOTH PROPOSALS. SEE "PROPOSAL 1: APPROVAL OF PLAN OF DISSOLUTION—BACKGROUND TO THE PROPOSED DISSOLUTION AND LIQUIDATION" BEGINNING ON PAGE 26.

Record Date and Voting Securities

Only holders of record of our common stock as of the close of business on November 12, 2009, the record date for the Special Meeting, are entitled to notice of and to vote at the Special Meeting and any adjournments or postponements thereof. At the close of business on November 12, 2009, there were 6,686,137 shares of our common stock outstanding held by 1,454 holders of record.

Each holder of common stock is entitled to one vote for each share of common stock held of record on the record date. Holders of common stock are entitled to vote on all proposals properly presented at the Special Meeting. Shares cannot be voted at the Special Meeting unless the holder thereof is present or represented by proxy.

Quorum

Under Delaware law, a quorum, consisting of a majority of the shares entitled to vote at the Special Meeting, must be represented in person or by proxy for the transaction of business at the Special Meeting. Once a share is represented for any purpose at the Special Meeting, other than solely to object to holding the meeting or transacting business at the meeting, the share will be deemed present for quorum purposes for the remainder of the meeting and for any adjournment of the meeting unless a new record date is or must be set for that adjourned meeting. Shares may be represented and deemed present for quorum purposes by any of the following methods:

- if the holder has returned a signed and dated proxy card, even if the proxy card is marked as an abstention; or
- if the holder attends the Special Meeting (other than solely to object to holding the meeting or transacting business at the meeting), even if the holder abstains from voting.

Broker non-votes, which occur when a broker, bank or other nominee has not received specific voting instructions from a beneficial owner of shares held in street name and indicates that the broker, bank or other nominee does not have discretionary authority to vote a particular matter on the proxy card, also will be deemed present for purposes of determining whether a quorum is achieved.

Required Votes

Required Vote for Proposal 1. The approval of the Plan of Dissolution requires the affirmative vote of a majority of the outstanding shares of our common stock. Abstentions and broker non-votes will have the same effect as votes against the proposal to approve the Plan of Dissolution.

Required Vote for Proposal 2. The approval of any adjournment of the Special Meeting requires that the votes cast in favor of the proposal exceed the votes cast against the proposal at the Special Meeting. Abstentions from voting and broker non-votes will have no impact on the vote on Proposal 2.

Our Board of Directors unanimously recommends voting "FOR" approval of both Proposals 1 and 2.

Voting by Proxy

Our Board of Directors has selected Clarke H. Bailey (our Chairman and Chief Executive Officer) and Matthew K. Behrent (our Executive Vice President of Corporate Development), the persons named as proxies in the proxy card accompanying this proxy statement, to serve as proxies at the Special Meeting. The shares of common stock represented by each executed and returned proxy card will be voted in accordance with the directions indicated on the proxy card. If you sign your proxy card without giving specific instructions, EDCI will vote your shares "FOR" the proposals being made at the Special Meeting unless your shares are held in street name in a brokerage account. The proxy cards also confer discretionary authority to vote the shares authorized to be voted thereby on any matter that properly may be presented for action at the Special Meeting and any adjournments or postponements thereof. We know of no other business to be presented at the Special Meeting, and no other matters properly may be presented for a vote at the Special Meeting.

You can vote by signing, dating and mailing your proxy card in the postage prepaid envelope or following the instructions for telephone or Internet voting, whether or not you plan to attend the Special Meeting in person.

YOUR VOTE IS VERY IMPORTANT, REGARDLESS OF THE NUMBER OF SHARES YOU OWN. PLEASE VOTE AS SOON AS POSSIBLE TO MAKE SURE THAT YOUR SHARES ARE REPRESENTED AT THE SPECIAL MEETING. TO VOTE YOUR SHARES, PLEASE COMPLETE, DATE, AND SIGN THE ENCLOSED PROXY AND MAIL IT PROMPTLY IN THE ENCLOSED POSTAGE PREPAID ENVELOPE; OR YOU MAY VOTE VIA THE INTERNET OR BY TELEPHONE, IN EACH CASE AS INSTRUCTED ON THE ENCLOSDED PROXY CARD, WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING.

Revocation of Proxy

You may revoke a proxy or change your vote at any time by taking any of the following actions before your proxy is voted at the Special Meeting:

- signing and delivering to the Secretary of EDCI a new proxy card relating to the same shares and bearing a later date;
- delivering a written notice of revocation bearing a date later than the date of your proxy card to the Secretary of EDCI; or
- attending the Special Meeting and voting in person, although attendance at the Special Meeting will not, by itself, revoke a proxy.

You should send any notice of revocation or a completed new proxy card, as the case may be, to the Secretary of EDCI at the following address: EDCI Holdings, Inc., 11 East 44th Street, Suite 1201, New York, New York 10017.

Expenses of Solicitation

EDCI will bear the expense of the solicitation of proxies from our stockholders. We have not retained a proxy solicitor in connection with the Special Meeting. We will solicit proxies in person or by mail, telephone, facsimile or other electronic means. Our directors, officers and regular employees who solicit proxies will not receive additional compensation.

Following the original mailing of the proxy statement and any other soliciting materials, we will request brokers, banks and other nominees and record holders of our common stock (1) to forward copies of the proxy statement and any other soliciting materials to each beneficial owner for whom they hold shares, and (2) to request authority for the exercise of proxies. In addition, we may reimburse any of these brokers, banks and other nominees and record holders for their reasonable out-of-pocket expenses in forwarding such materials.

Voting in Person

If you attend the Special Meeting and wish to vote in person, you will be given a ballot at the Special Meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you would like to vote in person at the Special Meeting, you must bring to the Special Meeting an account statement or letter from the broker, bank or other nominee indicating that you were the beneficial owner of the shares on November 12, 2009, the record date for the Special Meeting. As a beneficial owner, you may not vote these shares in person at the meeting unless you obtain a “legal proxy” from the broker, trustee or nominee that holds your shares, giving you the right to vote the shares at the meeting.

Abstentions and Broker Non-Votes

Only shares voted “FOR” Proposal 1, including shares represented by properly executed proxies that do not contain voting instructions, will be counted as votes “FOR” approval of the Plan of Dissolution.

Brokers, banks or other nominees who hold shares of our common stock in street name for a customer who is the beneficial owner of those shares may not exercise voting authority on the customer's shares with respect to the actions proposed in this proxy statement without specific instructions from the customer. Proxies submitted by a broker, bank or other nominee that do not exercise this voting authority are referred to as “broker non-votes.” If your common stock is held in street name, your broker, bank or nominee will vote your shares only if you provide instructions on how to vote by filling out the voter instruction form sent to you by your broker, bank or nominee with this proxy statement. Accordingly, you are urged to complete, sign, date and return the enclosed proxy card to indicate your vote and fill out the voter instruction form, if applicable.

Abstentions and broker non-votes will be included in determining the presence of a quorum at the Special Meeting, but will have the same effect as voting against the approval of the Plan of Dissolution. Abstentions and broker non-votes will have no impact on the vote on Proposal 2.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement and the documents delivered herewith include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, and amended, and Section 21E of the Exchange Act, including, without limitation, statements regarding our and our management’s expectations, beliefs, intentions, or strategies regarding the future. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “plan,” and similar expres identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. These statements include, without limitation, statements regarding: the timing, nature or amount of

our estimated liquidating distributions; the amounts of any contingency reserves; the status of litigation or our expectations regarding any litigation; the timing of any action contemplated by the Plan of Dissolution; management's projections regarding estimated claims, liabilities and expenses; and our expectations concerning material federal tax consequences to our stockholders. Forward-looking statements are based on the opinions, expectations, forecasts, assumptions and estimates of management at the time the statements are made and are subject to risks and uncertainties that could cause actual results or the level of activity, performance or achievements expressed or implied by such statements to differ materially from our expectations of future results, level of activity, performance or achievements expressed or implied by those statements. Factors that could affect actual results, level of activity, performance or achievements include, among others, the risks and uncertainties described under the heading "Risk Factors" set forth below and described in our Annual Report on Form 10-K for the year ended December 31, 2008, a copy of which is being delivered with this proxy statement as Appendix B, and other reports we may file with the SEC.

Although we believe that expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this proxy statement or, in the case of documents delivered with this proxy statement, the date of those documents. Except as may be required under federal law, we undertake no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur.

RISK FACTORS

You should carefully consider the risks described below, together with all the other information included in this proxy statement and the documents delivered with this proxy statement, before making a decision about voting on the proposals submitted for your consideration. This proxy statement contains forward-looking statements within the meaning of the federal securities laws. These statements include, but are not limited to, those concerning the following: regarding future events, the timing, nature or amount of our estimated liquidating distributions, the timing of any action contemplated by the Plan of Dissolution, management's projections regarding estimated liabilities and expenses, our business strategy, and plans and objectives of management for future operations, and expectations concerning material federal tax consequences to our stockholders. Forward-looking statements are subject to risks and uncertainties that could cause actual results and events to differ materially. We undertake no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this proxy statement.

Risks Related to the Plan of Dissolution

The amount we distribute to our stockholders pursuant to the Plan of Dissolution may be substantially less than the amount we currently estimate if the amounts of our liabilities, other obligations and expenses are higher than we currently anticipate.

The amount of cash ultimately distributed to stockholders pursuant to the Plan of Dissolution depends on the amount of our liabilities, obligations and expenses and the amount we generate from the sale of our remaining non-cash assets and intellectual property. We have attempted to estimate reasonable reserves for such liabilities, obligations, and expenses. However, those estimates may be inaccurate. If any of the estimates are inaccurate, the amount we distribute to our stockholders may be substantially less than the amount we currently estimate. Factors that could impact our estimates include the following:

• We have made estimates regarding the expense of personnel required and other operating expenses (including board expenses, legal, accounting and other professional fees) necessary to dissolve and liquidate EDCI. Our actual expenses could vary significantly and depend on the timing and manner of the sale of our non-cash assets, the satisfaction of any contingent or conditional claims and liabilities, the timing of and ability to limit public company expenses, and EDC's ability to continue to support its allocation of shared expenses, among other factors. As a result, we may incur additional expenses above our current estimates, which could substantially reduce funds available for distribution to our stockholders; and

• We have made estimates regarding the appropriate reserves required to satisfy all current, contingent or conditional claims and liabilities, including unknown claims that are likely to arise or to become known to EDCI within 10 years after the Effective Date. It is extremely difficult to anticipate our reserve for currently unknown liabilities. Our actual costs of defending and resolving any asserted claims (and the amount and nature of future claims) could vary significantly from those estimates, which could substantially reduce funds available for distribution to our stockholders and potentially result in liabilities to our stockholders up to the amount of liquidating distributions received by such stockholders. For a discussion of those liabilities, please see "Risk Factors- If the amount of our contingency reserve is insufficient to satisfy the aggregate amount of our liabilities and other obligations, each stockholder may be liable to our creditors for the amount of liquidating distributions received by such stockholders under the Plan of Dissolution, which could also have adverse tax consequences."

We may continue to incur the expenses of complying with public company reporting requirements.

Whether or not the Plan of Dissolution is approved, we have an obligation to continue to comply with the applicable reporting requirements of the Exchange Act, even though compliance with such reporting requirements

may be economically burdensome and of minimal value to our stockholders. If the Plan of Dissolution is approved by our stockholders, in order to curtail expenses, we intend to seek relief from the SEC to suspend our reporting obligations under the Exchange Act at the end of the second quarter of 2010, and ultimately to terminate the registration of our common stock and its listing on NASDAQ. EDCI plans to remain publicly traded (and subject to SEC reporting requirements) through the first half of 2010 to permit continued trading in EDCI's shares through the date of the initial liquidating distribution and any tender offer that may be implemented (as described elsewhere in this proxy statement). We anticipate that, if granted such relief, we would continue to file current reports on Form 8-K to disclose material events relating to our dissolution and liquidation along with any other reports that the SEC might require.

To the extent that we are unable to suspend our obligation to file periodic reports with the SEC, we will be obligated to continue complying with the applicable reporting requirements of the Exchange Act and, as a result, will be required to continue to incur the expenses associated with these reporting requirements, which will reduce the cash available for distribution to our stockholders. Accordingly, EDCI has made reserves for such an event in estimating the range of estimated liquidating distributions. See "Proposal 1: Approval of Plan of Dissolution—Estimated Liquidating Distributions." These expenses include, among others, those costs relating to:

• the preparation, review, filing and dissemination of SEC filings;

• maintenance of effective internal controls over financial reporting; and

• audits and reviews conducted by our independent registered public accountants.

If we are unable to suspend our obligation to file periodic reports with the SEC, we may consider other transactions, including going private through a reverse stock split transaction, to further reduce public costs, which would require additional stockholder approval, add further costs and require cashing-out a number of our smaller stockholders.

We will not be eligible to continue to be listed on NASDAQ if we cease full reporting with the SEC. Furthermore, our ability to continue our listing on NASDAQ is subject to various on-going listing requirements we must continue to meet. If we cannot continue to meet these requirements during dissolution, we will be forced to delist from NASDAQ. Although we may thereafter qualify to have our shares of common stock quoted on another over-the-counter service (such as the Pink Sheets or Over-the-Counter Bulletin Board), it is likely that the liquidity of our shares will be substantially reduced, and you may not be able to sell your shares if you desire to do so.

EDC's ability to pay its portion of certain overhead costs it shares with EDCI depends on the continued viability of physical manufacturing and distribution of music as well as success in pending arbitration claims against UMG.

We share certain overhead costs with EDC, including allocations for officers and other personnel who provide services to both EDC and EDCI and audit and compliance costs. If EDC were unable to pay its share of these costs, EDCI would be required to bear these costs at its sole expense, which would materially increase its annual cash burn. EDC's ability to continue to pay its share of these costs is dependent on both the continued viability of physical manufacturing and distribution of music as well as success in its pending arbitration claims against certain subsidiaries of UMG. Accordingly, EDCI has made reserves for such an event in estimating the range of estimated liquidating distributions. See "Proposal 1: Approval of Plan of Dissolution—Estimated Liquidating Distributions."

Alternative distribution channels and methods, both authorized and unauthorized, for delivering music have eroded and are expected to continue to erode the volume of sales and pricing of products and services. Because EDC's business has high fixed costs, EDC has limited ability to reduce costs in response to unit declines. The growth of these alternatives is driven by advances in technology that allow for the transfer and downloading of music and video files from the Internet. The proliferation of this copying, use and distribution of such files is supported by the increasing availability and decreasing price of new technologies, such as personal video recorders, CD and DVD burners, portable MP3 music and video players, widespread access to the Internet, and the increasing number of peer-to-peer digital distribution services that facilitate file transfers and downloading. EDC expects that file sharing and downloading, both legally and illegally, the introduction of new optical formats and portable personal digital devices will continue to exert downward pressure on the demand for CDs. As a result, file sharing and downloading has also exerted significant downward pressure on the demand for DVDs. In addition, EDC's business faces pressure from the emerging distribution alternatives, like video on demand and personal digital video recorders. As substantially all of EDC's revenues are derived from the sale of CDs and to a lesser extent DVDs, increased file sharing, downloading and piracy or the growth of other alternative distribution channels and methods, could materially adversely affect EDC's business, financial condition and results of operations.

21

EDC has initiated two arbitration proceedings against Universal International Music B.V. ("UIM"), a subsidiary of UMG, in response to claims by UIM that EDC's German subsidiary has breached certain terms of the manufacturing and distribution agreements between that entity and UIM. EDC believes that the underlying breaches alleged by UIM have not occurred and intends to vigorously defend its position in arbitration, but at this early stage in these matters, EDC is not able to assess the likelihood of a favorable outcome. If EDC is unsuccessful in arbitration, the alleged breaches could result in substantial liquidated damages or the loss of sales volume that, based on the high fixed cost nature of EDC's distribution operations, would have a material adverse effect on results of operations and cash flows. See Note 17 to the financial statements of EDCI captioned "Commitments and Contingencies - Litigation" in the Form 10-Q for the quarter ended September 30, 2009, filed with the SEC on October 30 , 2009, a copy of which is attached to this proxy statement as Appendix C.

If the amount of our contingency reserve is insufficient to satisfy the aggregate amount of our liabilities and other obligations, each stockholder may be liable to our creditors for the amount of liquidating distributions received by such stockholders under the Plan of Dissolution, which could also have adverse tax consequences.

After the Effective Date, our corporate existence will continue, but we will not be able to carry on any business except for the purpose of winding up the business and affairs of EDCI. Following the Effective Date, we will pay or make reasonable provision to pay all claims and obligations, including all contingent, conditional or unmatured contractual or statutory claims, known to us, including unknown claims that are likely to arise or to become known to EDCI within 10 years after the Effective Date. We also may obtain and maintain insurance coverage or establish and set aside a reasonable amount of cash or other assets as a contingency reserve to satisfy claims against and obligations of EDCI. In the event that the amount of the contingency reserve, insurance and other measures calculated to provide for the satisfaction of liabilities and claims of the Company are insufficient to satisfy the aggregate amount ultimately found payable in respect of our liabilities, each stockholder could be required to repay some or all of the amounts distributed to such stockholder under the Plan of Dissolution. This obligation is pro rata based upon amounts actually received. In such event, a stockholder could be required to return some or all amounts received as distributions pursuant to the Plan of Dissolution.

Moreover, for U.S. federal income tax purposes, payments made by a stockholder in satisfaction of our liabilities not covered by the cash or other assets in our contingency reserve or otherwise satisfied through insurance or other reasonable means generally would produce a capital loss for such stockholder in the year the liabilities are paid. The deductibility of any such capital loss generally would be subject to limitations under the Internal Revenue Code of 1986, as amended, or the Code. See "Proposal 1: Approval of Plan of Dissolution—Certain Material U.S. Federal Income Tax Consequences."

Liquidating distributions to our stockholders could be delayed or diminished.

All or a portion of any distributions to our stockholders could be delayed or diminished, depending on many factors, including, without limitation:

• if a creditor or other third party seeks an injunction against the making of distributions to our stockholders on the ground that the amounts to be distributed are needed to provide for the satisfaction of our liabilities or other obligations;

• if we become a party to lawsuits or other claims asserted by or against us, including any claims or litigation arising in connection with our decision to liquidate and dissolve;

• if we are unable to sell our remaining non-cash assets or if such sales take longer than expected;

• if we are unable to resolve claims with creditors or other third parties, or if such resolutions take longer than expected; or

• if the issuance of the revenue clearance certificate required to file our certificate of dissolution with the Delaware Secretary of State is delayed.

In addition, under the DGCL, claims and demands may be asserted against us at any time during the three years following the Effective Date. Accordingly, our Board of Directors may obtain and maintain insurance coverage or establish and set aside a reasonable amount of cash or other assets as a contingency reserve to satisfy claims against and obligations of EDCI that may arise during the three-year period following the Effective Date. As a result of these factors, we may retain for distribution at a later date, some or all of the estimated amounts that we expect to distribute to stockholders.

Stockholders will lose the opportunity to capitalize on potential growth opportunities from the continuation of our business.

Although our Board of Directors believes that the Plan of Dissolution is more likely to result in greater returns to stockholders than if we continued as a stand-alone entity or pursued other alternatives, if the Plan of Dissolution is approved, stockholders will lose the opportunity to participate in future growth opportunities that may have arisen if we were to continue to pursue our strategic plan and consummate an attractive acquisition that could utilize our NOLs. Upon the distribution of substantially all of EDCI's cash to stockholders, EDCI will be unlikely to realize any future value from its NOLs. It is possible that these opportunities could have proved to be more valuable than the liquidating distributions our stockholders would receive pursuant to the Plan of Dissolution.

Stockholders may not be able to recognize a loss for U.S. federal income tax purposes until they receive a final distribution from us.

As a result of our dissolution and liquidation, for U.S. federal income tax purposes, our stockholders generally will recognize gain or loss equal to the difference between (i) the sum of the amount of cash and the fair market value (at the time of distribution) of property, if any, distributed to them, and (ii) their tax basis for their shares of our common stock. Liquidating distributions pursuant to the Plan of Dissolution may occur at various times and in more than one tax year. Any loss generally will be recognized by a stockholder only when the stockholder receives our final liquidating distribution to stockholders, and then only if the aggregate value of all liquidating distributions with respect to a share is less than the stockholder's tax basis for that share. Stockholders are urged to consult their own tax advisors as to the specific tax consequences to them of our dissolution and liquidation pursuant to the Plan of Dissolution. See "Proposal 1: Approval of Plan of Dissolution—Certain Material U.S. Federal Income Tax Consequences."

We intend to close our stock transfer books in the near future, and thereafter it generally will not be possible for stockholders to change record ownership of our stock.

As described above, EDCI plans to seek relief from certain continued SEC reporting requirements. However, the SEC typically conditions approval of such limited reporting on, among other factors, the complete cessation of trading in the registrant's shares. Accordingly, EDCI plans to remain publicly traded and subject to SEC reporting requirements through the first half of 2010 to permit continued trading in EDCI's shares through the initial distribution and any tender offer that may be implemented, and thereafter, the Board will direct that our stock transfer books be closed and recording of transfers of common stock be discontinued. Notwithstanding, the approval and implementation of the Plan of Dissolution is not part of any going private transaction regarding EDCI. At such time as the Board of Directors determines to close our stock transfer books, certificates representing shares of our common stock will not be assignable or transferable on our books except by will, intestate succession or operation of law, and we will not issue any new stock certificates, other than replacement certificates. In addition, we anticipate that we will request that our common stock be delisted from the NASDAQ Capital Market and that trading will be suspended at the same time the SEC approves the termination of our reporting obligations.

