Joseph G. Pia (9945)
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Attorneys for Plaintiffs

IN THE UNITED STATES DISTRICT COURT

DISTRICT OF UTAH, CENTRAL DIVISION

INCENTIVE CAPITAL, LLC, a Utah Limited Liability Company, Plaintiff, v. CAMELOT ENTERTAINMENT GROUP, INC., a Delaware Corporation; CAMELOT FILM GROUP, INC., a Nevada Corporation; CAMELOT DISTRIBUTION GROUP, INC., a Nevada Corporation, ROBERT P. ATWELL, an individual; JAMIE R. THOMPSON, an individual; STEVEN ISTOCK, an individual; TED BAER, an individual; PETER JAROWEY, an individual, Defendants.	**SECOND DECLARATION OF JAMES MECHAM, MANAGER OF PLAINTIFF INCENTIVE CAPITAL, LLC** **IN SUPPORT OF PLAINTIFF'S MOTION FOR WRIT OF ATTACHMENT** Civil No. 2:11-cv-00288 Judge Clark Waddoups

JAMES MECHAM, declarant herein, deposes and states as follows:

1. I am an individual over the age of 18, and have personal knowledge of the facts set forth herein.

2. I am the Manager of Plaintiff Incentive Capital, LLC ("Incentive").

3. On May 5, 2011, I submitted a declaration in support of Incentive's Second Motion for Temporary Restraining Order and Motion for Preliminary Injunction (the "Original Mecham Declaration").

4. In March of 2010, Camelot approached Incentive for a loan of funds (the "Loan" or "Loan Transaction") in the principal amount of $650,000 (the "Loan Amount") to secure acquisition of a large media library, known as the "Liberation Assets," which is comprised of approximately 880 motion pictures, television programs, and other media. For definitional purposes the term "Liberation Library" or "Library" means collectively both the Liberation Assets and the "Distribution Assets" as those two terms appear in the documents executed by the parties in connection with the Loan Transaction. [*See* Exhibit 1 to Plaintiff's Memorandum in Support of its Second Motion for Temporary Restraining Order and Motion for Preliminary Injunction (Plaintiff's "Memorandum in Support of Second TRO Motion"), Declaration of James Mecham, Manager of Plaintiff Incentive Capital, LLC in Support of Plaintiff's Second Motion for Temporary Restraining Order and Motion for Preliminary Injunction ("Original Mecham Declaration") at ¶ 8.]

5. On or about April 27, 2011, the Loan Transaction closed when Incentive and CFG entered into, among other things, a "Promissory Note Term Loan" (the "Note") for the Loan Amount of $650,000. [*See* Exhibit "A" to First Mecham Declaration, the Note.]

6. After Incentive funded the Loan, Incentive discovered that Camelot and its representatives had misrepresented, among other things, that Camelot's assets had "a significantly higher value than the amount of the proposed loan and the interest thereon." Incentive also discovered that in order to induce Incentive to make the Loan, Camelot's and its

representatives had misrepresented Camelot's financial stability, its ability to undertake and pay back loans, and its track record and abilities as a distributor of films and in generating revenues from the exploitation of the Liberation Library, and grossly overstated the value of the Liberation Library itself.

7. For example, in an email to Baer dated April 1, 2010, counsel for Incentive, Nathan Dorius ("Dorius") stated, among other things, that "[a]s for the guarantors [of the Loan], the lender [i.e. Incentive] requires that Bob Atwell, Ted Baer, and Peter Jarowey personally guaranty payment of the Note." [*See* **Exhibit 1** hereto, Email from Dorius to Baer dated 4/1/2010.] Incentive wanted Baer and Jarowey to guarantee the Loan, despite neither of them being an owner or director of Camelot at the time, to ensure that they communicated correct and accurate information to Incentive regarding Camelot's assets, its business, and the value of the Liberation Assets and stood behind the representations regarding such that they made in connection with the Loan Transaction.

