

**GENIUS PRODUCTS, LLC**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2007**  
**(IN THOUSANDS)**

	Three Months Ended December 31, 2007	Twelve Months Ended December 31, 2007
Revenues, net of sales returns, discounts and allowances of \$70,823 and \$177,324	\$ 184,904	\$ 474,087
Total costs of revenues	<u>188,950</u>	<u>451,597</u>
Gross profit	(4,046)	22,490
Total operating expenses	<u>8,192</u>	<u>38,440</u>
Loss from Operations	(12,238)	(15,950)
Interest, net	<u>5</u>	<u>(1,748)</u>
Net loss	<u><u>\$ (12,233)</u></u>	<u><u>\$ (17,698)</u></u>

**GENIUS PRODUCTS, LLC**  
**CONSOLIDATED BALANCE SHEET**  
**AS OF DECEMBER 31, 2007**  
**(IN THOUSANDS)**

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 3,102
Restricted cash	7,765
Accounts receivable, net of allowance for doubtful accounts and sales returns of \$72,470	123,295
Inventories, net of reserves for obsolescence of \$13,257	11,282
Prepaid expenses and other current assets	1,110
Total current assets	<u>146,554</u>

Restricted cash	3,323
Property and equipment, net of accumulated depreciation of \$455	953
Royalty advances, net of uncollectible advances of \$5,112	31,492
Library, net of accumulated amortization of \$6,452	14,403
Goodwill	87,512
Other intangible assets, net of accumulated amortization of \$6,484	11,596
Deposits and other	2,968
Deferred financing fees	1,654
Total assets	<u>\$ 300,455</u>

**LIABILITIES AND MEMBERS' EQUITY**

Current liabilities:

Accounts payable	\$ 31,477
Notes payable	31,297
Notes payable to affiliate	8,191
Remittance to TWC	78,759
Remittance to Arts and Alliance and accrued royalties	20,000
Accrued advertising and marketing	24,515
Other accrued expenses	20,910
Deferred revenue	8,492
Total current liabilities	<u>223,641</u>

Long term liabilities:

Long term notes payable	627
Long term capital lease	30
Total long term liabilities	<u>657</u>

Total members' equity	<u>76,157</u>
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Total liabilities and members' equity	<u>\$ 300,455</u>
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**Genius Products, LLC and Subsidiaries**  
**Reconciliation of GAAP to Non-GAAP Measures**

(dollars in thousands)

	Actual		Forecast
	Three Months Ended 12/31/2007 Net Income	Twelve Months Ended 12/31/2007 Net Income	Twelve Months Ended 12/31/2008 Net Income
Net Income	\$ (12,233)	\$ (17,698)	\$28,000 - \$38,000
<i>Adjustments to arrive at Adjusted EBITDAS <sup>(1)</sup></i>			
FAS 123R stock compensation expense	(1,085)	758	3,000
Depreciation and amortization	1,289	4,572	5,000
Interest expense, net	(5)	1,748	4,000
Provision for income taxes	-	-	-
Non-branded Impairments and Reserves	18,800	18,800	-
Non-recurring G&A	-	4,300	-
Total adjustments	18,999	30,178	12,000
Adjusted EBITDAS <sup>(1)</sup> (non-GAAP)	\$ 6,766	\$ 12,480	\$40,000 - \$50,000

<sup>(1)</sup>EBITDAS is earnings before interest, taxes, depreciation, amortization and non-cash stock compensatio