Further stockholder approval will not be required in connection with the implementation of the Plan of Dissolution, including for the sale of all or substantially all of our non-cash assets as contemplated in the Plan of Dissolution.

The approval of the Plan of Dissolution by our stockholders also will authorize, without further stockholder action, our Board of Directors to do and perform, or to cause our officers to do and perform, any and all acts and to make, execute, deliver or adopt any and all agreements, resolutions, conveyances, certificates and other documents of every kind that our Board of Directors deems necessary, appropriate or desirable, in the absolute discretion of the Board of Directors, to implement the Plan of Dissolution and the transactions contemplated thereby, including, without limitation, all filings or acts required by any state or federal law or regulation to wind up its affairs. Accordingly, depending on the timing of a stockholder vote on the Plan of Dissolution, we may dispose of our investment in EDC and any and all of our other remaining non-cash assets without further stockholder approval. As a result, our Board of Directors may authorize actions in implementing the Plan of Dissolution, including the terms and prices for the sale of EDC and our other remaining non-cash assets, with which our stockholders may not agree.

Our Board of Directors may revoke implementation of the Plan of Dissolution even if it is approved by our stockholders, and stockholders can revoke the Plan of Dissolution through a subsequent vote.

Even if our stockholders approve the Plan of Dissolution at the Special Meeting, if for any reason our Board of Directors determines that such action would be in our best interests and the best interests of our stockholders, our Board of Directors may, in its sole discretion and without requiring further stockholder approval, revoke the Plan of Dissolution, and all action contemplated thereunder, to the extent permitted by the DGCL. In addition, the Plan of Dissolution may also be revoked by subsequent stockholder approval, to the extent permitted by the DGCL. A revocation of the Plan of Dissolution would result in our stockholders not receiving any further liquidating distributions pursuant to the Plan of Dissolution. In the event that there are no current year or accumulated earnings and profits in the years in which dissolution distribution payments were made, there would be no change in the tax treatment of such dissolution distributions. If there were current year earnings or profits, in those years, such dissolution distributions could be treated as a taxable dividend to the stockholder.

Risks Related to Our Continuing Business Operations if the Plan of Dissolution is Not Approved by Our Stockholders

Other alternatives to dissolution have significant risks and uncertainties that may further diminish the value of EDCI.

If our stockholders do not approve the Plan of Dissolution, our Board of Directors will explore what, if any, alternatives are available for the future of EDCI. Possible alternatives include continuing our efforts to identify an attractive acquisition in alternative industries using EDCI's cash while overseeing the EDC business with a focus on cash flow and continuing to explore strategic alternatives for EDC as they became available, continuing to seek to reduce our public and overhead costs, or seeking voluntary dissolution at a later time and with diminished assets. At this time, our Board of Directors has considered all of these options and has determined that it is in the best interests of our stockholders to dissolve EDCI and distribute the cash to our stockholders. The Board of Directors, however, retains the right to consider other alternatives should a more attractive offer arise before or after the Effective Date. The risks and uncertainties described are not the only ones facing EDCI, and our risks and uncertainties may change if the Plan of Dissolution is not approved and we alter our business strategy other than as described herein. Additional considerations not presently known to us or that we currently believe are immaterial may also impair our business operations. If any of the following risks actually occurs, our business, financial condition or operating results could be materially and adversely affected, the value of our common stock could decline and you may lose all or part of your investment.

If our stockholders do not approve the Plan of Dissolution, and we return to our prior strategy, our cash burn may accelerate, we may complete an unsuccessful acquisition that results in loss of invested capital, and if our acquisition strategy remains unsuccessful, future distributions of cash in any subsequent dissolution may be materially lower.

An important consideration for management and the Board in determining to recommend the Plan of Dissolution was the determination, made in consultation with an outside financial advisory firm, that the factors impeding EDCI's ability to identify and successfully consummate a transaction remain. Those factors include excessive valuation expectations by sellers, unpredictable earnings streams based on continued economic uncertainty, severely limited availability of credit and the significant competition EDCI faces from private equity funds and SPACs with substantial resources to pursue acquisitions. Therefore completing an attractive acquisition could well take an additional eighteen to twenty-four months, during which EDCI would continue to burn cash, potentially at a higher rate as EDCI would need to augment its current staff to execute and integrate an acquisition. Accordingly, if EDCI were to return to this strategy, there is the risk that an attractive acquisition could not be found during that 18-24 month period, as a result of which any future distribution of cash to stockholders – through a dissolution in the future – would be substantially lower than the cash that could be distributed in connection with the Plan of Dissolution. There is also the risk of completing an acquisition that performs below our target expectations and results in a loss of invested capital. These risks could materially and adversely affect our business, financial condition or operating results and the value of our common stock, and you may lose all or part of your investment. Moreover, any alternative we select may have unanticipated negative consequences.

If our stockholders do not approve the Plan of Dissolution, our stock price may be adversely affected.

On September 11, 2009, the trading day immediately prior to our announcement that our Board of Directors had unanimously determined that it was advisable to dissolve EDCI and all of its wholly-owned subsidiaries, excluding EDC, the closing sales price of our common stock on the NASDAQ Capital Market was $5.01. From September 11, 2009 to the date of this proxy statement, the sales price of our common stock on the NASDAQ Capital Market has ranged from a high of $6.17 to a low of $5.01. If our stockholders do not approve the Plan of Dissolution, our stock price may be adversely affected due to the market's doubt as to our ability to successfully implement our prior strategy of pursuing an attractive acquisition in alternative industries using EDCI's cash while overseeing the EDC business with a focus on cash flow and continuing to explore strategic alternatives for EDC as they became available.

In addition to the risks described above, you should carefully consider the risks described in our Annual Report on Form 10-K for the year ended December 31, 2008 which was filed with the SEC on March 31, 2009 and is attached to this proxy statement as Appendix B.

PROPOSAL 1: APPROVAL OF PLAN OF DISSOLUTION

General

At the Special Meeting, our stockholders will be asked to approve the voluntary dissolution and liquidation of EDCI pursuant to the Plan of Dissolution. On September 9, 2009, our Board of Directors unanimously approved recommending a dissolution process to EDCI's stockholders, and on October 14, 2009 unanimously approved the Plan of Dissolution, subject to stockholder approval. A copy of the Plan of Dissolution is attached as Appendix A to this proxy statement and incorporated herein by reference. The material features of the Plan of Dissolution are summarized below, including a summary of the Principal Provisions of the Plan of Dissolution beginning on page 32. We urge stockholders to read carefully the Plan of Dissolution in its entirety.

Background to the Proposed Dissolution and Liquidation

EDCI is a holding company and parent of EDC which, together with its wholly owned and controlled majority owned subsidiaries, is a multi-national company that exists to enhance stockholder value by pursuing acquisition opportunities while continuing to oversee its majority investment in EDC, a business operating in the manufacturing and distribution segment of the entertainment industry.

EDCI is currently comprised of the following: first, EDCI, indirectly through certain subsidiaries, owns 97.99% of the limited liability company units of EDC. Additionally, EDCI has approximately $51.8 million of cash, cash equivalents and investments and NOLs aggregating approximately $291.0 million that do not begin to expire until 2019, which may be used to offset taxable income of any business EDCI acquires. EDCI also has known and unknown operating and non-operating liabilities relating to its corporate overhead costs and past business activities.

EDCI acquired its interest in EDC from UMG in May, 2005, at a time when it was already apparent that CD volumes would decline over time and continue to be superseded, though at an unknown rate, by digital (vs. physical) means of distribution. At that time, industry forecast decline rates were generally in the mid-to-low single digit range, and we believed that at those decline levels it would be possible to replace lost units and grow the overall profitability of EDC by acquiring new customers, organically and through acquisitions, in both the core CD business as well as in adjacent industries that had long-term growth opportunities. EDC's supply agreements with UMG also provided for the "reversion" of certain units that UMG had outsourced to third parties that would further protect EDC from industry declines in the initial years of the contract. As a result, we believed the EDC business would better take advantage of EDCI's NOLs than the Company's existing messaging business, and remained focused on growing the EDC business throughout 2006 and in early 2007. In furtherance of that strategy, in July 2006, EDC's presence in the European market was expanded through the acquisition of the largest CD manufacturing operation in the United Kingdom. This acquisition also allowed EDC to secure all of UMG's United Kingdom CD manufacturing business. Also in furtherance of this strategy, in December, 2006, EDCI completed the sale of substantially all of the assets of its messaging business.

During 2007, physical music CD unit sales for the industry in the United States declined 16% on a year over year basis. This severe decline rate materially affected the near-term profitability of EDC's U.S. business and also limited the long-term potential benefit of utilizing EDCI's NOLs. As it became evident during 2007 that these levels of decline were not abating, we determined that acquisitions by EDC, especially acquisitions requiring further investments of EDCI's cash in EDC, were no longer prudent. Therefore, we began to explore a sale or other divestiture of the EDC business, including through a formal process conducted with the assistance of a financial advisor, with the expectation that after such a sale EDCI, would then use its existing cash, NOLs and any additional cash resulting from the sale of EDC for another acquisition that would better utilize its NOLs.

When it became evident in early 2008 that there were no acquirors of EDC on acceptable terms, EDCI determined to concurrently explore acquisitions in alternative industries using EDCI's cash while overseeing the EDC business with a focus on cash flow and continuing to explore strategic alternatives for EDC as they became available.

EDCI's acquisition efforts in 2008 were focused primarily on the acquisition of private companies with a stable, recurring revenue base that could utilize EDCI's NOLs. EDCI was targeting opportunities with enterprise values of between $100 million and $150 million that would be funded through up to $50 million of EDCI's cash plus debt or equity generating U.S. taxable income. Despite challenges affecting EDC that occupied a substantial amount of its management's time during this period, EDCI's senior executives met with numerous financial intermediaries and private equity owners and evaluated numerous opportunities. EDCI also established an acquisition committee of the Board of Directors to monitor the acquisition search. During 2008, EDCI became increasingly cautious with regard to acquisition opportunities due to the rapidly deteriorating economic environment and credit markets.

On August 5, 2008, EDCI announced that as part of its acquisition efforts it had commenced an executive search for a permanent Chief Executive Officer with a strong background in acquisitions and mergers in conjunction with executive search firm Heidrick & Struggles.

We then announced on October 31, 2008, the sale of substantially all of the U.S. business of EDC to Sony DADC U.S., Inc. for $26.0 million in cash and certain other consideration. By that time, economic conditions and the credit markets had continued to deteriorate, resulting in an extremely challenging merger and acquisition marketplace. Accordingly, EDCI reminded its stockholders in its October 31, 2008 conference call that the Board of Directors continued to consider various possible transactions, including the distribution of EDCI's cash to its stockholders through either a distribution or share repurchase based on several factors, including: (i) the sustained undervaluation of EDCI vs. its cash position; (ii) access to reasonably priced capital to consummate a transaction; and (iii) the financial performance and related valuation of acquisition targets.

On January 5, 2009, EDCI announced the appointment of Robert L. Chapman, Jr., as its Chief Executive Officer with a minimum six-month term. Mr. Chapman is the Managing Member of Los Angeles, CA-based Chapman Capital L.L.C., an investment advisor advising funds that own approximately 14% of EDCI, and had been a member of EDCI's Board of Directors since November, 2007. EDCI began to focus its acquisition efforts on micro-capitalization public opportunities as public market valuations had adjusted downwards faster than those of private companies. Early in this process, EDCI began to identify several key factors that were impeding EDCI's ability to identify and successfully consummate a transaction. Those factors included excessive valuation expectations by sellers, unpredictable earnings streams based on continued economic uncertainty, and severely limited availability of credit.

During meetings of the Board of Directors on March 10, 2009 and in its quarterly investor conference call on March 30, 2009, EDCI noted in both forums that the acquisition impediments identified in January 2009 were continuing. EDCI also noted that it was focused on transactions in the $50-$75 million enterprise value range given the limited availability of credit to finance an acquisition. EDCI also noted that while EDCI's Board continued to evaluate a potential distribution of EDCI's cash to its stockholders, at that time, the potential upside from an acquisition remained more compelling than a near-term distribution of cash.

During its quarterly investor conference call on May 8, 2009, EDCI noted that the two key challenges of high seller valuation expectations and fundamental uncertainty remained. EDCI also noted that while it continued to believe time was on EDCI's side as a buyer, EDCI remained very aware that patience and diligence need to be balanced against the time/value of a potential distribution of EDCI's cash to its stockholders. Accordingly, EDCI noted that its Board continued to evaluate the option of distributing its cash to stockholders, and that such an option increased in probability as the odds of making an attractive acquisition decreased. In an effort to conserve cash during this period, EDCI continued to aggressively pursue cost cutting initiatives, which included reviewing legal, audit and tax professional fees and continuing the Company-wide wage freeze, exclusive of promotions to higher responsibility, that was put in place during the first quarter of 2009.

During meetings of the Board of Directors and its annual stockholders' meeting on May 19, 2009, EDCI noted in both forums that the two key challenges of high seller valuation expectations and fundamental uncertainty remained, and that the alternative of distributing cash increased in probability as the odds of making an attractive acquisition decreased. During the EDCI Board meeting, the Board engaged in in-depth analysis of alternative transactions for the potential distribution of cash to stockholders, including through dividends, a self-tender offer and a potential dissolution. Management also presented an analysis showing that in the event of a distribution of substantially all of EDCI's cash to stockholders, EDCI would be unlikely to realize any future value from NOLs. The Board requested that management continue its analysis of potential alternatives for the potential distribution of cash while continuing to explore acquisition alternatives.

During a meeting of the Board of Directors on June 26, 2009, management of EDCI presented additional analysis of alternatives for the potential distribution of cash to stockholders, alternatives for limiting public company costs in

connection with such a transaction and analyses of the potential cash that could be distributed to stockholders under different scenarios taking into account various operating cost assumptions and contingency reserves. Management also presented additional analysis showing that in the event of a distribution of substantially all of EDCI's cash to stockholders, EDCI would be unlikely to realize any future value from NOLs. EDCI's Board of Directors requested that management continue to refine its analysis with a focus on a dissolution under Delaware law, and also begin to review with outside counsel the legal requirements of the contemplated actions and contingency reserves. EDCI management accordingly began to review the structuring alternatives and contingency reserves analysis with outside counsel. EDCI remained aware of the need to contain costs and minimize EDCI's cash burn while the above mentioned analyses were further refined, and, accordingly, reduced the overall EDCI corporate salaries by 19% as of July 1, 2009.

On July 2, 2009, EDCI issued a press release announcing that Robert L. Chapman, Jr. had resigned as the Chief Executive Officer of EDCI and EDC and the Board of Directors of EDCI effective July 2, 2009. As a result of the foregoing, the Board of EDCI appointed Clarke H. Bailey, EDCI's non-Executive Chairman of the Board, as Chief Executive Officer of EDCI and Interim Chief Executive Officer of EDC, effective July 2, 2009.

On July 31, 2009, EDCI issued a press release announcing its quarterly results for the prior fiscal quarter and on August 3, 2009 EDCI held a conference call with investors. During that call, EDCI noted that the factors impeding EDCI's ability to identify and consummate a successful transaction remained and that those factors were unlikely to markedly improve in the next twelve to twenty-four months. As a result, EDCI noted that its Board had instructed management to explore the possibility of recapitalizing EDCI which would include a distribution of cash to EDCI's stockholders.

During a meeting of the Board of Directors on July 31, 2009, management of EDCI presented additional analyses of alternatives for the potential distribution of cash to stockholders and alternatives for limiting public company costs in connection with such a transaction, with a focus on a dissolution under Delaware law combined with a potential cash tender offer for a portion of EDCI's shares. Management also presented updated analyses of the potential cash that could be distributed to stockholders under those scenarios taking into account various operating cost assumptions and contingency reserves. Representatives of EDCI's legal counsel, Barnes & Thornburg LLP, were present at that meeting. EDCI's Board of Directors requested that management continue its analysis, and also requested that EDCI obtain an update on the merger and acquisition market from outside financial advisors at its next Board meeting.

During a meeting of the Board of Directors on August 18, 2009, management of EDCI presented an updated analysis of alternatives for the potential distribution of cash to stockholders and alternatives for limiting public company costs in connection with a dissolution under Delaware law combined with a potential cash tender offer for a portion of EDCI's shares. Management also presented updated analyses of the potential cash that could be distributed to stockholders under those scenarios taking into account various operating cost assumptions and contingency reserves which were reviewed in detail by the Board of Directors. Representatives of Barnes & Thornburg LLP were present at that meeting. A financial advisory firm, also presented an analysis of current market conditions for mergers and acquisitions with a focus on opportunities and challenges for EDCI. Management and the Board of Directors concluded that the factors impeding EDCI's ability to identify and successfully consummate a transaction – primarily excessive valuation expectations by sellers, unpredictable earnings streams based on continued economic uncertainty and severely limited availability of credit – remained. As a result, they further concluded it was determined that completing an attractive acquisition could well take an additional eighteen to twenty-four months, during which time EDCI would continue to burn cash, potentially at a higher rate as EDCI would need to augment its current staff to execute and integrate an acquisition. Given the cash burn during that period and continued uncertainty in completing a transaction, the EDCI Board determined that a distribution of cash to EDCI's stockholders was a better proposition on a net present value basis. Finally, after evaluating many different options, the EDCI Board also determined that the optimal way to distribute the greatest amount of cash to stockholders in an equitable manner was through a dissolution. Based on the foregoing, EDCI's Board of Directors determined it was advisable to continue to proceed with a plan for a dissolution process that involved an initial distribution of up to $30 million in the aggregate, a portion of which could be effected through a tender offer in conjunction with the dissolution process. However, prior to finalizing its approval of the recommendation of that plan to EDCI's stockholders, the Board of Directors requested that the Audit Committee meet with management in person for additional review of the operating cost assumptions and contingency reserves and the resulting cash that could be distributed to stockholders under different scenarios.

On August 25, 2009, the entire Audit Committee of EDCI met in person with senior management of EDCI to review in detail the appropriate operating cost assumptions and contingency reserves in connection with the contemplated dissolution process to be recommended to the stockholders. The Audit Committee requested management make certain minor adjustments and present the revised analysis, together with a communication plan for the proposed dissolution, to the Board of Directors for final approval on September 9, 2009.

28

On September 9, 2009, the revised analysis was presented to the Board of Directors, and management also informed the Board that the factors impeding EDCI's ability to identify and successfully consummate a transaction remained. EDCI's Board of Directors unanimously determined that it would be advisable to recommend a Plan of Dissolution to its stockholders for EDCI and all of its wholly-owned subsidiaries, excluding EDC. A press release disclosing that decision was released on September 14, 2009.

Thereafter, management continued to review the structure and timing of the plan of dissolution as well as the operating cost assumptions and contingency reserves internally and with outside legal and accounting advisors. On October 14, 2009, the Board of Directors met to review a draft of this proxy statement and the Plan of Dissolution and adopted resolutions approving the Plan of Dissolution to be recommended to its stockholders and the filing of the proxy statement with the SEC.

Reasons for Dissolution and Liquidation

In arriving at its determination that the Plan of Dissolution is advisable and in our best interests and the best interests of our stockholders and is the preferred strategic option for EDCI, our Board of Directors carefully considered the terms of the Plan of Dissolution and the dissolution process under Delaware law, as well as other available strategic alternatives. As part of our evaluation process, our Board of Directors considered the risks and timing of each alternative available to EDCI, as well as management's financial projections, and consulted with management and our legal and financial advisors. In consultation with an outside financial advisory firm, management and the Board of Directors have concluded that the factors impeding EDCI's ability to identify and successfully consummate a transaction remain. Those factors include excessive valuation expectations by sellers, unpredictable earnings streams based on continued economic uncertainty, severely limited availability of credit and the significant competition EDCI faces from private equity funds and SPACs with substantial resources to pursue acquisitions. Therefore, completing an attractive acquisition could well take an additional 18-24 months, during which time EDCI would continue to burn cash, potentially at a higher rate as EDCI would need to augment its current staff to execute and integrate an acquisition. Given the cash burn during that period and continued uncertainty in completing a transaction, the EDCI Board has determined that a distribution of cash to EDCI's stockholders is a better proposition on a net present value basis. After evaluating many different options, the EDCI Board also determined that the optimal way to distribute the greatest amount of cash to stockholders in an equitable manner is through a dissolution. A more comprehensive list of the factors considered by the Board in approving the Plan of Dissolution includes:

- the continued uncertain economic outlook, which adds difficulty to the valuation of acquisition opportunities, as well as excessive valuation expectations by sellers;

- earnings of potential targets are particularly unpredictable given continued economic uncertainty;

- even though the credit markets are continuing to stabilize, leverage remains expensive and limited, particularly in the small- to mid-cap mergers and acquisitions market;

- the typical gestation period for an acquisition is 18-24 months, during which time EDCI would continue to burn cash, potentially at a higher rate as EDCI would need to augment its current staff to execute and integrate an acquisition, and the risk that an attractive acquisition could not be found during that 18-24 month period, as a result of which any future distribution of cash to stockholders – through a dissolution in the future – could be substantially lower than the cash that could be distributed in connection with the Plan of Dissolution;

- EDCI faces additional unique obstacles in its acquisition strategy, including:

  - having less ability to diversify than a private equity investor;
  - fewer synergies (if any) than are available to a strategic acquiror;

- the acquisition of private companies could generate additional acquisition-level overhead expenses; and
- the operational, financial and legal risks and management time associated with the continued operations of EDC;

- the fact that high valuation expectations together with limited, and expensive, financing opportunities limits current acquisition opportunities to a size and profit level that is unlikely to meaningfully utilize the Company's NOLs;

- the significant competition EDCI faces from private equity funds and SPACs with substantial resources to pursue acquisitions;

- the risk of completing an acquisition that performs below our target expectations and results in a loss of invested capital;

- the risk that an attractive acquisition could not be found during the eighteen to twenty-four month acquisition gestation period, as a result of which any future distribution of cash to stockholders – through a dissolution in the future – would be substantially lower than the cash that could be returned in connection with the Plan of Dissolution;

- the risks associated with known and unknown contingent liabilities of EDCI;

- the terms and conditions of the Plan of Dissolution, including the provisions that permit our Board of Directors to revoke the plan if our Board of Directors determines that, in light of new proposals presented or changes in circumstances, dissolution and liquidation are no longer advisable and in our best interests and the best interests of our stockholders;

- the fact the DGCL requires that the Plan of Dissolution be approved by the affirmative vote of holders of a majority of the shares of our common stock entitled to vote, which ensures that our Board of Directors will not be taking actions of which a significant portion of our stockholders disapprove;

- the accounting, legal and other expenses associated with continuing to be a publicly-traded company;

- the fact that approval of the Plan of Dissolution by the requisite vote of our stockholders authorizes our Board of Directors and officers to implement the Plan of Dissolution without further stockholder approval, including with respect to the sale of all or substantially all of the Company's assets subsequent to the Effective Date of the dissolution; and

- the fact that stockholders are not entitled to assert appraisal rights with respect to the Plan of Dissolution under the DGCL.