8. In response to Incentive's request that each of Atwell, Baer and Jarowey execute personal guarantees to guarantee Camelot's repayment of the Loan, Baer sent an email to Incentive's counsel dated April 1, 2010, in which Baer makes the following representation:

> Also, of particular note, I should point out that the parent company, Camelot Entertainment Group, Inc. [CEG], is a public company, and, as such, has substantial value that is far more secure than personal guarantees. For example, the company would consider placing into escrow $650,000 in convertible preferred stock in the public-traded entity in order to give your lender additional comfort of a substantial guarantee. The escrow would only be released upon satisfaction of the loan.

[*See* **Exhibit 2** hereto, Email from Baer to Dorius dated 4/1/2010.]

9. Ultimately, acting in reliance on Baer's representation that a placing of CEG's shares equal in value to the Loan Amount of $650,000 would have "substantial value that is far

more secure than [the] personal guarantees" of Atwell, Baer and Jarowey (which Incentive had requested), Incentive did not require guarantees from either Baer or Jarowey but instead agreed to enter into an escrow agreement (the "Escrow Agreement") for additional security, which requires that a share certificate valued at the Principal amount of $650,000 (i.e. the Loan Amount) worth of CEG Class F Convertible Preferred shares (i.e. the Pledged Shares) shall be delivered to an unnamed escrow agent. [*See* Exhibit "H" to Original Mecham Declaration, Escrow Agreement, at p. 1, ¶ 1(a).].

10. However, despite Camelot's and its representatives' representations to Incentive that Camelot's stock had "substantial value" which was "far more secure" than the personal guarantees of Atwell, Jarowey and Baer requested by Incentive, Camelot's stock quote [OTC: CMGR. PK] shows its current stock value to be $0.02 per share, with a daily volume of $4,999. [http://finance.yahoo.com/q?s=CMGR.PK&ql=0 (last visited 9/1/110]. This means that Camelot has a daily trading value of $99.98. Indeed, Camelot's stock appears to be in lock-down and has been unable to trade more than a few thousand dollars per day. Moreover, my investigation into Camelot's financials indicates that there is no discernable market for Camelot's stock nor can it be readily liquidated.

11. In a file attached to Baer's 4/1/2010 email to Incentive's counsel ("File #1"), the following revenue projections from the Liberation Library are provided:

a. Estimated Total Value (low): $22,845,000

b. Short Term Sales Potential (10%) [payable to Incentive]: $2,284,500

c. Estimated Total Value (med): $41,536,500

d. Short Term Sales Potential (10%) (med) [payable to Incentive]: $4,153,650.

[*See* **Exhibit 2** hereto, Email from Baer to Dorius dated 4/1/2010 at attached File #1.]

12. File #1 was also included as an exhibit and attached to the Note (as "Exhibit A") and was initialed by Camelot's CEO, Robert Atwell ("Atwell"), as representing the gross proceeds to be generated from the Liberation Library ("Gross Revenue Representations").

13. Based on the Gross Revenue Representations made by Atwell, which were included as File #1 to Baer's April 1, 2010 email and in Exhibit A attached to the Note (along with the Warranties contained in the Note itself), it was Camelot's agreement that "the international sales projections previously provided by borrower... shall not vary by more than 25% less than that represented therein, i.e., Incentive would not receive less than 25% of $2,284,500 to $4,153,650 in gross participation from the Library.

14. Additionally, also included in Exhibit A to the Note (and likewise provided as attachments to Baer's 4/1/2010 email to Dorius) were certain sales projections related to the Liberation Library. According to the representations made by Camelot and its representatives relating to these sales projections, Incentive would receive 10% of the Existing Sales Revenue generated from the Liberation Library (or at least $15,000 monthly), and 10% of the Exploitation Revenues (or at least $190,375 monthly), for a total of not less than $205,375 each month (the "Payment Benchmark").

