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.

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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.

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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.

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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.