Our Board of Directors also considered the following negative factors in arriving at its conclusion that dissolving and liquidating EDCI is in our best interests and the best interests of our stockholders:

- the potential enhanced stockholder value that might be derived if we were to continue to pursue our strategic plan and consummate an attractive acquisition that could utilize our NOLs;

- in the event of a distribution of substantially all of EDCI's cash to its stockholders, EDCI would be unlikely to realize any future value from its NOLs;

- the uncertainty of the timing, nature and amount of any liquidating distributions to stockholders;

- risks in connection with executing the Plan of Dissolution, including the risks associated with continuing our past efforts to seek value for our investment in EDC by exploring strategic alternatives and seeking, as appropriate, cash distributions, subject to repayment of EDC's bank debt and other legal requirements, and the risks associated with the sale of our remaining non-cash assets;

- the risk of reduced liquidity if we are delisted from the NASDAQ Stock Market (whether voluntarily or involuntarily) and alternatively become listed on the Pink Sheets (or similar quotation service) subsequent to the Effective Date;

- the risk that, under Delaware law, our stockholders may be required to return to creditors some or all of the liquidating distributions if we distribute monies that should have been paid to our creditors; and

- the fact that, if the Plan of Dissolution is approved by our stockholders, at some point in the future our stockholders would generally not be permitted to transfer their shares, as we would seek to suspend trading and deregister our common stock, by obtaining SEC approval, in mid-2010 as part of our efforts to reduce public company reporting expenses.

Our Board of Directors also considered the other factors described in the section entitled “Risk Factors” in this proxy statement and in the Company's 10-K for the year ended December 31, 2008 (attached as Appendix B) in deciding to approve, and unanimously recommend that our stockholders approve, the Plan of Dissolution.

In view of the variety of factors considered in connection with its evaluation of the Plan of Dissolution, our Board of Directors did not find it practical, and did not quantify or otherwise attempt, to assign relative weight to the specific factors considered in reaching its conclusions. In addition, our Board of Directors did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to its ultimate determination, but rather conducted an overall analysis of the factors described above. In considering the factors described above, individual members of our Board of Directors may have given different weight to different factors.

We cannot offer any assurance that the dissolution value per share of our common stock will equal or exceed the price or prices at which such shares recently have traded or could trade in the future. However, our Board of Directors believes that it is in our best interests and the best interests of our stockholders to distribute to the stockholders our net assets pursuant to the Plan of Dissolution. If our stockholders do not approve the Plan of Dissolution, our Board of Directors will explore what, if any, alternatives are available for the future of EDCI.

Possible alternatives include continuing our efforts to identify an attractive acquisition in alternative industries using EDCI’s cash while overseeing the EDC business with a focus on cash flow and continuing to explore strategic alternatives for EDC as they become available, continuing to seek to reduce our public and overhead costs, or seeking voluntary dissolution at a later time and with diminished assets. Our Board of Directors has considered all of these options and has determined that it is in the best interests of our stockholders to dissolve EDCI and distribute the cash to our stockholders. The Board of Directors, however, retains the right to consider other alternatives should a more attractive offer arise before or after the Effective Date. If our stockholders do not approve the Plan of Dissolution, we expect that our cash resources will continue to diminish, potentially at a higher rate as EDCI would need to augment its current staff to execute and integrate an acquisition. See “Risk Factors—Risks Related to Our Continuing Business Operations if the Plan of Dissolution is Not Approved by Our Stockholders.”

Dissolution Under Delaware Law

Delaware law provides that a corporation may dissolve upon the recommendation of the Board of Directors of the corporation, followed by the approval of its stockholders. Following such approval, the dissolution is effected by filing certificate of dissolution with the Secretary of State. The corporation is dissolved upon the effective date of its certificate of dissolution.

Section 278 of the DGCL provides that once a corporation is dissolved, it continues its corporate existence during a minimum three-year period, but may not carry on any business except that appropriate to gradually wind up its business and affairs. The process of winding up includes:

- gradually settling and closing EDCI’s business;
- prosecuting and defending suits by or against EDCI;
- seeking to convert EDCI’s assets into cash or cash equivalents;
- discharging or making provision for discharging EDCI’s known and unknown liabilities;
- withdrawing from all jurisdictions in which EDCI is qualified to do business;

- subject to statutory limitations, the distribution of any remaining assets to the stockholders of EDCI; and
- the taking of all other actions necessary to wind up the corporation's business and affairs.

31

Principal Provisions of the Plan of Dissolution

This section of the proxy statement describes the material aspects of the proposed Plan of Dissolution. While we believe that the description covers the material terms of the Plan of Dissolution, this summary may not contain all of the information that is important to you. You should carefully read this entire proxy statement, including the Plan of Dissolution attached as Appendix A to this proxy statement, and the other documents delivered with this proxy statement for a more complete understanding of the Plan of Dissolution.

Approval of Plan of Dissolution

The Plan of Dissolution must be approved by the affirmative vote of a majority of the outstanding shares of our common stock. The approval of the Plan of Dissolution by the requisite vote of the holders of our common stock will constitute adoption of the Plan of Dissolution and a grant of full and complete authority for our Board of Directors and officers, without further stockholder action, to proceed with the dissolution and liquidation of EDCI in accordance with the Plan of Dissolution and the DGCL, including the authority to dispose of all of our other remaining non-cash assets, including, as appropriate our investment in EDC.

Dissolution and Liquidation

If the Plan of Dissolution is approved by the requisite vote of our stockholders, the steps set forth below will be completed at such times as our Board of Directors, in its discretion and in accordance with the DGCL, deems necessary, appropriate or advisable in our best interests and the best interests of our stockholders:

- the filing of a certificate of dissolution with the Delaware Secretary of State, after obtaining a revenue clearance certificate from the Delaware Department of Finance, and the filing of certificates of dissolution or comparable documents for EDCI's subsidiaries in the applicable jurisdictions (excluding EDC and all of its subsidiaries);

- the cessation of all of EDCI's business activities except for those relating to winding up EDCI's business and affairs during a minimum three-year period required under Delaware law, including, but not limited to, gradually settling and closing its business, prosecuting and defending suits by or against EDCI, seeking to convert EDCI's assets into cash or cash equivalents, discharging or making provision for discharging EDCI's known and unknown liabilities, withdrawing from all jurisdictions in which EDCI is qualified to do business and distributing EDCI's remaining property among our stockholders according to their interests;

- the payment of or the making of reasonable provision for the payment of all claims and obligations known to EDCI, and the making of such provisions as will be reasonably likely to be sufficient to provide compensation for any claim against EDCI which is the subject of a pending action, suit or proceeding to which EDCI is a party, including, without limitation, the establishment and setting aside of a reasonable amount of cash and/or property to satisfy such claims against and obligations of EDCI, as well as reserves for unknown claims that are likely to arise or to become known to EDCI within 10 years after the Effective Date;

- the pro rata distribution to our stockholders, or the transfer to one or more liquidating trustees, for the benefit of our stockholders under a liquidating trust, of the remaining assets of EDCI after payment or provision for payment of claims against and obligations of EDCI; and

- the taking of any and all other actions permitted or required by the DGCL and any other applicable laws and regulations.

EDCI's indirect ownership of 97.99% of the membership units of EDC will be an asset of EDCI that is subject to the Plan of Dissolution. The Plan of Dissolution does not directly involve the operating business, assets, liabilities or corporate existence of EDC and its subsidiaries, however, subsequent to the Effective Date, EDCI's consolidated

financials will be required to reflect the value of EDC's assets and liabilities under liquidation accounting. During EDCI's three-year dissolution period, EDCI will continue its past efforts to seek value for its investment in EDC by exploring strategic alternatives and seeking, as appropriate, cash distributions, subject to repayment of EDC's bank debt and other legal requirements. If EDCI continues to own any interest in EDC at the end of the three year dissolution period, EDCI anticipates transferring such interests to a liquidating trust, for the benefit of our stockholders.

In order to continue to reduce its overhead costs, EDCI plans to seek relief from certain continued SEC reporting requirements. However, the SEC typically conditions approval of such limited reporting on, among other factors, the complete cessation of trading in the registrant's shares. Accordingly, EDCI plans to remain publicly traded and subject to SEC reporting requirements through the first half of 2010 to permit continued trading in EDCI's shares through the initial distribution and any tender offer that may be implemented (as described elsewhere in this proxy statement), and thereafter the Board would direct that our stock transfer books be closed and recording of transfers of common stock discontinued. EDCI believes this approach permits all stockholders to participate equally in any eventual distributions while minimizing public costs over time, and also permits substantial time for stockholders to continue to trade in EDCI's stock during the early portion of the dissolution. However, if EDCI were unable to obtain relief from certain continued SEC reporting requirements during that time, EDCI would consider other transactions, including going private through a reverse stock split or other similar transaction, to further reduce public costs, which would require stockholder approval.

EDCI is also considering using a portion of the initial contemplated distribution of up to $30 million to effect a tender offer in conjunction with the dissolution process. Such an approach would afford additional flexibility to stockholders who prefer a fixed amount of cash and immediate recognition of any tax-losses, to those who so elect, for a portion of their shares. If EDCI were to effect a tender offer, it would expect to do so after the initial dissolution distribution in an amount and at a per-share offer price to be determined in the future.

Authority of Officers and Directors

After the Effective Date, we expect that our Board of Directors (or a subset thereof) and our officers will continue in their positions for the purpose of winding up the business and affairs of EDCI until such time as their services are no longer necessary. Our Board of Directors may appoint officers, hire employees and retain independent contractors and agents in connection with the winding up process, and is authorized to pay compensation to or otherwise compensate EDCI's directors, officers, employees, independent contractors and agents above their regular compensation levels in recognition of the extraordinary efforts they may be required to undertake in connection with the successful implementation of the Plan of Dissolution. Adoption of the Plan of Dissolution by the requisite vote of our stockholders will constitute approval by our stockholders of any such cash or non-cash compensation.

The approval of the Plan of Dissolution by our stockholders also will authorize, without further stockholder action, our Board of Directors to do and perform, or to cause our officers to do and perform, any and all acts and to make, execute, deliver or adopt any and all agreements, resolutions, conveyances, certificates and other documents of every kind that our Board of Directors deems necessary, appropriate or desirable, in the absolute discretion of the Board of Directors, to implement the Plan of Dissolution and the transactions contemplated thereby, including, without limitation, all filings or acts required by any state or federal law or regulation to wind up its affairs.

Acceleration of Stock Options

Our directors have unvested options to purchase 8,000 shares of our common stock which have an exercise price below $ 6.07 per share. Based on the current vesting schedule contained in the Company's Incentive Plan under which the options were granted, some of these options will vest during the required three year dissolution period, most likely after the initial dissolution distribution. Because the options do not participate in any dissolution distributions, and the public per share price is likely to fall subsequent to the initial and any subsequent dissolution distribution, the value of the unvested options would be materially and adversely affected if no adjustments were made to their terms. Pursuant to the Incentive Plan, the Compensation Committee of the Board of Directors is authorized to accelerate the vesting of these previously awarded grants in its sole discretion. The Compensation Committee has approved the acceleration of the vesting of these options to the day immediately following the date that the proposed Plan of Dissolution of the Company is approved by stockholders. Each option-holder will then elect if and when to exercise their options pursuant to the terms of the Plan and their award agreements. See "Security Ownership of Certain Beneficial Owners

and Management" for information on the number of options held by our directors and executive officers.

Our directors also hold approximately 29,000 unvested RSUs which, based on the terms set forth in the Incentive Plan under which the RSUs were issued, would participate in any distributions made pursuant to the Plan of Dissolution. However, unvested RSUs would not be able to participate in any tender offer. Pursuant to the terms of the Incentive Plan, the RSU's vest into unrestricted shares of the Company's common stock over a three year period. Pursuant to the terms of the Incentive Plan, the Compensation Committee of the Board of Directors is also authorized to and has approved the acceleratation of the vesting of those previously awarded grants to the day immediately following the date that the proposed Plan of Dissolution of the Company is approved by stockholders.

Pursuant to the terms of the Incentive Plan under which options and RSUs are granted, the Compensation Committee of the Board of Directors is authorized to and has approved the suspension new grants of options and RSUs effective upon stockholder approval of the proposed Plan of Dissolution.

Liquidating Trust

If deemed necessary, appropriate or desirable by our Board of Directors, in furtherance of the liquidation and distribution of our assets to stockholders in accordance with our Plan of Dissolution, we may transfer to one or more liquidating trustees, for the benefit of our stockholders under a liquidating trust, any or all of our assets, including any cash intended for distribution to creditors and stockholders not previously disposed of. Our Board of Directors is authorized to appoint one or more individuals, corporations, partnerships or other persons, or any combination thereof, including, without limitation, any one or more of our directors, officers, employees, agents or representatives, to act as the trustee. Any trustee so appointed shall succeed to all right, title and interest of EDCI of any kind and character with respect to such transferred assets and, to the extent of the assets so transferred and solely in its capacity as trustee, shall assume all of our claims and obligations, including any unsatisfied claims and unknown or contingent liabilities. Any conveyance of assets to a trustee shall be deemed to be a distribution of property and assets by us to our stockholders, including for U.S. federal and state income tax purposes. Approval of the Plan of Dissolution by our stockholders shall constitute the approval of any trustee so appointed, any liquidating trust agreement, and any transfer of assets by us to the trust.

Whether or not a trust is previously established, if it should not be feasible for us to make the final liquidating distribution to our stockholders of all our assets and properties prior to the third anniversary of the filing of our certificate of dissolution, then, on or before such date, we will be required to establish a liquidating trust and transfer any remaining assets and properties to the trustees.

Professional Fees and Expenses

It is specifically contemplated that we will obtain legal and accounting advice and guidance from one or more law and accounting firms in implementing the Plan of Dissolution, and we will pay all fees and expenses reasonably incurred by us in connection with or arising out of the implementation of the Plan of Dissolution, including the prosecution, defense, settlement or other resolution of any claims or suits by or against us, the discharge, filing and disclosure of outstanding obligations, liabilities and claims, filing and resolution of claims with local, county, state and federal tax authorities, and the advancement and reimbursement of any fees and expenses payable by us pursuant to the indemnification we provide in our certificate of incorporation and bylaws, the DGCL or otherwise. In addition, in connection with and for the purpose of implementing and assuring completion of the Plan of Dissolution, we may, in the absolute discretion of the Board of Directors, pay any brokerage, agency, professional and other fees and expenses of persons rendering services to us in connection with the collection, sale, exchange or other disposition of EDCI’s property and assets and the implementation of the Plan of Dissolution.

Indemnification

We will continue to indemnify our directors, officers, employees, consultants, and agents to the maximum extent permitted in accordance with applicable law, our certificate of incorporation, by-laws and limited liability company agreements and have entered into contractual indemnification agreements with our directors and officers on terms that are generally consistent with our certificate of incorporation, bylaws and limited liability company agreements, including for actions taken in connection with the Plan of Dissolution and the winding up of our business and affairs, and we will indemnify any trustees and their agents on similar terms. Our Board of Directors and trustees are authorized to, and plan to, obtain and maintain insurance for the benefit of such directors, officers, employees, consultants, agents and trustees to the extent permitted by law and as may be necessary or appropriate to cover obligations under the Plan of Dissolution.

Liquidating Distributions

We will, as determined by our Board of Directors, (i) pay or make reasonable provision to pay all claims and obligations, including all contingent, conditional or unmatured contractual claims known to EDCI, (ii) use our best

efforts to make such provisions as will be reasonably likely to be sufficient to provide compensation for any claim against EDCI which is the subject of a pending action, suit or proceeding to which EDCI is a party and (iii) use our best efforts to make such provision as will be reasonably likely to be sufficient to provide compensation for claims that have not been made known to EDCI or that have not arisen but that, based on facts known to EDCI, are likely to arise or to become known to EDCI within 10 years after the Effective Date. Any of our assets remaining after the payment or the provision for payment of claims against and obligations of EDCI shall be distributed by us pro rata to our stockholders. Such distributions are likely to occur in a series during the three-year dissolution process and shall be in cash or assets, in such amounts, and at such time or times, as our Board of Directors or trustees, in their absolute discretion, may determine.

If any liquidating distribution to a stockholder cannot be made, whether because the stockholder cannot be located, has not surrendered its certificates evidencing our common stock as may be required pursuant to the Plan of Dissolution, or for any other reason, then the distribution to which such stockholder is entitled will be transferred, at such time as the final liquidating distribution is made, to the official of such state or other jurisdiction authorized or permitted by applicable law to receive the proceeds of such distribution. The proceeds of such distribution will thereafter be held solely for the benefit of and for ultimate distribution to such stockholder as the sole equitable owner thereof and will be treated as abandoned property and escheat to the applicable state or other jurisdiction in accordance with applicable law. In no event will the proceeds of any such distribution revert to or become our property.

Because the DGCL provides specific guidance as to the Board's responsibility for setting appropriate reserves for known and unknown contingencies in connection with a dissolution and also provides that stockholders could be held liable – solely up to the amounts distributed to such stockholder under the Plan of Dissolution – if the contingency reserves are insufficient to satisfy the aggregate amount of the Company's known and unknown liabilities, in order to attempt to ensure no stockholder ever has to return any of its distributions to the Company (or its creditors), the Board of Directors has conservatively estimated the amount of cash that is available for distribution. The Board will continue to evaluate the Company's cash available for distribution as the dissolution process progresses and expects to make future distributions as additional amounts of material excess cash become available. It is currently anticipated that the Board of Directors will continue to conservatively estimate the amount of excess cash available for distribution to the stockholders and will only make future distributions if it has a high degree of confidence, based on facts known at the time, that these amounts are not likely to be subject to future creditor claims. As a result, you may not receive distributions as quickly as you would like or in the amounts you expect.

EDCI is also considering using a portion of the aggregate initial distribution of up to $30 million to effect a tender offer in conjunction with the dissolution process. Such an approach would afford additional flexibility to stockholders who prefer a fixed amount of cash and immediate recognition of any tax-losses, to those who so elect, for a portion of their shares. If EDCI elects to effect a tender offer, it would expect to do so after the initial dissolution distribution in an amount and at a per-share offer price to be determined in the future. Accordingly, EDCI expects to use the majority of any cash available for an initial distribution to effect a dissolution distribution, with a smaller portion being used subsequently for a potential tender offer. Because the dissolution payment should reduce the per share value of EDCI's common shares, such an approach will permit the repurchase of a like number of shares with a smaller amount of cash.

Amendment, Modification or Revocation of Plan of Dissolution

If for any reason our Board of Directors determines that such action would be in the best interest of EDCI, our Board of Directors may, in its sole discretion and without requiring further stockholder approval, revoke the Plan of Dissolution and all action contemplated thereunder, to the extent permitted by the DGCL. Our Board of Directors may not amend or modify the Plan of Dissolution under circumstances that would require additional stockholder approval under the DGCL and federal securities laws without complying with such requirements. In addition, the Plan of Dissolution may also be revoked after stockholder approval by a subsequent vote by our stockholders, to the extent permitted by the DGCL. The Plan of Dissolution would be void upon the effective date of any such revocation.