15. Furthermore, on March 24, 2010, Camelot's representative and Boston-based financial advisor, Defendant Peter Jarowey ("Jarowey"), sent an e-mail to Plaintiff's counsel, in response to a request for specific revenue figures for Camelot. In this email, Jarowey represents that his estimate of monthly gross revenue for the Liberation Assets was and would continue to be "around $200,000 per month net of the overhead reductions, maybe more [c]ould be as much as $300,000 per month." [*See* Exhibit "K" to First Mecham Declaration, Email from Jarowey to Pia dated 3/30/10.]

16. It was only a matter of months after Incentive had made the Loan to Camelot (and before Incentive had discovered the above described misrepresentations) that Camelot began seriously underperforming on its agreed-to benchmarks pursuant to the Gross Revenue Representations set forth in Exhibit A to the Note for distributing the Liberation Library.

17. Consequently, on Wednesday, June 2, 2010, Incentive's legal counsel sent a letter to Camelot entitled "Notice and No Waiver." [*See* Original Mecham Declaration at ¶39, Exhibit "I" thereto, Notice and No Waiver Letter dated 6/2/2010.] The June 2, 2010 letter states, among other things, that:

> It was represented to Incentive Capital that the film library was currently generating $150,000 of gross revenues each month. . .
>
> Thus, it continues to be Incentive Capital's express understanding of the parties' agreements that in addition to your representations that $150,000 was being generated by the film library ***at the time it was acquired***, that the 'Short Term Sales Potential" payments to Incentive Capital of 10% of gross are $2,284,500. This representation has been relied upon by Incentive Capital.
>
> If the forgoing constitute accurate and truthful representations by Camelot, then during the month of May 2010 the lender should have received no less than $15,000 in participation payments. However, to date the lender has only received a participation payment of $1,012.22 on May 26, 2010 and on May 21, 2010 a payment of $4,400. The total participation payments to-date equal $5,412.22, which constitutes 10% of $54,122. The lender has also received $6,750 in interest payments. . . .
>
> Based upon the participation payments received to date, lender is concerned that one of two things is happening: (a) borrower is not generating monthly gross revenues as it represented in order to induce lender to make this loan, or (b) borrower is not making the full participation payments as required under the loan documents. . . .

[*See id.* (emphasis added).]

18. Camelot failed to make the Balloon Payment due pursuant to the terms of the Note on January 31, 2011 of $682,500 and thereby defaulted under the Note.

19. Since failing to make the Balloon Payment due under the Note on January 31, 2011, Camelot has failed to make any payments owed to Incentive under the Profit Participation Agreement, the Loan Modification Agreement and/or the Note.

20. Camelot has also breached several other provisions of the Note, including the representations and warranties sections, as discussed above.

21. I have carefully looked at the contract provisions that Incentive and Camelot agreed to and have calculated what amounts are due per the contract terms. This calculation does not include any damages that may have resulted from the breach:

AMOUNT	JUSTIFICATION
$650,000.00	**Principal amount.** ". . . the principal amount of Six Hundred Fifty Thousand and No/100 Dollars ($650,000) plus interest from this date [April 27, 2010] until paid. The principal amount together with accrued interest thereon shall be due and payable on January 31, 2011 ("Maturity")" (Note, at 1).
$32,500.00	**Origination and closing fee.** "As additional consideration for the extension of credit by Lender evidenced by this Note, Borrower shall pay Lender (a) a closing fee, and (b) an origination fee, each in the amount of Sixteen Thousand Two Hundred Fifty Dollars ($16,250.00), for a total of Thirty Two Thousand Five Hundred Dollars ($32,500.00), on or before the date of Maturity (Note, at 2).
$182,862.32	**3.5% Default Monthly Interest Rate.** "At Lender's election, without notice or demand, Borrower shall pay interest at the rate of three and one-half percent (3.50%) per month ("Default Rate") on the outstanding balance of this Note during the period that any Event of Default exists, on past due interest on this Note, on all other amounts payable to Lender by Borrower in connection with this Note, and on any unsatisfied judgment on this Note" (Note, at 2). 1. February: 3.5% * [$650,000 + $32,500 + $16,084.87] = **$24,450.47** 2. March: 3.5% * [$650,000 + $32,500 + $16,084.87] = **$24,450.47** 3. April: 3.5% * [$650,000 + $32,500 + $16,084.87] = **$24,450.47** 4. May: 3.5% * [$650,000 + $32,500 + $16,084.87 + $33,455.67] = **$25,621.38** 5. June: 3.5% * [$650,000 + $32,500 + $16,084.87 + $33,455.67 + $33,455.67] = **$26,792.34** 6. July: 3.5% * [$650,000 + $32,500 + $16,084.87 + $33,455.67 + $33,455.67 + $33,455.67] = **$27,963.32** 7. August: 3.5% * [$650,000 + $32,500 + $16,084.87 + $33,455.67 + $33,455.67 + $33,455.67 + $33,455.67] = **$29,134.26**