Cancellation of Common Stock

The liquidating distributions to stockholders pursuant to the Plan of Dissolution shall be in complete redemption and cancellation of all of the outstanding shares of our common stock. As a condition to receipt of the liquidating distributions, our Board of Directors (or trustees of any liquidating trust) may require our stockholders to (i) surrender to us their certificates evidencing their shares of common stock, or (ii) furnish us with evidence satisfactory to our Board of Directors (or trustees) of the loss, theft or destruction of such certificates, together with such surety bond or

other security or indemnity as may be required by and satisfactory to our Board of Directors or trustees. If the surrender of stock certificates will be required following the dissolution, we will send you written instructions regarding such surrender. Any distributions otherwise payable by us to stockholders who have not surrendered their stock certificates, if requested to do so, may be held in trust for such stockholders, without interest, pending the surrender of such certificates (subject to escheat pursuant to the laws relating to unclaimed property).

Liquidation Under Code Sections 331 and 336

It is intended that the Plan of Dissolution constitutes a plan of complete liquidation of EDCI within the meaning of Sections 331 and 336 of the Internal Revenue Code. The Plan of Dissolution will be deemed to authorize the taking of such action as, in the opinion of counsel for EDCI, may be necessary to conform with the provisions of Sections 331 and 336 of the Code and the Treasury Regulations promulgated thereunder.

Filing of Tax Returns, Forms and Other Reports and Statements

The Plan of Dissolution authorizes our officers to make such elections for tax purposes as are deemed appropriate and in the best interest of EDCI. The Plan of Dissolution directs us to file an appropriate statement of corporate dissolution with the Internal Revenue Service, to notify all jurisdictions of any withdrawals related to qualification to do business, file final tax returns and reports as required, and the proper IRS forms related to the reporting of liquidating distributions to stockholders.

Estimated Liquidating Distributions

MANY OF THE FACTORS INFLUENCING THE AMOUNT OF CASH ULTIMATELY DISTRIBUTED TO OUR STOCKHOLDERS AS A LIQUIDATING DISTRIBUTION CANNOT CURRENTLY BE QUANTIFIED WITH CERTAINTY AND ARE SUBJECT TO CHANGE. ACCORDINGLY, YOU WILL NOT KNOW THE EXACT AMOUNT OF ANY LIQUIDATING DISTRIBUTIONS YOU MAY RECEIVE AS A RESULT OF THE PLAN OF DISSOLUTION WHEN YOU VOTE ON THE PROPOSAL TO APPROVE THE PLAN OF DISSOLUTION. YOU MAY RECEIVE SUBSTANTIALLY LESS THAN THE AMOUNT WE CURRENTLY ESTIMATE.

As of September 30, 2009, EDCI had approximately $51.8 million in cash, cash equivalents and investments. EDCI is currently estimating that we will have between $50.3 and $50.8 million in cash, cash equivalents and investments on the Effective Date. In addition to satisfying the liabilities reflected on our balance sheet, we anticipate using cash and cash equivalents and investments converted to cash, between the Effective Date and the end of the liquidation process for a number of items, including the following:

- ongoing operating, overhead and administrative expenses;
- severance and termination benefits afforded to terminated employees;
- operating lease obligations related to our corporate offices;
- purchasing insurance policies and coverage for periods subsequent to the Effective Date;
- expenses incurred in connection with the dissolution and liquidation;
- professional, legal, tax, accounting, and consulting fees; and
- defending and resolving, or otherwise making provisions as will be reasonably likely to be sufficient to provide compensation for known claims against and obligations of EDCI as well as unknown claims that are likely to arise or to become known to EDCI within 10 years after the Effective Date.

This projected liquidating distribution analysis assumes that the Plan of Dissolution will be approved by our stockholders. If the Plan of Dissolution is not approved by our stockholders, no liquidating distributions will be made. The amount of any contingency reserve established by our Board of Directors will be deducted before the determination of amounts available for distribution to stockholders. Based on the foregoing, we currently estimate that the amount ultimately distributed to our stockholders will be between approximately $4.31 and $7.01 per share of common stock. Because the DGCL provides specific guidance as to the Board's responsibility for setting appropriate reserves for known and unknown contingencies in connection with a dissolution and also provides that stockholders could be held liable – solely up to the amounts distributed to such stockholder under the Plan of Dissolution – if the contingency reserves are insufficient, the Board of Directors has conservatively estimated the amount of cash that is available for distribution. Due to the uncertainty of the value of our investment in EDC, we have not provided any

estimate of the value of EDC, or any potential cash distributions from obtaining value for EDC, in the amount of liquidating distributions and we can provide no assurance that our efforts to seek value for our investment in EDC will result in any additional proceeds. The difference between the low- and high-end of the range is primarily due to reserves for the following three items: i) public company costs, based on current allocations of shared costs among EDCI and EDC, for the entire three-year dissolution period that could be incurred in the event we are unsuccessful in our efforts to reduce our public company costs; ii) incremental overhead costs that could be incurred if EDC is unable to continue to support its allocation of shared expenses, either due to general declines in EDC's business or if EDC is unsuccessful in its pending arbitration claims against certain subsidiaries of UMG and iii) contingency reserves for known and unknown contingent liabilities.

The foregoing and following estimates are not guarantees and do not reflect the total range of possible outcomes. Many of the factors influencing the amount of cash distributed to our stockholders as a liquidating distribution cannot be currently quantified with certainty and are subject to change. Accordingly, you will not know the exact amount of any liquidating distributions you may receive as a result of the Plan of Dissolution when you vote on the proposal to approve the Plan of Dissolution. You may receive substantially less than the amount we currently estimate.

Estimated Liquidating Distributions to Stockholders

	Low Range of Net Proceeds	High Range of Net Proceeds
Cash and Cash Equivalents (a)	$ 50,900,000	$ 50,900,000
Estimated 4Q2009 Cash Burn	(1,100,000)	(1,100,000)
Investment in Auction Rate Security (b)	500,000	1,000,000
Total Estimated Assets as of the Effective Date	50,300,000	50,800,000
Compensation and Benefits Costs (c)	(4,728,000)	(777,000)
Professional Fees (legal, tax, accounting, other) (d)	(1,130,000)	(723,000)
Insurance (e)	(1,768,000)	(321,000)
Other Operating Expenses (f)	(2,514,000)	(884,000)
Total Operating Expenses	(10,140,000)	(2,704,000)
Total Estimated Liabilities and Reserves (g)	(11,190,000)	(1,000,000)
Estimated Cash to Distribute to Stockholders	28,970,000	47,096,000
Shares Outstanding (h)	6,718,000	6,718,000
Estimated Per Share Distribution	$ 4.31	$ 7.01

Notes:

(a) Consists of EDCI's cash and cash equivalents as of September 30, 2009.

(b) Consists of EDCI's investment in an Auction Rate Security. Current estimates as to the liquidation value of this position range from $0.5 million to $1.0 million. If the Plan of Dissolution were to be approved by stockholders, EDCI would proceed with an attempt to liquidate this position.

(c) Includes compensation and related benefits to be paid to employees from the Effective Date through the three year dissolution period, assuming that we maintain current compensation levels and certain severance and termination benefits afforded to employees upon termination. The low range of estimates assumes EDCI remains subject to all SEC and public company expenses throughout the three year dissolution period and that EDCI is unable to recoup

certain shared service expenses from EDC. These two assumptions are the primary drivers of the disparity in the low and high range estimates.

(d) Consists of the range of cash used for professional fees related to our ongoing SEC and other regulatory reporting requirements, as well as amounts for professional fees related to our liquidation and dissolution, including amounts that would be required to pursue alternative methods of reducing public costs if we are unable to obtain relief from the SEC for certain reporting obligations.

(e) Consists primarily of director and officer liability insurance premiums. The low range of estimates assumes EDCI remains subject to all SEC and public company expenses throughout the three year dissolution period and that EDCI is unable to recoup certain shared service expenses from EDC. These two assumptions are the primary drivers of the disparity in the low and high range estimates

(f) Consists of ongoing operating, overhead and administrative expenses from the Effective Date through the three year dissolution period, including director costs, facility costs and travel costs, as well as other customary operating expenses. The low range of estimates assumes EDCI remains subject to all SEC and public company expenses throughout the three year dissolution period and that EDCI is unable to recoup certain shared service expenses from EDC. These two assumptions are the primary drivers of the disparity in the low and high range estimates.

(g) Includes (i) approximately $1.0 million in the high and low estimates, respectively, for pension and post-retirement benefit obligations of EDCI, (ii) approximately $0.0 million and $2.7 million in the high and low estimates, respectively, for tax contingencies of EDCI, and (iii) approximately $0.0 million and $7.5 million in the high and low estimates, respectively, reserved in connection with resolution of pending and potential litigation, claims, assessments and related obligations and liabilities, including unknown claims that are likely to arise or to become known to EDCI within 10 years after the Effective Date.

(h) Consists of 6,687,000 shares of common stock outstanding as of October 15, 2009, 12,000 shares of common stock issuable upon exercise of in-the-money stock options, assuming cashless exercise of vested stock options (including 8,000 in the money stock options that are expected to become vested upon the approval of the Plan of Dissolution), which has a dilutive effect of an aggregate of 2,000 shares of common stock having a weighted-average exercise price of $5.18 and based upon a closing sales price of our common stock on the NASDAQ Capital Market of $6.07 on October, 15, 2009, and approximately 29,000 RSUs held by our directors which, based on the rights set forth in the Incentive Plan under which the RSUs were issued, will participate in any distributions made pursuant to the Plan of Dissolution

Pursuant to the Plan of Dissolution, we intend to seek to convert all of our remaining non-cash assets to cash or otherwise seek value for those assets and, after paying or making reasonable provision for the payment of claims against and obligations of EDCI as required by law (including reserves for unknown claims that are likely to arise or to become known to EDCI within 10 years after the Effective Date), ultimately distribute any remaining cash to our stockholders and/or transfer any remaining non-cash assets to a liquidating trustee, for the benefit of our stockholders under a liquidating trust. We may defend suits and incur claims, liabilities and will continue to incur expenses (such as salaries and benefits, directors' and officers' insurance, payroll and local taxes, facilities expenses, legal, accounting and consulting fees, rent and miscellaneous office expenses) following approval of the Plan of Dissolution and during the three years following the Effective Date. Satisfaction of these claims, liabilities and expenses will reduce the amount of assets available for ultimate distribution to stockholders. While we cannot predict the actual amount of our liabilities, other obligations and expenses and claims against us, we believe that available cash and any amounts received from the sale of our remaining non-cash assets will be adequate to provide for the satisfaction of our liabilities, other obligations and expenses and claims against us and that we will make one or more cash distributions to stockholders. We presently expect to make an initial distribution to holders of record of our common stock as of the close of business on the Effective Date of up to an aggregate amount of $30 million shortly following the filing of a certificate of dissolution with the Delaware Secretary of State. EDCI is also considering using a portion of the aggregate initial distribution of up to $30 million to effect a tender offer in conjunction with the dissolution process.

To the extent that the amount of our liabilities or the amounts that we expend during the liquidation are greater than we anticipate, our stockholders may receive substantially less than the amount we currently estimate. Our Board of Directors has not established a firm timetable for any final distributions to our stockholders. Subject to contingencies inherent in winding up our business, our Board of Directors intends to authorize any distributions as promptly as reasonably practicable after it determines that there is a meaningful amount of excess cash available for distribution. Our Board of Directors, in its discretion, will determine the nature, amount and timing of all distributions. See "Risk Factors—Risks Related to the Plan of Dissolution."

Conduct of the Company During Dissolution

Assuming that the Plan of Dissolution is approved by the requisite vote of our stockholders, we intend to file a certificate of dissolution with the Delaware Secretary of State as soon as reasonably practicable after receipt of the required revenue clearance certificate from the Delaware Department of Finance. We intend to make a public announcement in advance of the anticipated Effective Date. After the Effective Date, our corporate existence will continue but we may not carry on any business except that relating to winding up EDCI's business and affairs during a minimum three-year period required under Delaware law, including, but not limited to, gradually settling and closing its business, prosecuting and defending suits by or against EDCI, seeking to convert EDCI's assets into cash or cash equivalents, discharging or making provision for discharging EDCI's known and unknown liabilities, withdrawing from all jurisdictions in which EDCI is qualified to do business and distributing EDCI's remaining property among our stockholders according to their interests..

Sale of Remaining Assets

The Plan of Dissolution gives our Board of Directors the authority to dispose of all of our remaining property and assets without further stockholder approval. Stockholder approval of the Plan of Dissolution will constitute approval of any and all such future asset dispositions on such terms and at such prices as our Board of Directors, without further stockholder approval, may determine to be in our best interests and the best interests of our stockholders. EDCI will continue its past efforts to seek value for its investment in EDC by exploring strategic alternatives and seeking, as appropriate, cash distributions, subject to repayment of EDC's bank debt and other legal requirements. We may conduct sales by any means, including by competitive bidding or private negotiations, to one or more purchasers in one or more transactions over a period of time.

The prices at which we will be able to sell our remaining non-cash assets will depend largely on factors beyond our control, including, without limitation, the supply and demand for such assets, changes in interest rates, the condition of financial markets, the availability of financing to prospective purchasers of the assets and regulatory approvals. The net price that we receive for our remaining non-cash assets will be reduced to the extent that we contract with brokers or agents to assist in the sale of such assets. We may contract with one or more third parties to assist us in selling our non-cash assets. In addition, we may not obtain as high a price for a particular asset as we might secure if we were not in dissolution. Upon the sale of any of our assets in connection with our liquidation, we will generally recognize gain or loss in an amount equal to the difference between (i) the fair market value of the consideration received for each asset sold and (ii) our adjusted tax basis in the asset sold. In the event that gains on the sale of any of our assets results in current year taxable income, the Company could be subject to alternative minimum tax in the U.S. See “Certain Material U.S. Federal Income Tax Consequences” below.

Contingency Reserve

Under the DGCL, we are required, in connection with our dissolution, to satisfy or make reasonable provision for the satisfaction of all claims and liabilities, including unknown claims that are likely to arise or to become known to EDCI within 10 years after the Effective Date. Following the Effective Date, we will pay all expenses and other known liabilities and establish a contingency reserve, consisting of cash or other assets, that our Board of Directors believes will be adequate for the satisfaction of all current, contingent or conditional claims and liabilities. We also may seek to acquire insurance coverage and take other steps our Board of Directors determines are reasonably calculated to provide for the satisfaction of the reasonably estimated amount of such liabilities. We are currently unable to provide a precise estimate of the amount of the contingency reserve or the cost of insurance or other steps we may undertake to make provision for the satisfaction of liabilities and claims, but any such amount will be deducted before the determination of amounts available for distribution to stockholders.

The actual amount of the contingency reserve may vary from time to time and will be based upon estimates and opinions of our Board of Directors, derived from consultations with management and outside experts, if our Board of Directors determines that it is advisable to retain such experts, and a review of our estimated contingent liabilities and our estimated ongoing expenses, including, without limitation: anticipated salary, retention, compensation and benefits payments; estimated investment banking, auction broker, legal and accounting fees; rent; payroll and other taxes; miscellaneous office expenses; facilities costs; expenses accrued in our financial statements; and costs related to public company reporting matters. We anticipate that expenses for professional fees and other expenses of liquidation may be significant. Our established contingency reserve may not be sufficient to satisfy all of our obligations, expenses and liabilities, in which case a creditor could bring a claim against one or more of our stockholders for the total amount distributed by us to that stockholder or stockholders pursuant to the Plan of Dissolution. From time to time, we may distribute to our stockholders on a pro rata basis any portions of the contingency reserve that our Board of Directors deems no longer to be required.

Potential Liability of Stockholders

Under the DGCL, if the amount of the contingency reserve and other measures calculated to provide for the satisfaction of liabilities and claims are insufficient to satisfy the aggregate amount ultimately found payable in respect of our liabilities and claims against us, each stockholder could be held liable for amounts due to creditors up to the amounts distributed to such stockholder under the Plan of Dissolution.

The potential for stockholder liability regarding a distribution continues for three years after the Effective Date. Under the DGCL, our dissolution does not remove or impair any remedy available against EDCI, our directors, officers or stockholders for any right or claim existing, or any liability incurred, prior to such dissolution or arising thereafter, unless the action or other proceeding thereon is not commenced within three years after the Effective Date.

If we were held by a court to have failed to make adequate provision for our expenses and liabilities or if the amount ultimately required to be paid in respect of such liabilities exceeded the amount available from the contingency reserve, a creditor could seek an injunction against us to prevent us from making distributions to stockholders under the Plan of Dissolution. Any such action could delay and substantially diminish liquidating distributions to our stockholders.

Reporting Requirements

Whether or not the Plan of Dissolution is approved, we have an obligation to continue to comply with the applicable reporting requirements of the Exchange Act, even though compliance with such reporting requirements may be economically burdensome and of minimal value to our stockholders. If the Plan of Dissolution is approved by our stockholders, in order to continue to reduce our overhead expenses, we intend to seek relief from the SEC to

suspend our reporting obligations under the Exchange Act, and ultimately to terminate the registration and listing of our common stock. We anticipate that, if granted such relief, we would continue to file current reports on Form 8-K to disclose material events relating to our dissolution and liquidation along with any other reports that the SEC might require. However, the SEC typically conditions approval of such limited reporting on, among other factors, the complete cessation of trading in the registrant's shares. Accordingly, EDCI plans to remain publicly traded and subject to SEC reporting requirements through the first half of 2010 to permit continued trading in EDCI's shares through the initial distribution and any tender offer that may be implemented as described herein, and thereafter the Board would direct that our stock transfer books be closed and recording of transfers of common stock discontinued. The approval and implementation of the Plan of Dissolution is not part of any going private transaction regarding EDCI.

EDCI believes this approach permits all stockholders to participate equally in any eventual distributions while minimizing public costs over time, and also permits substantial time for stockholders to continue to trade in EDCI's stock during the early portion of the dissolution. Further, the SEC may not grant us the requested relief. To the extent that we are unable to suspend our obligation to file periodic reports with the SEC, we will be obligated to continue complying with the applicable reporting requirements of the Exchange Act and will be required to continue to incur the expenses associated with these reporting requirements or pursue alternative means of deregistering EDCI from the reporting requirements of the Exchange Act, such as through a reverse stock split of other similar transaction to reduce the number of stockholders of record below 300, which would require additional stockholder approval, add further costs and would require cashing-out a number of our smaller stockholders.

Potential NASDAQ Delisting

We will not be eligible to continue to be listed on NASDAQ once we cease full reporting with the SEC. Furthermore, our ability to continue our listing on NASDAQ is subject to various on-going listing requirements we must continue to meet. If we cannot continue to meet these requirements during dissolution, we will be forced to delist from NASDAQ. In addition, and notwithstanding the foregoing, we may request that our common stock be delisted from the NASDAQ Capital Market at any time after the Effective Date, in the sole discretion of our Board of Directors. Although we may thereafter qualify to have our shares of common stock quoted on another over-the-counter service (such as the Pink Sheets or Over-the-Counter Bulletin Board), it is likely that the liquidity of our shares will be substantially reduced, and you may not be able to sell your shares if you desire to do so. At the present time, we have no intention of delisting our common stock from NASDAQ prior to the end of the second quarter of 2010.

Closing of Transfer Books

At such time as the Board of Directors determines to close our stock transfer books, which is currently expected to be at the end of the second quarter of 2010 provided we are successful in obtaining relief from certain continued SEC reporting requirements, certificates representing shares of our common stock will not be assignable or transferable on our books except by will, intestate succession or operation of law, and we will not issue any new stock certificates, other than replacement certificates. See "Reporting Requirements" above.

Absence of Appraisal Rights

Under the DGCL, holders of our shares of common stock are not entitled to assert appraisal rights with respect to the Plan of Dissolution.

Regulatory Approvals

We are not aware of any U.S. federal or state regulatory requirements or governmental approvals or actions that may be required to consummate the Plan of Dissolution, except for compliance with applicable SEC regulations in connection with this proxy statement and compliance with the DGCL. Additionally, our dissolution requires that we obtain a revenue clearance certificate from the Delaware Department of Finance certifying that we have paid or provided for every license fee, tax increase or penalty of EDCI. In order to obtain the revenue clearance certificate, we must file an application with the Delaware Department of Finance. If our stockholders approve the Plan of Dissolution, we intend to file such application as soon as reasonably practicable after the Special Meeting. We intend to file our certificate of dissolution with the Delaware Secretary of State as soon as reasonably practicable after our receipt of the revenue clearance certificate.

Interests of Management in the Dissolution of the Company

Our directors and executive officers have vested and exercisable options to purchase an aggregate of 98,053 shares of our common stock, 4,000 of which have exercise prices below $6.07 per share, which was the closing price

of our common stock on the NASDAQ Capital Market on October 15, 2009. In addition, our directors have unvested options to purchase 8,000 shares of our comment stock which have an exercise price below $ 6.07 per share. Based on the current vesting schedule contained in the Company's Incentive Plan under which the options were granted, some of these options will vest during the required three year dissolution period, most likely after the initial dissolution distribution. Because the options do not participate in any dissolution distributions, and the public per share price is likely to fall subsequent to the initial and any subsequent dissolution distribution, the value of the unvested options would be materially and adversely affected if no adjustments were made to their terms. Pursuant to the Incentive Plan, the Compensation Committee of the Board of Directors is authorized to accelerate the vesting of these previously awarded grants in its sole discretion. The Compensation Committee has approved the acceleration of the vesting of these options to the day immediately following the date that the proposed Plan of Dissolution of the Company is approved by stockholders. Each option-holder will then elect if and when to exercise their options pursuant to the terms of the Plan and their award agreements. See "Security Ownership of Certain Beneficial Owners and Management" for information on the number of options held by our directors and executive officers.

Our directors also hold approximately 29,000 unvested RSUs which, based on the terms set forth in the Incentive Plan under which the RSUs were issued, would participate in any distributions made pursuant to the Plan of Dissolution. However, unvested RSUs would not be able to participate in any tender offer. Pursuant to the terms of the Incentive Plan, the RSU's vest into unrestricted shares of the Company's common stock over a three year period. Pursuant to the terms of the Incentive Plan, the Compensation Committee of the Board of Directors is also authorized to and has approved the acceleratation of the vesting of those previously awarded grants to the day immediately following the date that the proposed Plan of Dissolution of the Company is approved by stockholders.

Pursuant to the terms of the Incentive Plan under which options and RSUs are granted, the Compensation Committee of the Board of Directors is authorized to and has approved the suspension new grants of options and RSUs effective upon stockholder approval of the proposed Plan of Dissolution.

We also expect to continue compensating our officers and employees at their existing compensation levels in connection with their services provided during the implementation of the Plan of Dissolution. However, as part of EDCI's overall efforts to reduce costs and minimize EDCI's cash burn, and taking particular note of EDCI's ongoing evaluation of a potential dissolution, EDCI reduced overall corporate salaries by 19% as of July 1, 2009. In addition, EDCI intends to enter into new severance arrangements with employees of EDCI who will be involved in the Plan of Dissolution, which are expected to provide for severance payments only in the event an eligible employee is terminated without cause. The severance payments are generally expected to equal to between 4 and 8 weeks of salary based on seniority, except the following four employees are expected to be eligible for severance equal to 26 weeks upon termination without cause: Matthew K. Behrent, Executive Vice President, Corporate Development and Legal Counsel; Richard A. Friedman, Vice President Internal Audit and Compliance; Kyle E. Blue, Treasurer and Michael D. Nixon, Chief Accounting Officer.

Following dissolution, we will continue to indemnify our directors, officers, employees, consultants, and agents to the maximum extent permitted in accordance with applicable law, our certificate of incorporation, bylaws and limited liability company agreements, and will enter into contractual indemnification agreements with our directors and officers on terms that are generally consistent with our certificate of incorporation, bylaws and limited liability company agreements, including for actions taken in connection with the Plan of Dissolution and the winding up of our business and affairs, and we will indemnify any trustees and their agents on similar terms. Our Board of Directors and any trustees are authorized to, and plan to, obtain and maintain insurance for the benefit of such directors, officers, employees, consultants, agents and any trustees to the extent permitted by law and as may be necessary or appropriate to cover our obligations under the Plan of Dissolution.

Certain Material U.S. Federal Income Tax Consequences

The following discussion is a general summary of the material U.S. federal income tax consequences of the dissolution and liquidation of EDCI pursuant to the Plan of Dissolution to EDCI and its stockholders. The discussion does not address all of the U.S. federal income tax considerations that may be relevant to particular stockholders in light of their particular circumstances, or to stockholders that are subject to special treatment under U.S. federal income tax laws, including, without limitation, financial institutions, persons that are partnerships or other pass-through entities, non-U.S. individuals and entities, or persons who acquired their shares of our common stock through stock options or other compensatory arrangements. This discussion does not address the U.S. federal income tax considerations applicable to holders of options to purchase our common stock. This discussion is also based on current U.S. federal tax regulations, which regulations could change during the three-year period of dissolution and thereafter. Furthermore, this discussion does not address any U.S. federal estate and gift or alternative minimum tax consequences or any state, local or foreign tax consequences of our dissolution and liquidation pursuant to the Plan of Dissolution. However, if there is a significant repatriation of earnings and profits from a foreign subsidiary of EDCI in a year, it is possible that he Company could have an alternative minimum tax liability in the U.S.

The following discussion is based on the Code, applicable Treasury Regulations, and administrative and judicial interpretations thereof, each as in effect as of the date hereof, all of which may change, possibly with retroactive effect. The discussion assumes that shares of our common stock are held as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment).

The following discussion has no binding effect on the IRS or the courts. Liquidating distributions pursuant to the Plan of Dissolution may occur at various times and in more than one tax year. We can give no assurance that the U.S. federal income tax treatment described herein will remain unchanged at the time of our liquidating distributions. No ruling has been requested from the IRS with respect to any tax consequences of the Plan of Dissolution, and we will not seek any such ruling or an opinion of counsel with respect to any such tax consequences.

THE FOLLOWING DISCUSSION DOES NOT PURPORT TO BE A COMPLETE ANALYSIS OF THE POTENTIAL TAX CONSEQUENCES RELATING TO THE PLAN OF DISSOLUTION AND IS NOT TAX ADVICE. STOCKHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES TO THEM IN CONNECTION WITH OUR DISSOLUTION AND LIQUIDATION PURSUANT TO THE PLAN OF DISSOLUTION, INCLUDING TAX RETURN REPORTING REQUIREMENTS AND THE EFFECT OF FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX LAWS.

Material U.S. Federal Income Tax Consequences to the Company

After the approval of the Plan of Dissolution and until our liquidation is completed, we will continue to be subject to U.S. federal income tax on our taxable income, if any, such as interest income, gain from the sale of any remaining assets or income from operations. Upon the sale of any of our assets in connection with our liquidation, we will recognize gain or loss in an amount equal to the difference between (i) the fair market value of the consideration received for each asset sold and (ii) our adjusted tax basis in the asset sold. We should not recognize any gain or loss upon the distribution of cash to our stockholders in liquidation of their shares of our common stock. We currently do not anticipate making distributions of property other than cash to stockholders in our liquidation. In the event we were to make a liquidating distribution of property other than cash to our stockholders, we will recognize gain or loss upon the distribution of such property as if we sold the distributed property for its fair market value on the date of the distribution. We currently do not anticipate that our dissolution and liquidation pursuant to the Plan of Dissolution will produce a material corporate tax liability for U.S. federal income tax purposes.

Material U.S. Federal Income Tax Consequences to Stockholders

In general, for U.S. federal income tax purposes, we intend that amounts received by our stockholders pursuant to the Plan of Dissolution will be treated as full payment in exchange for their shares of our common stock. As a result of our dissolution and liquidation, stockholders generally will recognize gain or loss equal to the difference between (i) the sum of the amount of cash and the fair market value (at the time of distribution) of property, if any, distributed to them and (ii) their tax basis for their shares of our common stock. In general, a stockholder's gain or loss will be computed on a "per share" basis. If we make more than one liquidating distribution, which is expected, each liquidating distribution will be allocated proportionately to each share of stock owned by a stockholder, and the value of each liquidating distribution will be applied against and reduce a stockholder's tax basis in his or her shares of stock. In general, a stockholder will recognize gain as a result of a liquidating distribution to the extent that the aggregate value of the distribution and prior liquidating distributions received by the stockholder with respect to a share exceeds the stockholder's tax basis for that share. Such gain will be recognized in the year of the first distribution in excess of the stockholder's basis and further gain will be recognized with subsequent distributions, if any such distributions are made. Any loss generally will be recognized by a stockholder only when the stockholder receives our final liquidating distribution to stockholders, and then only if the aggregate value of all liquidating distributions with respect to a share is less than the stockholder's tax basis for that share. Gain or loss recognized by a stockholder generally will be capital gain or loss and will be long term capital gain or loss if the stock has been held for more than one year. The deductibility of capital losses is subject to limitations.

In the unlikely event we make a liquidating distribution of property other than cash to our stockholders, a stockholder's tax basis in such property immediately after the distribution generally will be the fair market value of the property received by the stockholder at the time of distribution. Gain or loss realized upon the stockholder's future sale of that property generally would be measured by the difference between the proceeds received by the stockholder in the sale and the tax basis of the property sold.

In the event that our liabilities are not fully covered by the cash or other assets in our contingency reserve or otherwise satisfied through insurance or other reasonable means (See "–Contingency Reserve" above), payments made by a stockholder in satisfaction of those liabilities generally would produce a capital loss for such stockholder in the year the liabilities are paid. The deductibility of any such capital loss would generally be subject to limitations under the

Code.

Reporting of Liquidating Distributions and Back-Up Withholding

After the close of each taxable year, we will provide stockholders and the IRS with a statement of the amount of cash distributed to our stockholders in our liquidation and our best estimate as to the value of any property distributed to them during the relevant taxable year. In the unlikely event we make a liquidating distribution of property other than cash to our stockholders, no assurance can be given that the IRS will not challenge our valuation of the distributed property. Any stockholder owning at least 5% (by vote or value) of our total outstanding stock may be subject to special rules regarding information to be provided with the stockholder's U.S. federal income tax returns. Stockholders should consult their own tax advisors as to the specific tax consequences to them in connection with our dissolution and liquidation pursuant to the Plan of Dissolution, including tax return reporting requirements. Liquidating distributions made to our stockholders pursuant to the Plan of Dissolution may be subject to back-up withholding (currently at a rate of 28%) requirements. Back-up withholding generally will not apply to payments made to exempt recipients, including corporations or financial institutions, or individuals who furnish their correct taxpayer identification number or a certificate of foreign status and other required information. Back-up withholding is not an additional tax. Rather, amounts withheld generally may be used as a credit against a stockholder's U.S. federal income tax liability or the stockholder may claim a refund of any excess amounts withheld by timely and duly filing a claim for refund with the IRS.

Accounting Treatment

If our stockholders approve the Plan of Dissolution, EDCI will change its basis of accounting from that of an operating enterprise, which contemplates realization of assets and satisfaction of liabilities in the normal course of business, to the liquidation basis of accounting. Although EDC's assets and liabilities are not directly involved in the Plan of Dissolution, EDCI's consolidated financial statements will nonetheless be required to reflect the value of EDC's assets and liabilities under the liquidation basis of accounting. Under the liquidation basis of accounting, assets are stated at their estimated net realizable values and liabilities are stated at their estimated settlement amounts. Recorded liabilities will include the estimated expenses associated with carrying out the Plan of Dissolution. For periodic reporting, a statement of net assets in liquidation will summarize the liquidation value per outstanding share of common stock. Valuations presented in the statement will represent management's estimates, based on present facts and circumstances, of the net realizable values of assets, estimated satisfaction amounts of liabilities, and expenses associated with carrying out the Plan of Dissolution based upon management assumptions. The financial information presented in the attached annual report on Form 10-K and quarterly report on Form 10-Q do not include any adjustments necessary to reflect the possible future effects on recoverability of the assets or settlement of liabilities that may result from adoption of the Plan of Dissolution or EDCI's potential to complete such plan in an orderly manner.

The valuation of assets and liabilities will necessarily require many estimates and assumptions, and there will be substantial uncertainties in carrying out the provisions of the Plan of Dissolution. Ultimate values realized for our assets and ultimate amounts paid to satisfy our liabilities are expected to differ from estimates recorded in annual or interim financial statements.

Required Vote

All holders of our common stock as of the Record Date are entitled to vote on Proposal 1. The approval of the Plan of Dissolution requires the affirmative vote of a majority of the outstanding shares of our common stock. Abstentions and broker non-votes will have the same effect as votes against Proposal 1. Shares represented by the enclosed form of proxy will be voted in favor of Proposal 1, unless otherwise specified in such proxy.

Members of our Board of Directors who beneficially owned an aggregate of approximately 6.88% of the outstanding shares of common stock as of October 15, 2009 have indicated that they intend to vote in favor of Proposal 1.

Recommendation of Our Board of Directors

Our Board of Directors has unanimously determined that the voluntary dissolution and liquidation of EDCI pursuant to the Plan of Dissolution is advisable and in our best interests and the best interests of our stockholders. Our Board of Directors has approved the Plan of Dissolution and unanimously recommends that stockholders vote "FOR" approval of the Plan of Dissolution.

PROPOSAL 2: APPROVAL OF ADJOURNMENT OF SPECIAL MEETING TO SOLICIT ADDITIONAL PROXIES

General

At the Special Meeting, we may ask our stockholders to vote on a proposal to adjourn the Special Meeting to another date, time or place, if deemed necessary in the judgment of the proxy holders, for the purpose of soliciting additional proxies to vote in favor of Proposal 1 if there are not sufficient votes at the Special Meeting to approve that proposal. Any adjournment of the Special Meeting may be made without notice, other than by the announcement made at the Special Meeting, if the votes cast in favor of the adjournment proposal by the holders of shares of our common stock entitled to vote on the proposal exceed the votes cast against the proposal at the Special Meeting. However, if the adjournment is for more than 120 days from the date set for the original meeting, a new record date for the adjourned meeting shall be fixed and a new notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the adjourned meeting. If we adjourn the Special Meeting to a later date, we will transact the same business and, unless we must fix a new record date, only the stockholders who were eligible to vote at the original meeting will be permitted to vote at the adjourned meeting.

Required Vote

The approval of any adjournment of the Special Meeting requires that the votes cast in favor of the proposal exceed the votes cast against the proposal at the Special Meeting. Abstentions from voting and broker non-votes will have no impact on the vote on Proposal 2.

Recommendation of our Board of Directors

Our Board of Directors unanimously recommends that stockholders vote “FOR” approval of Proposal 2.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Except as otherwise noted, the following table sets forth, as of October 15, 2009, information with respect to the beneficial ownership of our common stock by (i) each person, or group of affiliated persons, known by us to be the beneficial owner of more than 5% of our common stock, (ii) each of our current directors, (iii) each of our named executive officers and (iv) all directors and executive officers as a group.

Beneficial ownership is determined according to the rules of the SEC. Beneficial ownership means that a person has or shares voting or investment power of a security, and includes shares underlying options and warrants that are currently exercisable or exercisable within 60 days after the measurement date. This table is based on information supplied by officers, directors and principal stockholders. Except as otherwise indicated, we believe that the beneficial owners of our common stock listed below, based on the information each of them has given to us, have sole investment and voting power with respect to their shares, except where community property laws may apply.

Unless otherwise indicated, we deem shares of common stock subject to options that are exercisable within 60 days of October 15, 2009 to be outstanding and beneficially owned by the person holding the options for the purpose of computing percentage ownership of that person, but we do not treat them as outstanding for the purpose of computing the ownership percentage of any other person.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class
Clarke H. Bailey	96,311(1)	1.44%
Matthew K. Behrent	2,000	*
Richard A. Friedman	3,875(2)	*
Michael D. Nixon	-	*
Roger J. Morgan	-	*
Ramon D. Ardizzone	20,550(3)	*
Cliff O. Bickell	19,211(4)	*
Peter W. Gilson	19,473(5)	*
Horace H. Sibley	17,953(6)	*
David Sandberg (10)	280,986(7)	4.20%
All directors and executive officers as a group (10 persons)	460,359(8)	6.88%
Robert L. Chapman, Jr. et al (11)	987,133(9)	14.76%
Dimensional Fund Advisors, Inc. (12)	336,767	5.04%

* Less than 1%

(1) Includes 70 shares held by Mr. Bailey's son and 60,053 shares that may be acquired at or within 60 days of October 15, 2009, pursuant to the exercise of options.

(2) Includes 2,000 shares that may be acquired at or within 60 days of October 15, 2009 pursuant to the exercise of options.

(3) Includes 10,000 shares that may be acquired at or within 60 days of October 15, 2009 pursuant to the exercise of options.

(4) Includes 6,000 shares that may be acquired at or within 60 days of October 15, 2009 pursuant to the exercise of options.

(5) Includes 10,000 shares that may be acquired at or within 60 days of October 15, 2009 pursuant to the exercise of options.

(6) Includes 10,000 shares that may be acquired at or within 60 days of October15, 2009 pursuant to the exercise of options.

(7) Includes 1,000 shares that may be acquired at or within 60 days of October15, 2009 pursuant to the exercise of options.

(8) Includes 99,053 shares that may be acquired at or within 60 days of October 15, 2009 pursuant to the exercise of options.

(9) Includes 2,000 shares that may be acquired at or within 60 days of October 15, 2009 pursuant to the exercise of options.

(10) Red Oak Partners, LLC ("ROP") serves as the general partner of The Red Oak Fund, LP, a Delaware limited partnership (the "Fund"), the direct owner of the subject securities. David Sandberg is the managing member of ROP and the Fund's portfolio manager. ROP serves as a general partner of Pinnacle Partners, LLC, a Colorado limited liability limited company ("Pinnacle Partners"). Pinnacle Partners manages Pinnacle Fund, LLLP, a Colorado limited liability limited partnership ("Pinnacle Fund"), the direct owner of the subject securities. ROP is the investment advisor to Bear Market Opportunity Fund, L.P., the direct owner of the subject securities, and

exercises investment control over the subject securities. David Sandberg is the managing member of ROP and is the portfolio manager of the Bear Market Opportunity Fund, L.P. Each of ROP and Mr. Sandberg disclaims beneficial ownership of all securities disclosed herein, except to the extent of their pecuniary interest therein, if any, and disclosure herein shall not be deemed an admission that such person is the beneficial owner of the shares for purposes of Section 16 of the Securities and Exchange Act of 1934 or for any other purpose.

(11) Robert L. Chapman, Jr., Chap-Cap Activist Partners Master Fund, Ltd., Chap-Cap Partners II Master Fund, Ltd., and Chapman Capital L.L.C. jointly report beneficial ownership of certain shares of common stock. Chap-Cap Activist Partners Master Fund, Ltd. has shared voting power and sole dispositive power over 553,481 shares, Chap-Cap Partners II Master Fund, Ltd. has shared voting power and sole dispositive power over 351,887 shares, Chapman Capital L.L.C. has shared voting and dispositive power over 905,368 shares and Mr. Chapman has shared voting and dispositive power over 905,368 shares and sole voting and dispositive power over 81,765 shares (which includes the options referenced in footnote 9 above). Mr. Chapman's and the reporting entities' address is 1007 N. Sepulveda Blvd. #129, Manhattan Beach, CA 90267.

(12) The address of Dimensional Fund Advisors, Inc. ("DFA") is 1299 Ocean Avenue, 11th Floor, Santa Monica, CA 90401. Such shares are owned by certain investment companies, commingled group trusts and accounts with respect to which DFA acts as an investment advisor or manager. DFA disclaims beneficial ownership of all such shares.

Market for Our Common Stock

Our common stock trades on the NASDAQ Capital Market under the symbol "EDCI." The following table sets forth, for the periods indicated, the high and low closing sales prices for our common stock as quoted on the NASDAQ Capital Market for each full quarterly period. On September 11, 2009, the trading day immediately prior to our announcement that our Board of Directors had unanimously determined that it was advisable to dissolve EDCI and all of its wholly-owned subsidiaries, excluding EDC, the closing sales price of our common stock on the NASDAQ Capital Market was $5.01. The closing sales price of our common stock on the NASDAQ Capital Market was $5.85 on November 12, 2009.

	2009		2008		2007	
Fiscal Year Ended December 31,	High	Low	High	Low	High	Low
First Quarter	$4.84	$ 3.81	$ 7.20	$ 5.00	$ 27.00	$21.70
Second Quarter	5.48	4.31	5.70	4.10	23.60	19.60
Third Quarter	6.02	4.88	5.00	3.80	19.80	12.60
Fourth Quarter	—	—	4.96	2.80	12.30	6.00

As of November 12, 2009, there were approximately 1,454 holders of record of our common stock. No cash dividends have ever been paid on our common stock.

IMPORTANT ADDITIONAL INFORMATION CONCERNING EDCI HOLDINGS, INC.

Description of Business

For a description of our business, see Item 1 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 (the "Form 10-K"), which is attached as Appendix B to this proxy statement. The Form 10-K that is attached to this proxy statement does not include the exhibits originally filed with such report.

Description of Property

For a description of our properties, see Item 2 of the Form 10-K, which is attached as Appendix B to this proxy statement.

Legal Proceedings

For a description of our legal proceedings, see Item 3 of the Form 10-K, which is attached as Appendix B to this proxy statement.

Financial Statements

For our audited financial statements as of December 31, 2008 and 2007, and for the years ended December 31, 2008, 2007, and 2006, and the notes thereto, see Item 8 of the Form 10-K, which is attached as Appendix B to this proxy statement. For our unaudited financial statements as of September 30, 2009, and for the nine month periods ended September 30, 2009 and 2008, and the notes thereto, see Item 1 of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 (the "Form 10-Q"), which is attached as Appendix C to this proxy statement.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For our management's discussion and analysis of financial condition and results of operation, see Items 7 and 2 of the Form 10-K and Form 10-Q, respectively, which are attached as Appendix B and C, respectively, to this proxy statement.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements, and other information with the SEC. You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street NE, Washington, DC 20549-2521. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. You may also find the materials we file with the SEC on the "Investor Relations" section of our website at http://www.edcih.com. Information on our website is not incorporated by reference into, or made a part of, this proxy statement.

HOUSEHOLDING

Beneficial owners, but not record holders, of our common stock who share a single address may receive only one copy of this proxy statement, unless their broker, bank or other nominee has received contrary instructions from any beneficial owner at that address. This practice, known as "householding," is designed to reduce printing and mailing expenses. If any beneficial owner at such an address wishes to discontinue householding and receive a separate copy of the proxy statement, they should notify their broker, bank or other nominee. Beneficial owners sharing an address to which a single copy of the proxy statement was delivered can also request prompt delivery of a separate copy of the proxy statement by contacting us at EDCI Holdings, Inc., 11 East 44th Street, Suite 1201, New York, New York 10017, Attention: Secretary, or at (646) 401-0084.