$16,084.87	**Profit Payments.** "Commencing on the date of this Security Agreement [April 27, 2010], the Debtor shall pay to the Secured Party ten percent (10%) of one hundred percent (100%) of all gross revenues actually received thereafter by Debtor within 14 days of receiving any such revenue . . . from any third party paying Camelot revenues in connection with Camelot's exploitation of the Liberation Assets in all media, worldwide, from all sources" (Security and Participation Agreement, at 2). "The Distribution Payment must actually be derived from 10% of the gross revenue generated from the exploitation of the Library" (Note, at 1.). "[T]o date the lender has only received a participation payment of $1,012.22 on May 26, 2010 and on May 21, 2010 a payment of $4,400. The total participation payments to-date equal $5,412.22, which constitutes 10% of $54,122" (6/2/2010 Letter "Notice and No Waiver"). Total Gross Sales from August 2010 = $160,848.77 ("New Sales") (Camelot Draft Sales Report as of June 24, 2011). "New Sales" = $160,848.77 * 10% = **$16,084.87**.
$33,455.67	**Deficiency payment for period ending May 27, 2011.** "In the event Borrower fails to meet the Minimum Sales Target [$2,284,500] by the Deadline [April 27, 2011], then interest shall accrue on the "Deficiency Amount" (defined as the difference between Borrower's actual Liberation Assets gross sales and the Minimum Sales Target) at the rate of 1.50% per month (the "Shortfall Interest"), commencing as of the Deadline. Borrower shall make monthly payments of all accrued but unpaid Shortfall Interest on the last day of each such month thereafter where there is accrued but unpaid Shortfall Interest" (Loan Modification Agreement, at 2). Camelot has previously acknowledged only $54,122 in sales, and only paid 10% Profit Payments on that amount. Camelot is now acknowledging $160,848.77 in gross sales; however, it is has not paid Profit Payments on that amount. Thus, for calculating the Deficiency Amount, the following equation is being employed: $2,284,500 – $54,122 = **$2,230,378 = Deficiency Amount**. 1.5% of $2,230,378 = **$33,455.67**.
$33,455.67	**Deficiency payment for period ending June 27, 2011.**
$33,455.67	**Deficiency payment for period ending July 27, 2011**
$33,455.67	**Deficiency payment for period ending August 27, 2011**
$41,620.36	**5% late fee on all unpaid balances.** "For any payment due under this Note not made within ten (10) Business Days after its due date, Borrower shall pay a late fee equal to the greater of five percent (5%) of the amount of the payment not made or $50.00" (Note, at 1). 8. Balloon payment 5% penalty: 5% * $650,000 = **$32,500.00** 9. Origination and closing fee: 5% * $32,500 = **$1,625.00** 10. Profit payment 5% penalty: 5% * $16,084.87 = **$804.24** 11. May 27, 2011 Deficiency Amount: 5% * $33,455.67 = **$1,672.78** 12. June 27, 2011 Deficiency Amount: 5% * $33,455.67 = **$1,672.78**