WHO CAN HELP ANSWER YOUR QUESTIONS

If you have additional questions about the Special Meeting, you should contact:

Mathew K. Behrent, Executive Vice President of Corporate Development
EDCI Holdings, Inc.
11 East 44th Street, Suite 1201
New York, New York 10017
Telephone: (646) 201-9549

OTHER BUSINESS

We know of no other business to be presented at the Special Meeting, and no other matters properly may be presented for a vote at the Special Meeting. If any other business properly were to come before the Special Meeting, it is intended that the shares represented by proxies would be voted with respect thereto in accordance with the best judgment of the persons named in the accompanying form of proxy.

BY ORDER OF THE BOARD OF DIRECTORS

Clarke H. Bailey
Chairman and Chief Executive Officer
November 16, 2009
New York, New York

APPENDIX A

PLAN OF COMPLETE LIQUIDATION AND DISSOLUTION
OF
EDCI Holdings, Inc.

The following Plan of Complete Liquidation and Dissolution (the "Plan of Dissolution"), dated as of October 14, 2009, shall effect the dissolution and complete liquidation of EDCI Holdings, Inc., a Delaware corporation (the "Company"), in accordance with Section 275 and other applicable provisions of the Delaware General Corporation Law (the "DGCL") and Sections 331 and 336 of the Internal Revenue Code of 1986, as amended (the "Code").

1. Adoption of Plan. The Board of Directors of the Company (the "Board of Directors") has adopted resolutions deeming it advisable and in the best interest of the stockholders of the Company to dissolve and liquidate the Company, adopt the Plan of Dissolution, and call a special meeting (the "Meeting") of the holders of the Company's common stock (the "Common Stock") to approve the dissolution and liquidation of the Company (including the sale of all or substantially all of the Company's assets), adopt the Plan of Dissolution and ratify the Company's actions taken to date on the Plan of Dissolution. If stockholders holding a majority of the outstanding shares of Common Stock vote in favor of the proposed dissolution and liquidation of the Company (including sale of all or substantially all of the Company's assets) and the adoption of the Plan of Dissolution at the Meeting, the Plan of Dissolution shall constitute the adopted Plan of Dissolution of the Company as of the date of the Meeting, or such later date on which the stockholders may approve the Plan of Dissolution if the Meeting is adjourned to a later date (the "Meeting Date").

2. Cessation of Business Activities. After the Effective Date (as defined below) and in accordance with Section 278 of the DGCL, the Company shall not engage in any business activities except for the purpose of winding up and liquidating its business and affairs, including, but not limited to, gradually settling and closing its business, prosecuting and defending suits, whether civil, criminal or administrative, by or against the Company, collecting its assets, seeking to convert its assets into cash or cash equivalents, discharging or making provision for discharging its known and unknown liabilities, withdrawing from all jurisdictions in which it is qualified to do business, distributing its remaining property among its stockholders according to their interests, and doing every other act necessary to wind up and liquidate its business and affairs, but not for the purpose of continuing the business for which the Company was organized.

3. Certificate of Dissolution. After the Meeting Date, the officers of the Company shall, at such time as the Board of Directors, in its absolute discretion, deems necessary, appropriate or desirable, obtain any certificates required from the Delaware tax authorities and, upon obtaining such certificates and paying such taxes as may be owing, and securing the necessary stockholder approvals, the Company shall file with the Secretary of State of the State of Delaware a certificate of dissolution (the "Certificate of Dissolution") in accordance with the DGCL specifying the date upon which the Certificate of Dissolution will become effective (the "Effective Date").

4. Liquidation Process. From and after the Effective Date and subject to the provisions hereof, the Company shall complete the following corporate actions:

a. Sale of All or Substantially All of the Non-Cash Assets. The Company shall determine whether and when to collect, sell, exchange or otherwise dispose of all or substantially all of its non-cash property and assets, including but not limited to all tangible assets, intellectual property and other intangible assets, in one or more transactions upon such terms and conditions as the Board of Directors, in its absolute discretion, deems expedient and in our best interests and the best interests of our stockholders, without any further vote or action by the Company's stockholders. The Company's non-cash assets and properties may be sold in one transaction or in several transactions to one or more buyers. The Company shall not be required to obtain appraisals, fairness opinions or other third-party opinions as to the value of its properties and assets in connection with the liquidation, but may do so in its sole discretion. In

connection with such collection, sale, exchange and other disposition, the Company shall collect or make provision for the collection of all accounts receivable, debts and claims owing to the Company.

b. Liquidation of Assets. The Company shall determine whether and when to transfer the Company's property and assets to a liquidating trust (established pursuant to Section 6 hereof).

c. Payment Obligations. The Company shall, as determined by the Board of Directors, (i) pay or make reasonable provision to pay all claims and obligations, including all contingent, conditional or unmatured contractual claims known to the Company, (ii) make such provisions as will be reasonably likely to be sufficient to provide compensation for any claim against the Company which is the subject of a pending action, suit or proceeding to which the Company is a party and (iii) make such provision as will be reasonably likely to be sufficient to provide compensation for claims that have not been made known to the Company or that have not arisen but that, based on facts known to the Company or successor entity, are likely to arise or to become known to the Company or successor entity within 10 years after the Effective Date. Such claims shall be paid as required by applicable law. If there are insufficient assets of the Company, such claims and obligations of the Company shall be paid or provided for in accordance with their priority and, among claims of equal priority, ratably to the extent of assets of the Company legally available therefor. If and to the extent deemed necessary, appropriate or desirable by the Board of Directors or the Trustees (as defined in Section 6 below), in their absolute discretion, the Company may establish and set aside a reasonable amount of cash and/or property (the "Contingency Reserve") to satisfy such claims and obligations against the Company, including, without limitation, tax obligations, and all expenses related to the sale of the Company's property and assets, all expenses related to the collection and defense of the Company's property and assets, and the liquidation and dissolution provided for in this Plan.

d. Distributions to Stockholders. Any assets of the Company remaining after the payment of claims or the provision for payment of claims and obligations of the Company as provided in subsection (c) above shall be distributed by the Company pro rata to its stockholders. Such distribution may occur all at once or in a series of distributions and shall be in cash or assets, in such amounts, and at such time or times, as the Board of Directors or the Trustees, in their absolute discretion, may determine.

5. Cancellation of Common Stock. The distributions to stockholders pursuant to Sections 4 and 8 (the "Liquidating Distribution") shall be in complete redemption and cancellation of all of the outstanding shares of Common Stock. As a condition to receipt of the Liquidating Distribution, the Board of Directors or the Trustees, in their absolute discretion, may require the stockholders to (i) surrender their certificates evidencing the Common Stock to the Company or its agents for recording of such distributions thereon, or (ii) furnish the Company with evidence satisfactory to the Board of Directors or the Trustees of the loss, theft or destruction of their certificates evidencing the Common Stock, together with such surety bond or other security or indemnity as may be required by and satisfactory to the Board of Directors or the Trustees. The Board of Directors, in its absolute discretion, may direct that the Company's stock transfer books be closed and recording of transfers of Common Stock discontinued as of the earliest of (x) the close of business on the record date fixed by the Board of Directors for the first or any subsequent installment of any Liquidating Distribution, (y) the close of business on the date on which the remaining assets of the Company are transferred to the Trust, or (z) the date on which the Company files its Certificate of Dissolution under the DGCL (such date, the "Record Date"), and thereafter certificates representing shares of Common Stock will not be assignable or transferable on the books of the Company except by will, intestate succession or operation of law.

6. Liquidating Trust. If deemed necessary, appropriate or desirable by the Board of Directors, in its absolute discretion, in furtherance of the liquidation and distribution of the Company's assets to the stockholders in accordance with the provisions hereof, as a final Liquidating Distribution or from time to time, the Company may transfer to one or more liquidating trustees, for the benefit of its stockholders (the "Trustees") under a liquidating trust (the "Trust"), any assets of the Company, including cash, intended for distribution to creditors and stockholders not disposed of at the time of dissolution of the Company, including the Contingency Reserve. The Board of Directors is hereby authorized to appoint one or more individuals, corporations, partnerships or other persons, or any combination thereof, including, without limitation, any one or more officers, directors, employees, agents or representatives of the Company, to act as the Trustee or Trustees for the benefit of the stockholders and to receive any assets of the Company. Any Trustees appointed as provided in the preceding sentence shall succeed to all right, title and interest of the Company of any kind and character with respect to such transferred assets and, to the extent of the assets so transferred and solely in their capacity as Trustees, shall assume all of the claims and obligations of the Company as provided in Section 4(b) hereof, including, without limitation, any unsatisfied claims and unknown or contingent

liabilities. Further, any conveyance of assets to the Trustees shall be deemed to be a distribution of property and assets by the Company to the stockholders for the purposes of Section 4(d) of this Plan. Any such conveyance to the Trustees shall be treated for U.S federal and state income tax purposes as if the Company made such distribution to the stockholders and the assets conveyed shall be held in trust for the stockholders of the Company. The Company, subject to this Section 6 and as authorized by the Board of Directors, in its absolute discretion, may enter into a liquidating trust agreement with the Trustees, on such terms and conditions as the Board of Directors, in its absolute discretion, may deem necessary, appropriate or desirable. Adoption of the Plan of Dissolution by holders of a majority of the outstanding shares of Common Stock shall constitute the approval of the stockholders of any such appointment, any such liquidating trust agreement and any transfer of assets by the Company to the Trust as their act and as a part hereof as if herein written.

7. Abandoned Property. If any Liquidating Distribution to a stockholder cannot be made, whether because the stockholder cannot be located, has not surrendered its certificates evidencing the Common Stock as required hereunder or for any other reason, then the distribution to which such stockholder is entitled (unless transferred to the Trust established pursuant to Section 6) shall be transferred, at such time as the final Liquidating Distribution is made by the Company, to the extent permitted by law, to the official of such state or other jurisdiction authorized by applicable law to receive the proceeds of such distribution. The proceeds of such distribution shall thereafter be held solely for the benefit of and for ultimate distribution to such stockholder as the sole equitable owner thereof and shall be treated as abandoned property and escheat to the applicable state or other jurisdiction in accordance with applicable law. In no event shall the proceeds of any such distribution revert to or become the property of the Company.

8. Final Liquidating Distribution. Whether or not a Trust shall have been previously established pursuant to Section 6, if it should not be feasible for the Company to make the final Liquidating Distribution to its stockholders of all assets and all properties of the Company prior to the third anniversary of the filing of its Certificate of Dissolution, then, on or before such date, the Company shall be required to establish a Trust and transfer any remaining assets and properties (including, without limitation, any uncollected claims, contingent assets and the Contingency Reserve) to the Trustees as set forth in Section 6. Not more than three years from the date of its creation, the liquidating trust shall make a final distribution of any remaining assets to the holders of the beneficial interests of the Trust. Any such distribution shall be only in the form of cash.

9. Stockholder Consent to Sale of Assets. Approval of the proposed dissolution and adoption of the Plan of Dissolution by holders of a majority of the outstanding shares of Common Stock shall constitute the approval of the stockholders of the Company of the dissolution of the Company and the sale, exchange or other disposition in liquidation of all or substantially all of the property and assets of the Company pursuant to the terms hereof, whether such sale, exchange or other disposition occurs in one transaction or a series of transactions, and shall constitute ratification of all contracts for sale, exchange or other disposition which are conditioned on adoption of the Plan of Dissolution.

10. Expenses of Dissolution. In connection with and for the purposes of implementing and assuring completion of the Plan of Dissolution, the Company may, in the absolute discretion of the Board of Directors, pay any brokerage, agency, professional, legal and other fees and expenses of persons rendering services to the Company in connection with the collection, sale, exchange or other disposition of the Company's property and assets and the implementation of the Plan of Dissolution. Adoption of the Plan of Dissolution shall constitute approval of such payments by the stockholders of the Company.

11. Employees and Independent Contractors. In connection with effecting the dissolution of the Company and for the purpose of implementing and assuring completion of the Plan of Dissolution, the Company may, in the absolute discretion of the Board of Directors, hire employees and retain independent contractors and agents as the Board of Directors deems necessary or desirable to supervise the dissolution and liquidation. The Company may, in the absolute discretion of the Board of Directors, but subject to applicable legal and regulatory requirements, pay the Company's officers, directors, employees, independent contractors, agents and representatives, or any of them, compensation or additional compensation above their regular compensation, in money or other property, as severance, bonus, or in any other form, in recognition of the extraordinary efforts they, or any of them, will be required to undertake, or actually undertake, or otherwise necessary retain the services of any of them, in connection with the implementation of the Plan of Dissolution. Adoption of the Plan of Dissolution shall constitute approval of any such compensation by the stockholders of the Company.

12. Indemnification. The Company shall continue to indemnify its officers, directors, employees, independent contractors and agents to the maximum extent permitted in accordance with applicable law, its certificate of incorporation and bylaws and any contractual arrangements, for actions taken in connection with the Plan of Dissolution and the winding up of the affairs of the Company and the Trust and shall indemnify the Trustees and its

agents on similar terms. The Company's obligation to indemnify such persons may also be satisfied out of the assets of the Trust to the extent that the Trust assumes this obligation. The Board of Directors and the Trustees, in their absolute discretion, are authorized to obtain and maintain insurance for the benefit of such officers, directors, employees, independent contractors, agents and Trustees to the extent permitted by law and as may be necessary or appropriate to cover the Company's obligations hereunder, including seeking an extension in time and coverage of the Company's insurance policies currently in effect.

13. Amendment, Modification or Abandonment of Plan. If for any reason the Board of Directors determines that such action would be in the best interest of the Company, the Board of Directors may, in its sole discretion and without requiring further stockholder approval, revoke the Plan of Dissolution and all action contemplated thereunder, to the extent permitted by the DGCL. The Board of Directors may not amend or modify the Plan of Dissolution under circumstances that would require additional stockholder approval under the DGCL and the federal securities laws without complying with the DGCL and the federal securities laws. Upon the revocation or abandonment of the Plan of Dissolution, the Plan of Dissolution shall be void.

14. Tax Matters. It is intended that this Plan of Dissolution shall be a plan of complete liquidation of the Company in accordance with the terms of Sections 331 and 336 of the Code. The Plan of Dissolution shall be deemed to authorize the taking of such action as, in the opinion of counsel for the Company, may be necessary to conform with the provisions of said Sections 331 and 336 and the regulations promulgated thereunder. The Company's officers shall be authorized to cause the Company to make such elections for tax purposes as are deemed appropriate and in the best interest of the Company including, without limitation, the making of an election under Code Section 336(e), if applicable. Within thirty (30) days after the Effective Date, the Company shall file with the Internal Revenue Service an appropriate statement of corporate dissolution on IRS Form 966, as required by Section 6043 of the Code, and such additional forms and reports with the Internal Revenue Service as may be necessary or appropriate in connection with the Plan of Dissolution and the carrying out thereof. The Company shall notify all jurisdictions of any withdrawals related to qualification to do business. The Company shall make arrangements authorizing one or more representatives or agents to maintain such Company records as may be appropriate for purposes of any tax audit of the Company occurring during the process of dissolution or after liquidation.

15. Power of Board of Directors and Officers. The Board of Directors is hereby authorized, without further action by the Company's stockholders, to do and perform, or cause the officers of the Company, subject to approval of the Board of Directors, to do and perform, any and all acts, and to make, execute, deliver or adopt any and all agreements, resolutions, conveyances, certificates and other documents of every kind that are deemed necessary, appropriate or desirable, in the absolute discretion of the Board of Directors, to implement the Plan of Dissolution and the transactions contemplated hereby, including, without limitation, all filings or acts required by any state or Federal law or regulation to wind up its affairs.

APPENDIX B

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

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal period ended December 31, 2008

oTRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 001-34015

EDCI HOLDINGS, INC.
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	26-2694280
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
1755 Broadway, 4th FL, New York, New York	10019
(Address of principal executive offices)	(Zip Code)

(212) 333-8400
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.02 par value	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None
Title of Class

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No x

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K. o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer and large accelerated filer," "accelerated filer and smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

Indicate by check mark whether the Registrant is a shell company (as defined in Exchange Act Rule 12b-2) Yes o No x

The aggregate market value of the voting and non-voting common equity held by non-affiliates of Registrant, computed by reference to the closing price of the Registrant's common stock on June 30, 2008, was approximately $28.6 million. The number of shares of the Registrants' common stock outstanding on March 27, 2009 was 6,699,957.

DOCUMENTS INCORPORATED BY REFERENCE:

Document	Location of Form
Proxy Statement for 2009 Annual Meeting of Stockholders	Part III

B-1

EDCI Holdings, Inc. and Subsidiaries

INDEX

We, from time to time, make “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements reflect the expectations of management at the time such statements are made. The reader can identify such forward-looking statements by the use of words such as “may,” “will,” “should,” “expects,” “plan “anticipates,” “believes,” “estimates,” “predicts,” “intend(s),” “potential,” “continue,” or the negative of such terms, o comparable terminology. Forward-looking statements also include the assumptions underlying or relating to any of the foregoing statements.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors” below. All forward-looking statements included in this Report on Form 10-K are based on information available to us on the date hereof. We assume no obligation to update any forward-looking statements.

PART I

ITEM 1. BUSINESS

Overview

EDCI Holdings, Inc. (“EDCIH”) is a recently formed holding company and parent of Entertainment Distribution Company, Inc. which, together with its wholly owned and controlled majority owned subsidiaries, is a multi-national company that is seeking to enhance stockholder value by pursuing acquisition opportunities while continuing to oversee its majority investment in Entertainment Distribution Company, LLC (“EDC”), a business operating in the manufacturing and distribution segment of the entertainment industry. EDCIH's principal executive offices are located in New York City at 1755 Broadway, 4th Floor, New York, New York, 10019 and its telephone number for investor relations is (212) 333-8400. In this Form 10-K, the terms “we,” “us,” “our” and “the Company” each refer to EDCI Holdings, Inc. and its wholly-owned and controlled majority owned subsidiaries on a consolidated basis unless the context requires otherwise. The term “EDCI” refers only to EDCI Holdings, Inc. and its direct and indirect wholly-owned subsidiaries, and the term “EDC” refers only to Entertainment Distribution Company, LLC (“EDC”), and its direct and indirect wholly-owned subsidiaries.

EDCI is currently comprised of the following: First, EDCI, indirectly through certain subsidiaries, owns 97.99% of the Limited Liability Company units of EDC. Additionally, EDCI has approximately $52.6 million of cash and cash equivalents that is unencumbered by EDC. (The Company's total consolidated cash and cash equivalents of $75.1 million includes $22.5 million of cash held at EDC). Finally, we believe EDCI has substantial unrestriced U.S. net operating loss carryforwards ("NOLs") aggregating approximately $288.0 million that do not begin to expire until 2019, which may be used to offset taxable income of any business EDCI acquires. See "Risk Factors," specifically limitations on NOLs. EDCI does not have any short-term or long-term debt. All of the debt discussed in this Report is solely debt of EDC.

Notwithstanding the foregoing, during 2008, we had one reportable business segment operated by our majority owned subsidiary, EDC. EDC is an industry leader in providing pre-recorded products and distribution services to the optical disc industry with operations currently serving central Europe and the United Kingdom (“UK”). EDC was formed by the acquisition of the U.S. and central European CD and DVD manufacturing and distribution operations from Universal Music Group (“Universal”) in May 2005. As part of the transaction, EDC entered into supply agreements with Universal with initial terms of 10 years under which EDC became the exclusive manufacturer and distributor for Universal’s CD and DVD manufacturing requirements and distribution requirements for the U.S. and central Europe. In past periods, including during fiscal year 2006, we had a second reportable business segment – Glenayre Messaging. On December 31, 2006, EDCI sold substantially of the assets comprising the Messaging business for $25.0 million.

EDCI acquired its interest in EDC in May 2005, at a time when it was already apparent that CD volumes would decline over time and continue to be superseded, though at an unknown rate, by digital (vs. physical) means of distribution. At that time, industry forecast decline rates were generally in the mid-to-low single digit range and we believed that at those decline levels it would be possible to replace lost units and grow the overall profitability of EDC by acquiring new customers, organically and through acquisitions, in both the core CD business as well as in adjacent industries that had long-term growth opportunities. EDC's supply agreements with Universal also provided for the "reversion" of certain units that UMG had outsourced to third parties that would further protect EDC from industry declines in the initial years of the contract. As a result, we believed the EDC business would better take advantage of EDCI's NOLs than the Messaging business, and remained focused on growing the EDC business throughout 2006 and in early 2007. In furtherance of that strategy, in July 2006, EDC's presence in the European market was expanded through the acquisition of the largest CD manufacturing operation in the United Kingdom.

This acquisition also allowed EDC to secure all of Universal's UK CD manufacturing business. Also in furtherance of this strategy, in December 2006, EDCI completed the sale of substantially all of the assets of its Messaging business.

During 2007, physical music CD unit sales for the industry in the United States declined 16% on a year over year basis. This severe decline rate materially affected the near-term profitability of EDC's U.S. business and also limited the long-term potential benefit of utilizing EDCI's NOLs. As it became evident during 2007 that these levels of declines were not abating, we determined that acquisitions, by EDC, especially acquisitions requiring further investments of EDCI's cash in EDC, were no longer prudent. We therefore began to explore a sale or other divestiture of the EDC business with the expectation that after such a sale EDCI would then use its cash, NOLs and any additional cash resulting from the sale of EDC for another acquisition that would better utilize its NOLs.

When it became evident in early 2008 that there were no acquirers of EDC on acceptable terms, EDCI determined to concurrently explore acquisitions in alternative industries using EDCI's cash while overseeing the EDC business with a focus on cash flow and continuing to explore strategic alternatives for EDC as they became available.

As part of this strategy, we completed the following activities in 2008 and 2009:

Restructured EDCIH to Protect the Value of EDCIH's NOLs: Effective August 25, 2008, EDCI consummated a series of transactions that were designed to protect the value of our NOLs by imposing certain transfer restrictions on the publicly traded common stock of EDCI. Under section 382 of the Internal Revenue Code ("section 382"), certain changes in the ownership of the Company's stock, or issuances of new shares, could, over time, result in significant limitations being imposed on EDC's ability to use these NOLs — thereby reducing their long-term value. EDCI also structured this transaction to have the effect of a 1-for-10 reverse split to assist in avoiding a potential de-listing of EDCHI for failure to maintain the minimum $1.00 per share requirement for continued inclusion on the NASDAQ stock market. The reorganization was approved at EDCI's 2008 annual meeting by the affirmative vote of shareholders holding 4,544,154 shares, with 82,187 shares against and 8,883 shares abstaining. On August 25, 2008, the stock of EDCI ceased trading on the NASDAQ Global Market and the stock of the Company now trades on the NASDAQ Capital Market.

Completed the Sale of Substantially All of the U.S. Assets of EDC: We announced on October 31, 2008, and closed on December 31, 2008, the sale of substantially all of the U.S. business of EDC to Sony DADC U.S., Inc ("Sony DADC") for $26.0 million in cash and certain other consideration. Following the transaction, EDC continues to operate and serve its international customers through its facilities in Hannover, Germany and Blackburn, UK. All information related to EDC's U.S. operations is reflected as discontinued operations in the accompanying 10-K, including information from prior periods.

Appointed New, Acquisition-Oriented Chief Executive Officer: As a result of a search for a permanent Chief Executive Officer begun in August, 2008, on January 5, 2009 we announced the appointment of Robert L. Chapman, Jr. as Chief Executive Officer of EDCI and EDC. Mr. Chapman replaced Interim Chief Executive Officer Clarke H. Bailey, who continues to serve as non-Executive Chairman of the Board of EDCI. Mr. Chapman's primary goal as CEO is to lead EDCI's transition into a respected, fairly valued public company by prudently and diligently applying all or part of EDCI's $52.6 million in cash towards the equity component of a small capitalization acquisition. As Managing Member of Los Angeles, CA-based Chapman Capital L.L.C., an investment advisor advising investment funds that own approximately 14% of EDCIH, we believe Mr. Chapman's interests are tightly aligned with all of EDCIH's owners.

EDCI is currently working to identify suitable acquisition opportunities. EDCI is not targeting specific industries for potential acquisitions. EDCI's target acquisition criteria are as follows:

Valuation: Statistically cheap multiples on troughing fundamentals

Fundamentals: Quantitative evidence that “the worst is behind”; i.e. whatever events have caused the statistically cheap multiples is abating

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Non-Lethal Balance Sheet: EBITDA / (debt service + maintenance capital expenditures) of greater than 3 to 1

Owner Sentiment: Interested in liquidity at a reasonable price

Management: Worthy operational management team that is interested in working with EDCI

EDCI would consider incurring debt in connection with an acquisition to increase the transaction size above EDCI's available cash for an acquisition. However, based on current credit conditions, EDCI is also evaluating opportunities that could be acquired with little or no debt. EDCI could also utilize its common equity as acquisition currency, subject to the section 382 "ownership change" rules described elsewhere in this document. This strategy is subject to certain risks. See "Risk Factors" below.

EDC Business

EDC's core competencies are CD and DVD replication and logistic services, a market in a secular decline. As an independent service provider, EDC is pursuing opportunities to increase revenue by providing a wide range of physical manufacturing, distribution and value added services to entertainment content owners and their customers. These opportunities consist of manufacturing and/or distribution services agreements with existing or new customers. The rate of decline experienced in EDC's international markets is, as yet, not nearly as severe as that experienced in the US market. On March 20, 2009, the Board of Directors of EDC approved a plan to consolidate EDC's Blackburn, UK and Hannover, Germany manufacturing activities within the Hannover facility. As a result, EDC intends to cease by year-end 2009 substantially all operations presently conducted at its Blackburn facility in the United Kingdom, and resultantly produce all of the manufacturing volume for Universal, its largest customer, in EDC's Hannover plant through the expiration of the Universal manufacturing agreements in May 2015.

Products

EDC's products include pre-recorded CDs and DVDs, and manufactured jewel boxes and trays for the entertainment industry. Piracy and downloading of music through web sites have caused CD volumes to decline. EDC expects that file sharing and downloading, both legal and illegal, and portable personal digital devices will continue to exert downward pressure on the demand for CDs.

The digital transfer and downloading of video files has also become more widespread in large part due to improvement in the speed and quality with which video files can be transferred and downloaded. As a result, file sharing and downloading has exerted significant downward pressure on the demand for DVDs.

Professional Services

EDC offers an array of professional services including:

Distribution Services: Product delivery to mass merchants' regional distribution centers and wholesalers. EDC provides direct to retail distribution in Europe and is well positioned to deliver pre-recorded products throughout Europe. The services provided are an integral part of EDC's customers' supply chain.

Printed Components and Packaging Services: Purchase of printed components and assembly of shelf ready packages. In response to customer demand for more environmentally friendly packaging, EDC added the assembly of ECOPAK products to our service line.

Value Added Services: Custodial responsibilities for inventory storage and control, returns processing, fulfillment of promotional product, retail price stickering, product quality evaluations, logistics advice, claims administration, data interfaces and cash collections.

Markets, Sales and Marketing

EDC provides CD and DVD manufacturing and distribution services to entertainment content providers in central Europe and manufacturing services in the UK. EDC has sales personnel in Hannover, Germany and Blackburn, UK.

Competition

EDC's competitors include subsidiaries of media conglomerates that produce content while others, like EDC, are purely manufacturers and/or distributors. Competitors include:

Manufacturing only: MPO, OK Media, DocData and CD-A.

Manufacturing and Distribution: Arvato Digital Services, Cinram, Sony DADC/Sony Entertainment Distribution, MPO Fiege and Optimal Media Production.

Competition in the pre-recorded multimedia industry is intense and winning new customers, as well as maintaining existing customers, is based on a combination of price, capacity, reliability and the level of service and support. EDC believes that its competency in providing complete end-to-end manufacturing and distribution supply chain services differentiates it from many of its competitors. However, some of EDC's competitors are larger and may have more resources available to them to help them manage their business and respond as the industry continues to experience a decline in demand.

Service and Support

EDC is an integral part of its customers' supply chain, managing and delivering products to mass merchant regional distribution centers and wholesalers, including direct to retail distribution. EDC coordinates the printed material and packaging functions and ships shelf-ready packages world wide on demand. EDC generally does not own finished goods inventory. It provides custodial responsibilities for inventory management, and storage of finished goods and component parts, product quality evaluations, logistics advice, claims administration and data interfaces for its customers.

Customers

EDC's major customers are Universal Music Group, Navteq, Vivendi Games, Ministry of Sound, Union Square Music, Demon Music Group and Warner Music Group.

Universal: EDC's manufacturing and distribution agreements with Universal accounted for approximately 73%, 74% and 83% of its 2008, 2007 and 2006 revenues, respectively. EDC plans, manages and monitors the use of resources based on regular forecasts provided by Universal. Because EDC is dependent on Universal for a significant amount of its revenues, if market or other factors cause Universal to reduce or postpone significant levels of current or expected purchase commitments for EDC's products, EDC's operating results and financial condition may be adversely affected.

Other: All other customers accounted for, in the aggregate, approximately 27%, 26% and 17% of our 2008, 2007 and 2006 revenues, respectively. EDC has a business development and sales and marketing team focused on providing a high level of service to Universal as well as attracting new customers in the music, video, gaming markets and health and fitness products.

International Sales

EDC's international sales, which originate in Germany and the UK, are denominated in Euros and British pounds, respectively. See Note 23 to the consolidated financial statements for information concerning revenues and long-lived assets by geographic area.

Operations

Manufacturing: EDC currently manufactures its products for the central European market at its facility in Hannover, Germany and for the UK market at its facility in Blackburn, UK. EDC has an option to purchase the Hannover facility, which it currently leases from Universal. EDC believes that this facility is adequate for its current manufacturing needs.

Distribution: EDC distributes products for the central European market at its facility in Hannover, Germany which is a combined manufacturing and distribution facility.

EDC believes in setting high standards of quality throughout its operations. EDC's Hannover, Germany, facility is registered Germany ISO 9001:2000 the international standard for quality assurance and ISO 14001 for environmental management. EDC's Blackburn, UK facility is ISO 9001:2000 certified and is in the process of obtaining ISO 14001 certification. EDC believes that adhering to the stringent ISO 9001 and 14001 procedures not only creates efficiency in operations, but also positions EDC to meet the exacting standards required by its customers.

EDC is also a member of the Content Delivery and Storage Association (CDSA) and fully supports and complies with the worldwide CDSA Anti-Piracy program. This compliance program ensures that EDC only provides services to those intellectual property owners who have certified and documented ownership and proper use of content, thus ensuring the legitimacy of customer products.

Raw Materials and Components

EDC's principle raw materials are polystyrene used in the manufacture of jewel boxes and trays (in Germany only) and polycarbonate used in the manufacture of CDs and DVDs. EDC has a limited number of suppliers who are able to provide raw materials. In Germany, we purchase polystyrene, polycarbonate and any jewel boxes and trays, not internally manufactured, from several suppliers. In the UK, we purchase polycarbonate and jewel boxes and trays from several suppliers. These inputs are crucial to the production of CDs and DVDs and, while there are alternative suppliers of these products, it would be disruptive to EDC's production if any of our suppliers were unable to deliver its product to EDC.

Proprietary Technology

EDC has non-exclusive CD replication licensing agreements with a member of the Philips Group of Companies and with Discovision Associates and non-exclusive DVD replication licensing agreements with MPEGLA, the 3-C and AC-3 Groups (both administered by Philips Electronics), the 6-C Group (administered by Toshiba Corporation) and Discovision Associates.

Registered Trademarks

EDC's trademarks and service marks are also valued corporate assets protected through registrations in various foreign countries.

Government Regulation

EDC's manufacturing and distribution operations are subject to a range of federal, state, local and international laws and regulations relating to the environment. These include laws and regulations that govern discharges into the air, water and landfills and the handling and disposal of hazardous substances and wastes. EDC does not anticipate any material effect on its capital expenditures, earnings or competitive position in order to remain in compliance with government regulations involving environmental matters.

Seasonality

EDC typically manufactures and distributes approximately 53% to 58% of its annual demand by volume in the second half of the calendar year due to seasonality in the entertainment business. Variability is also experienced on a quarterly basis with the lowest demand typically being experienced in the first calendar quarter and with the highest demand occurring in the last calendar quarter. This seasonality cycles year over year and is influenced by EDC's customers' product release schedules.

Backlog

EDC's customers order products and services only as they are needed, therefore EDC does not maintain any significant backlog.

Employees

At December 31, 2008, EDC employed over 1,100 persons. In Germany, approximately 43% of the workforce of 822 employees is unionized and all employees, including exempt staff, which represents approximately 4% of the total employees, are represented by a works council. Collective bargaining agreements and works council agreements cover all labor relations. In February 2008, EDC reached an agreement with the works council on an eight year collective bargaining agreement which runs through 2015. In the UK, approximately 64% of the workforce of 313 employees is unionized and subject to collective bargaining agreements. In October 2008, EDC entered into an agreement with the UK employees that was retroactively effective January 1, 2008, and ran until January 1, 2009. The 2008 contract terms will remain in effect until a new agreement is reached.

As discussed above, on December 31, 2008, EDC completed the sale of EDC's distribution operations located in Fishers, Indiana, U.S. supply agreements with Universal Music Group, all of the equipment located in the Fishers, Indiana distribution facility and certain manufacturing equipment located in the Kings Mountain, North Carolina facility, as well as the transfer of U.S. customer relationships to Sony DADC U.S., Inc. Upon completion of the sale, EDC effectively ceased its U.S. manufacturing and distribution operations. At December 31, 2008, EDC had 419 employees at the Kings Mountain, North Carolina facility as part of the transition service agreement. All production employees were phased out by the end of February 2009 and the remaining employees will be phased out by the end of April 2009.

EDCI currently has a core corporate staff of 15 employees at various U.S. locations.

SEC Filings

We make available all annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to such reports free of charge through our Internet website at www.edcih.com as soon as reasonably practicable after they are filed with, or furnished to, the Securities and Exchange Commission. These reports are also available on the Securities and Exchange Commission's Internet website at www.sec.gov.

Our code of ethics is posted on our Internet website at www.edcih.com. You can also receive a copy free of charge by sending an email request to investor.relations@edcih.com or by sending a written request to our offices at 1755 Broadway, 4th Floor, New York, NY 10019, Attention: Investor Relations.

ITEM 1A. RISK FACTORS

Our prospects are subject to certain risks and uncertainties including the following:

Current Global and Economic Downturn

EDC. EDC's business has been negatively impacted by the current global downturn. If this downturn is prolonged or worsens, there could be several severely negative implications that may exacerbate many of the risk factors we identified below including, but not limited to, the following:

Liquidity:

- The global economic downturn and the associated credit crisis could continue or worsen and reduce liquidity and this could have a negative impact on financial institutions and the global financial system, which would, in turn, have a negative impact on EDC and its creditors.
- Credit insurers could drop coverage on EDC's customers and increase premiums, deductibles and co-insurance levels on remaining or prospective coverage.
- EDC's suppliers could tighten trade credit which could negatively impact EDC's liquidity.

Counterparty risk:

- EDC's customers, vendors and their suppliers may become insolvent and file for bankruptcy, which could negatively impact its results of operations

Demand:

- EDC's financial performance depends on consumer demand for its customers' products. Substantially all of the purchases of the pre-recorded media products sold by EDC's customers are discretionary. Accordingly, weak economic conditions or outlook or varying consumer confidence could significantly reduce consumption in any of

its customers' major markets thereby causing material declines in sales and net earnings. In addition, because of the discretionary nature of EDC's products, EDC's customers must continually compete for the public's leisure time and disposable income with other forms of entertainment, including legal and illegal downloading of content, box office movies, sporting events, concerts, live theatre and restaurants. As a result of this competition, demand for EDC's customers' products could be reduced and sales volumes and gross profit margins could be adversely affected.

EDCI. As a cause and effect of the global downturn, various sectors of the credit markets and the financial services industry have been experiencing a period of unprecedented turmoil and upheaval characterized by the disruption in credit markets and availability of credit and other financing. Uncertainty over the extent and degree of the global downturn also creates substantial uncertainty with regard to the fundamentals of many industries. While the ultimate outcome of these events cannot be predicted, they may have a material adverse effect on EDCI's ability to find acquisition opportunities that meet its acquisition criteria, obtain financing necessary (if desired) to effectively execute its acquisition strategy and on the resulting value of any consummated acquisition or the market value of its investment portfolio.

Risks Related to EDCI's Acquisition Strategy

In identifying, evaluating and selecting a target business for a potential acquisition, EDCI expects to encounter intense competition from other entities having a similar business objective, including private equity groups, blank check companies, venture capital funds, leveraged buyout funds, and operating businesses seeking strategic acquisitions. Many of these entities are well-established and have extensive experience identifying and effecting business combinations directly or through affiliates. Moreover, many of these competitors possess greater financial, technical, human and other resources than us, which will give them a competitive advantage in pursuing the acquisition of certain target businesses. EDCI may not be able to successfully identify such a business, obtain financing for such acquisition (if desired), or successfully operate any business acquired.

Even if EDCI identifies an appropriate acquisition opportunity, it may be unable to negotiate favorable terms for that acquisition. EDCI may be unable to select, manage, absorb or integrate any future acquisitions successfully. Any acquisition, even if effectively integrated, may not benefit EDCI's stockholders. Any acquisition may involve a number of unique risks including: (i) executing successful due diligence; (ii) exposure to unforeseen liabilities of acquired companies; and (iii) EDCI's ability to integrate and absorb the acquired company successfully.

Because EDCI may consummate an acquisition of a company in any industry and is not limited to any particular type of business there is no current basis for you to evaluate the possible merits or risks of the particular industry of an acquired business. If EDCI completes an acquisition with an entity in an industry characterized by a high level of risk, EDCI may be affected by the currently unascertainable risks of that industry. Although EDCI management will endeavor to evaluate the risks inherent in a particular industry or target business, EDCI cannot assure you that it will properly ascertain or assess all of the significant risk factors. Even if EDCI management properly assesses those risks, some of them may be outside of its control.

Declining Nature of CD and DVD Industries

EDC's business is dependent on the continued viability of physical distribution of music and video through authorized pre-recorded media. Alternative distribution channels and methods, both authorized and unauthorized, for delivering music have eroded and are expected to continue to erode the volume of sales and the pricing of products and services. Because EDC's business has high fixed costs, EDC has limited ability to reduce costs in response to unit declines. The growth of these alternatives is driven by advances in technology that allow for the transfer and downloading of music and video files from the Internet. The proliferation of this copying, use and distribution of such files is supported by the increasing availability and decreasing price of new technologies, such as personal video recorders, CD and DVD burners, portable MP3 music and video players, widespread access to the Internet, and the increasing number of peer-to-peer digital distribution services that facilitate file transfers and downloading. EDC expects that file sharing and downloading, both legally and illegally, the introduction of new optical formats and portable personal digital devices will continue to exert downward pressure on the demand for CDs. The digital transfer and downloading of video files has become more widespread in large part due to improvement in the speed and quality with which video files can be transferred and downloaded. As a result, file sharing and downloading has also exerted significant downward pressure on the demand for DVDs. In addition, EDC's business faces pressure from the emerging distribution alternatives, like video on demand ("VOD") and personal digital video recorders. As substantially all of EDC's revenues are derived from the sale of CDs and to a lesser extent DVDs, increased file sharing, downloading and piracy or the growth of other alternative distribution channels and methods, could materially adversely affect EDC's business, financial condition and results of operations.

Blackburn – Hannover Consolidation

On March 20, 2009, the Board of Directors of EDC approved a plan to consolidate EDC's Blackburn, UK ("EDC Blackburn") and Hannover, Germany ("EDC Germany")manufacturing activities within the Hannover facility (the "Consolidation"). EDC will incur significant costs in connection with the Consolidation and the plan will require the consent of the lenders pursuant to EDC's Senior Secured Credit Facility. These types of plans involve numerous risks, such as the diversion of management and employee attention; disruptions in customer, employee and vendor relationships, and execution risks. These factors, as well as any delays in implementing the plan or industry declines beyond those assumed in the plan, could increase the costs associated with the plan and reduce the financial benefit of the plan. EDC Germany has entered into an agreement to provide financial support of up to £5.0 million to EDC Blackburn to ensure that EDC Blackburn does not fall into insolvency due to over indebtedness or illiquidity resulted from the planned closure of the Blackburn facility.

Potential Intellectual Property Infringement Claims from Third Parties

Substantial litigation regarding intellectual property rights continues in the CD and DVD manufacturing industry. In addition, EDCI remains liable for certain intellectual property indemnity obligations related to discontinued businesses, including the international messaging business, the assets of which were sold during in December 2006 and the Paging business which EDCI began exiting in May 2001.

The industry in which EDC competes has many participants who own, or who claim to own, intellectual property for certain of the manufacturing processes EDC employs, the products EDC produces or the content produced by its customers. EDC pays licensing fees to certain third parties who claim to own the rights to intellectual property that EDC employs in its manufacturing processes or products. In addition, from time to time others may claim rights to intellectual property EDC employs, asserting a right to royalties or penalties for infringement. It is not possible to determine with certainty whether these or any other existing third party patents or the issuance of any new third party patents may require EDC to alter or obtain licenses relating to our processes or products. New multimedia formats will likely require EDC to obtain additional licenses. EDC may not be able to obtain any such licenses on favorable terms and obtaining and paying royalties on new licenses might materially increase its costs, which will decrease our profits.

Any intellectual property infringement claims asserted by a third party against us could be time-consuming and costly to defend, divert management's attention and resources, cause product and service delays, or require us to pay damages to or enter into licensing agreements with third party claimants. An adverse decision in an infringement claim asserted against EDC could result in it being prohibited from using such technology, as licensing arrangements may not be available on commercially reasonable terms. EDC's inability to license the infringed or similar technology on commercially reasonable terms could have a material adverse effect on its business, financial condition and results of operations.

Variability of Quarterly Results and Dependence on Key Customers

EDC's manufacturing and distribution agreements with Universal accounted for approximately 73%, 74% and 83% of our 2008, 2007 and 2006 revenues, respectively. If market or other factors cause Universal to reduce or postpone significant levels of current or expected purchase commitments for EDC's products, EDC's operating results and financial condition will be adversely affected. EDC has a business development and sales and marketing team focused on providing a high level of service to Universal as well as attracting other customers in the music, video and games markets. Efforts to expand business with parties other than Universal may not succeed, and as a result, EDC may not be able to significantly reduce its dependence on Universal.

Under the agreements with Universal, EDC is required to deliver substantial volumes of products meeting stringent requirements. Failure to successfully manage the production or supply of products, including the failure to meet scheduled production and delivery deadlines, or the failure of products to meet required quality standards, can result in significant penalties under the agreements with Universal. Repeated failures, even if such failures are ultimately corrected, can result in significant liquidated damages, the right by Universal to source EDC volumes from third parties, and in some cases, the right of Universal to terminate the agreements, which events would materially adversely affect EDC's business, operating results and financial condition.

EDC's production levels, revenue and cash flows are largely affected by its customers' product release schedule. The release schedule is dependent on a variety of factors such as consumer demand and the availability of marketable content. EDC's results of operations and cash flows in any period can be materially affected by the timing of product releases by its customers, which may result in significant fluctuations from period to period. In addition, the entertainment business is seasonal and, as such, EDC typically manufactures and distributes approximately 53% to 58% of its annual demand by volume in the second half of the calendar year. Typically the lowest demand is

experienced in the first calendar quarter with the highest demand occurring in the last calendar quarter. This seasonality cycles year over year and is also influenced by customers' new product release schedule.

Senior Secured Credit Facility

EDC's Senior Secured Credit Facility contains usual and customary restrictive covenants that, among other things, permit EDC to use the revolver only as a source of liquidity for EDC and its subsidiaries and place limitations on (i) EDC's ability to incur additional indebtedness; (ii) EDC's ability to make any payments to us in the form of cash dividends, loans or advances (other than tax distributions) and (iii) asset dispositions by EDC. It also contains

financial covenants relating to maximum consolidated EDC and subsidiaries leverage, fixed charge coverage and maximum senior secured leverage as defined therein. EDC's ability to comply with these financial covenants is dependent on its future performance, which is subject to prevailing economic conditions and other factors that are beyond our control. EDC's failure to comply with any of these restrictions in the Senior Secured Credit Facility may result in an event of default, which, if not cured or waived, would allow the lenders to accelerate the payment of the loans and/or terminate the commitments to lend or foreclose on EDC's collateral in addition to other legal remedies. At December 31, 2008, EDC was not in compliance with one of its financial covenants as a result of the impairment of intangible assets in 2008; however, the credit agreement was amended to exclude those impairment charges from the applicable covenants.

Increased Costs or Shortages of Raw Materials or Energy

EDC purchases significant quantities of plastics (e.g., polystyrene and polycarbonate), the key raw materials used in the production of DVDs, CDs, jewel cases and trays. The availability and price of these materials may be influenced by a number of different factors, many of which are beyond EDC's control, including weather, transportation, increased demand, production delays and the price of oil. The costs of these raw materials are passed through to Universal, but not for most other customers. EDC's manufacturing and distribution facilities are energy-intensive and increases in energy costs would adversely affect its gross margins and results of operations.

International Business Risks

EDC's international sales are subject to the customary risks associated with international transactions, including political risks, local laws and taxes, the potential imposition of trade or currency exchange restrictions, tariff increases, transportation delays, difficulties or delays in collecting accounts receivable and, to a lesser extent, exchange rate fluctuations.

Foreign Currency Translation and Transaction Risks

The financial position and results of operations of EDC's international subsidiaries are reported in various foreign currencies and then translated into U.S. dollars at the applicable exchange rate for inclusion in our consolidated financial statements. As a result, the appreciation of the U.S. dollar against these foreign currencies has a negative impact on our reported sales and operating margin (and conversely, the depreciation of the U.S. dollar against these foreign currencies has a positive impact). For the year ended December 31, 2008, we estimate that foreign currency translation favorably impacted sales and gross margin by approximately $2.1 million and $0.5 million, respectively when compared to the year ended December 31, 2007. The volatility of currency exchange rates may materially adversely affect our operating results.

Limitations on NOLs Resulting from Ownership Changes and Transfer Restrictions

As a result of certain transactions involving EDCIH's common stock, we have calculated, using the best available public information as of December 31, 2008, that approximately 26.6% of EDCIH's share base has changed hands in the past three years utilizing the methodologies outlined in section 382 of the Internal Revenue Code ("section 382"). If EDCI had an "ownership change", as defined in section 382, EDCI's net operating losses ("NOLs") generated prior to the ownership change would be subject to annual limitations, which could reduce, eliminate, or defer the utilization of these NOLs. Section 382 generally limits the amount of the taxable income that can be offset by a pre-change loss to the product of (i) the long-term tax exempt bond rate (published monthly by the U.S. Treasury) as of the date of the change of ownership and (ii) the value of the company's shares immediately before the ownership change.

Generally, a loss corporation incurs an "ownership change" within the meaning of section 382, if immediately after any change in the ownership of the stock in the loss corporation affecting the percentage of stock owned by any 5% stockholder (the date of any such change is referred to as a "testing date"), the percentage of stock owned by one or more 5% stockholders, in the aggregate, has increased by more than 50 percentage points over the lowest percentage of stock owned by such 5% stockholders at any time during the three-year period ending on the testing date. Thus, as of any testing date, changes in stock ownership occurring more than three years prior to the testing date do not have to be taken into account when determining whether an ownership change has occurred.

As a result of a reorganization completed on August 25, 2008, EDCIH's common stock is subject to transfer restrictions designed to protect the NOLs by restricting any person from buying or selling EDCIH's stock (or any interest in EDCIH's stock) if the transfer would result in a stockholder (or several stockholders, in the aggregate,

who hold their stock as a "group" under the federal securities laws) owning 5% or more of EDCIH's stock. The purpose of these restrictions is to limit direct or indirect transfers of stock of EDCIH that would affect the percentage of stock that is treated as being owned by 5% stockholders. Stockholders who owned more than 5% of the Company's stock immediately prior to the reorganization are allowed to sell their existing shares, other than in a transaction creating a new 5% shareholder, or acquire additional shares of EDCIH common stock representing up to one-half of 1% of the total outstanding shares of EDCIH's common stock immediately following the reorganization. These restrictions protect the Company from third party transactions creating new 5% groups that could cause an ownership change, but we must continue to monitor the ownership change in issuing new shares or repurchasing existing shares, and in doing so, must account for the possibility of the pre-existing 5% stockholders selling their stock, which sales would also have an impact on the ownership change.

The amount of EDCI's NOLs and the percentage of EDCI's share based that has changed hands have not been audited or otherwise validated by the IRS or others. The IRS could challenge the amount of EDCI's NOLs, which could result in an increase in our liability for income taxes to the extent the NOLs are realized for income tax purposes. Therefore, we cannot assure you that the calculation of the amount of our NOLs may not be changed as a result of a challenge by a governmental authority or our learning of new information about the ownership of, and transactions in, our securities. In addition, calculating whether an ownership change has occurred is subject to uncertainty, both because of the complexity and ambiguity of section 382 and because of limitations on a publicly traded company's knowledge as to the ownership of, and transactions in, its securities. Based upon a review of past changes in our ownership, as of December 31, 2008, we do not believe that EDCI has experienced an ownership change (as defined under section 382) that would result in any limitation on our future ability to use these net operating loss and capital loss carry forwards. However, the IRS or some other taxing authority may disagree with that position and contend EDCI has already experienced such an ownership change, which would severely limit our ability to use our NOL carry forwards and capital loss carry forwards to offset future taxable income.

Potential Anti-Takeover Effect of the Transfer Restrictions

Although the transfer restrictions are designed as a protective measure to preserve the NOLs, the transfer restrictions may have the effect of impeding or discouraging a merger, tender offer or proxy contest, even if such a transaction may be favorable to the interests of some or all of the stockholders of EDCIH. This effect might prevent stockholders from realizing an opportunity to sell all or a portion of their shares of common stock of EDCIH at a premium above market prices. In addition, the transfer restrictions may delay the assumption of control by a holder of a large block of the common stock of EDCI Holdings and the removal of incumbent directors and management, even if such removal may be beneficial to some or all of the stockholders of EDCIH.

Environmental Laws and Regulations

EDCI's manufacturing and distribution operations are subject to environmental laws and requirements that may impose material costs or liabilities. EDC's facilities are subject to a range of laws and regulations relating to the environment. These include laws, regulations and enforcement policies that govern discharges and / or disposal of hazardous substances and wastes into the air, water and landfills. Compliance with existing and future environmental laws and regulations and enforcement policies may require EDCI to incur capital and other costs, which may materially adversely affect future financial conditions. Such costs, or related third-party personal injury or property damage claims, could have a material adverse affect on EDC's business, results of operations or financial condition.

Ability to Attract and Retain Key Personnel

Our continued growth and success depends to a significant extent on the continued service of senior management and other key employees, the development of additional management personnel and the hiring of new qualified

employees. There can be no assurance that we will be successful in continuously recruiting new personnel or in retaining existing personnel. The loss of one or more key or other employees or our inability to attract additional qualified employees or retain other employees could have a material adverse effect on our business, results of operations or financial condition.

Competition

Some of our competitors have substantially greater financial, technical and operating resources than us and we may be unable to successfully compete with these competitors. In addition, competitive pricing pressures may have an adverse effect on our profit margins in the future.

Volatility of Stock Price

The market price of EDCIH's common stock is volatile. The market price of EDCIH's common stock could be subject to significant fluctuations in response to variations in quarterly operating results and other factors such as announcements of technological developments or new products, developments in relationships with our customers, strategic alliances and partnerships, potential acquisitions and strategic investments, technological advances by existing and new competitors, general market conditions in our industries and changes in government regulations.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES

The following table sets forth certain information regarding our principal facilities used in its continuing operations:

Location	Size (Square Feet)	Owned Or Leased	Lease Expiration Date	Used
Blackburn, Lancashire, UK (1)	148,869	Leased	2017	Manufacturing facility and administrative offices for EDC UK information services, finance and accounting.
Fishers, Indiana, U.S.A.	3,500	Leased	2009	EDCI and EDC information services and corporate accounting and finance.
New York, New York, U.S.A.	1,323	Leased	2009	EDCI Corporate Headquarters
Hannover, Germany	738,000	Leased	2015	Manufacturing facility and full stocking warehouse and distribution center and administrative offices for EDC central Europe information services, finance and accounting.

(1) The principal lease for EDC's UK manufacturing facility includes an option to break the lease without penalty in June 2010, which we plan to exercise.

In addition to the properties above, EDC owns the manufacturing facility located in Kings Mountain, North Carolina that was formerly used in EDC's U.S. manufacturing operations. We expect to sell the facility in 2009 and thus, the facility is classified and recorded in assets held for sale in the accompanying consolidated balance sheets and is valued at its fair market value at December 31, 2008.

ITEM 3. LEGAL PROCEEDINGS

In addition to the legal proceedings discussed below, we are, from time to time, involved in various disputes and legal actions related to our business operations. While no assurance can be given regarding the outcome of these matters, based on information currently available, we believe that the resolution of these matters will not have a material adverse effect on our financial position or results of our future operations. However, because of the nature and inherent uncertainties of litigation, should the outcome of these actions be unfavorable, our business, financial condition, results of operations and cash flows could be materially adversely affected.

Arbitration Claim under the International Distribution Agreement. On February 27, 2009, EDC, at its election, provided notice to Universal International Music B.V. ("UIM") of its demand to arbitrate certain allegations by UIM, which EDC believes lack any merit, that EDC had triggered certain "Key Failures" (or defaults) as defined in the International Distribution Agreement between EDC and UIM dated May 31, 2005 (the "International Distribution Agreement"). UIM is part of the Universal Music Group, which is EDC's largest customer.. EDC's demand to arbitrate was in response to a notice from UIM dated February 19, 2009 alleging certain Key Failures related to EDC's performance levels in July through December of 2008. In connection with the February 19, 2009 notice, UIM withdrew a prior Failure Notice issued on December 11, 2008, which notice EDC had also objected to and which EDC and UIM had been attempting to resolve in an amicable manner. However, the February 19, 2009 notice from UIM purported to be a substitution and restatement of many of the same underlying allegations set forth in the withdrawn December 11, 2008 notice and EDC determined that further attempts to resolve the matter amicably

would not be successful. Accordingly, EDC determined to proceed to binding arbitration under the International Distribution Agreement. At this time, both parties are in the process of selecting arbitrators for the matter and no date for the arbitration has been set.

Under the International Distribution Agreement, EDC has various service level obligations it is required to maintain. Repeated failures to meet those service level obligations can result in Key Failures. In its February 27 2009 notice, UIM alleged that EDC has incurred two Key Failures. EDC believes neither of the Key Failures are valid. Even if a Key Failure had been validly established by UIM, EDC is provided with a contractual opportunity to cure such. However, as EDC believes that no Key Failure has occurred, it has provided notice to UIM that, despite its willingness to work with UIM to cure any valid Key Failure, it is unable to do so with regard to an invalid Key Failure.

There are various penalties for both cured and uncured Key Failures. Depending on whether one or two Key Failures were found valid by an arbitrator, and whether EDC were able to cure any such valid Key Failures, EDC could face the following penalties: Upon each of the first two uncured Key Failures occurring within a five-year period, UIM has the right to source 30% of its distribution requirements under the International Distribution Agreement and / or 30% of its manufacturing requirements under the International Manufacturing Agreement between UIM and EDC dated May 31, 2005 (together with the International Distribution Agreement, the "Supply Agreements") from a third party for a period of 12 months or receive liquidated damages in the amount of $0.6 million as a credit against its payments under such contract. In addition, based upon the nature of the Key Failures alleged by UIM and the timeframes in which they occurred, EDC would also face penalties for those two Key Failures – if they are held to be valid – even if both Key Failures were cured. The penalty in such an event, for both Key Failures combined, would be the right by UIM to source 30% of its requirements under the Supply Agreements from a third party for a period of 12 months or receive liquidated damages in the amount of approximately $0.6 million as a credit against its payments under such contract.

Upon the occurrence of additional Key Failures (which UIM has not asserted), additional penalties apply as follows. Upon the occurrence of three Key Failures within a five year period of the same category, whether cured or uncured, UIM has the right to either source 100% of its distribution requirements under the International Distribution Agreement from a third party for the remaining term of the contract, terminate such contract outright or receive liquidated damages in the amount of $1.7 million as a credit against its payments under such contract. Upon the occurrence of four Key Failures within a five year period of any category, whether cured or uncured, UIM has the right to either source 30% of its distribution requirements under the International Distribution Agreement from a third party for a period of 12 months, terminate such contract outright or receive liquidated damages in the amount of $0.6 million as a credit against its payments under such contract. The occurrence of five Key Failures within a five year period of any category, whether cured or uncured, would provide UIM with the same damages as three Key Failures within a five year period of the same category.

As described above, EDC believes that no Key Failures have occurred and intends to vigorously defend its position in arbitration but at this early stage in these matters, the EDC is not able to assess the likelihood of a favorable outcome... If EDC is unsuccessful in arbitration, the alleged Key Failures could result in substantial liquidated damages or the loss of volumes that, based on the high fixed cost nature of EDC's distribution operations, would have a material adverse effect on its profitability. In addition, as described above, subsequent Key Failures – even if cured – could result in even greater damages and the ultimate right of UIM to terminate the International Distribution Agreement.

Shareholder Derivative Actions: On September 6, 2006, Vladimir Gusinsky ("Gusinsky"), a Company shareholder, commenced a derivative action (the "Gusinsky Action") in the Supreme Court of the State of New York, New YorkCounty, against EDCI (as nominal defendant) and against certain of EDCI's current and former officers and

directors as defendants. The complaint, as amended in December 2006 and January 2007, purportedly on behalf of EDCI, contained a variety of allegations relating to the backdating of certain stock option grants. On January 26, 2007 and February 7, 2007, two additional derivative actions were commenced in the United States District Court for the Southern District of New York by two different Company shareholders, Larry L. Stoll and Mark C. Neiswender, respectively (the "Subsequent Actions"). The Subsequent Actions were identical to each other, and asserted the same claims as those asserted in the Gusinsky Action regarding a subset of the same option grants at issue in that action along with additional claims alleging violations of federal securities laws.

A Special Litigation Committee of the Board of Directors of EDCI, following an internal investigation, concluded that there was no conclusive or compelling evidence that any of the named defendants in the lawsuits breached the fiduciary duties of care or loyalty, or acted in bad faith with respect to their obligations to EDCI or its shareholders,

and further concluded that it would not be in EDCI's best interest to pursue any claims with respect to these grants. EDCI also restated certain financial statements as a result of this internal investigation.

On January 30, 2008, all parties to the Gusinsky Action and the Subsequent Actions entered into an agreement to settle both actions. The agreement was subject to the approval of the Court. Pursuant to the settlement agreement, EDCI's insurer agreed to pay plaintiffs' counsel in the Gusinsky Action and the Subsequent Actions for their fees and expenses, and to pay for the costs of notifying the Company's shareholders of the settlement. EDCI also implemented certain changes to its Equity Compensation Policy and adopted related reform policies. In exchange, the plaintiffs in both the Gusinsky Action and the Subsequent Actions agreed to dismiss their claims with prejudice, forego any appeals and release all the defendants from all claims that were or could have been asserted in either action and arise out of or are based upon or relate in any way to any of the allegations set forth in the complaints. The papers in support of preliminary approval of the settlement were filed in the Gusinsky Action on January 31, 2008 and on April 30, 2008 the Court granted preliminary approval of the settlement and scheduled a settlement hearing. On September 17, 2008, the Court issued a final order approving the settlement, but denying plaintiffs' counsels' application for fees and expenses. A judgment to that effect was then entered by the Court on September 25, 2008.

On October 23, 2008, plaintiffs in the Subsequent Actions moved for leave to reinstate their appeal of the federal court's dismissal of the Subsequent Actions on the basis that the state court should not have approved the settlement. On January 12, 2009, the federal court denied that motion. The plaintiffs in the state court action have until July 2009 to perfect their appeal under state law from that aspect of the state court decision which denied their application for attorney's fees.

Patent Litigation: In March 2008, EDC was served as a defendant in an action by Koninklijke Philips Electronics N. V. and U.S. Philips Corporation, pending in the U. S. District Court for the Eastern District of Texas, Beaumont Division, filed on January 18, 2008. This complaint was dismissed without prejudice on April 30, 2008 and a substantially similar action was filed in the U.S. District Court for the Southern District of New York (the "NY Complaint") on April 30, 2008. In the NY Complaint, plaintiffs allege breach of contract for failure to pay royalties and patent infringement and claim unspecified damages and, in addition to naming EDC and the Company, have named James Caparro and Jordan Copland as defendants in their capacities as former CEOs of EDC. EDC does not believe the complaint has merit, intends to vigorously defend this action and believes it has indemnification rights under certain contractual arrangements covering a substantial portion of the alleged infringement but at this early stage in the matter, EDC is not able to assess the likelihood of a favorable outcome. The case is still pending and discovery and motion practice are continuing. The most recent event is the Court's denial of plantiff's motion for a summary judgement that EDC breached the contract. Pending before the Court is a motion for a summary judgement by EDC that there is no patent infringement. On February 19, 2009, oral arguments were held with regard to a motion by the plaintiffs for summary judgment; no decision has been rendered to date. In July 2008, Koninklijke Philips Electronics N.V. filed a similar claim with the Brunswick Regional Court in Germany against a subsidiary of EDC, demanding payment of approximately $1.8 million plus interest. That subsidiary has indemnification rights under certain contractual arrangements covering the alleged claims. EDC has filed a defense and has received a court summons for May 28, 2009 to appear before the Regional Court of Hannover. EDC does not believe the case has merit, intends to vigorously defend this action, and believes it has indemnification rights covering a substantial portion of the claim, but at this early stage in the matter, EDC is not able to assess the likelihood of a favorable outcome.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

B-15

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

EDCIH's common stock trades on the NASDAQ Capital Market under the symbol "EDCI." The table below sets forth the inter-day high and low sale prices for the common stock on the NASDAQ Capital Market for the periods indicated. All per share amounts reflect the effect of the reorganization as described in Note 1 in the consolidated financial statements

	Price Range of Common Stock	
	High	Low
Year Ended December 31, 2008		
First Quarter	$ 7.40	$ 4.60
Second Quarter	$ 5.80	$ 3.90
Third Quarter	$ 5.90	$ 3.30
Fourth Quarter	$ 4.96	$ 2.17
Year Ended December 31, 2007		
First Quarter	$ 27.00	$ 21.30
Second Quarter	$ 24.60	$ 17.80
Third Quarter	$ 19.90	$ 12.30
Fourth Quarter	$ 13.50	$ 5.70

At March 24, 2009 there were approximately 1,466 holders of record of EDCIH's common stock.

Cash dividends have not been paid on our common stock since 1982 and we do not anticipate paying cash dividends in the foreseeable future.

Stock Performance Graph

The following graph compares the cumulative total return on $100 invested on December 31, 2003 in each of EDCIH's Common Stock, the NASDAQ U.S. Composite Index and the S&P 500 Movies & Entertainment Index at the end of each fiscal year through 2008. The returns are calculated assuming the reinvestment of dividends. EDCIH has not paid any cash dividends during the period covered by the graph below.

The stock price performance shown on the graph below is not necessarily indicative of future stock price performance.

		INDEXED RETURNS				
	Base Period	Years Ending				
Company / Index	Dec03	Dec04	Dec05	Dec06	Dec07	Dec08
EDCI Holdings, Inc.	100					