	13. July 27, 2011 Deficiency Amount: 5% * $33,455.67 = **$1,672.78** 14. August 27, 2011 Deficiency Amount: 5% * $33,455.67 = **$1,672.78** Total = **$41,620.36**
$95,000	**Attorneys' fees (at least)**. "Borrower agrees to pay on demand all costs and expenses of Lender, including but not limited to (a) administration, travel and out-of-pocket expenses, including but not limited to reasonable attorneys' fees and expenses, of Lender in connection with the preparation, negotiation and closing of the Loan Documents and the administration of the Loan Documents, the collection and disbursement of all funds hereunder and the other instruments and documents to be delivered hereunder, (b) extraordinary expenses of Lender in connection with the administration of this Note and the other Loan Documents, (c) the reasonable fees and out-of-pocket expenses of special counsel for Lender, if any, with respect to the foregoing, and of local counsel, if any, who may be retained by said special counsel with respect thereto, (d) all fees due in any of the Loan Documents, and (e) all costs and expenses, including reasonable attorneys' fees, in connection with the determination of Lender's lien priority in any collateral securing this Note, or the restructuring or enforcement of this Note or any Loan Document" (Note, at 6).
$1,151,890.23	**TOTAL**

22. After many unsuccessful attempts to settle the matter, Incentive began steps to foreclose on the collateral set forth in the Security and Guaranty Agreements.

23. On February 21, 2011 at 9:00 A.M., Incentive held a creditor's sale ("Foreclosure Sale") to foreclose on the collateral set forth in the Security Agreements, namely the Liberation Assets and the Distribution Assets, which have been collectively defined as the Liberation Library.

24. Since the date of the Foreclosure Sale, Camelot has informed Incentive's counsel that it is continuing to exploit the Liberation Library by entering into license and sale agreements similar to the Distribution Agreements, and is intending to transfer titles in the Liberation Library.

25. Camelot and the other Defendants refuse to acknowledge the ownership interests of Incentive, continue to hold themselves out to the world as the owners of the Liberation Library, and are improperly maintaining control over the funds, physical property, and intellectual property, including contracts and payment rights in contravention of Incentive's ownership rights.

26. By refusing to make the payments owed to Incentive under the Note, the Profit Participation Agreement and the Loan Modification Agreement, Camelot and the other Defendants are diverting and converting revenue that is being generated from the Liberation Library that rightfully belongs to Incentive.

27. I declare under penalty of perjury under the laws of the United States of America that to the best of my knowledge the contents of the foregoing declaration are true and correct.

DATED this 1st day of September, 2011.

Salt Lake City, Utah

JAMES MECHAM

EXHIBIT 1

Joseph Pia

From: Nathan Dorius
Sent: Thursday, April 01, 2010 7:39 PM
To: 'Jatedbaer@aol.com'; 'Pmjarowey2@aol.com'; Joseph Pia
Cc: 'bob@camelotfilms.com'; 'plevoff@aol.com'
Subject: RE: Loan Documentation Scheduling
Attachments: Guaranty - Peter Jarowey.doc; Guaranty - Robert Atwell.doc; Guaranty - Ted Baer.doc

Gentlemen:

Let me begin by apologizing for not being more responsive to your several phone calls and emails the past day or so. I have been in court and out-of-office meetings nearly non-stop the past two days. I have tried to push along the documentation and review those items you have sent me in between my hearings and meetings. I appreciate your patience in this regard.

I have reviewed Phil's redline comments on the draft Note. I am fine with the majority of the suggested changes. I believe the only substantive disagreements are over (1) the default interest rate and (2) the identity of the guarantors. We requested a default interest rate of 5% per month and Phil pushed back with 2%, which is not satisfactory to the lender. The lender is willing to reduce the default interest rate to 3.5%. As for the guarantors, the lender requires that Bob Atwell, Ted Baer, and Peter Jarowey personally guaranty payment of the Note. This requirement is based upon our current perception of the value of the two borrowing entities and lender's ability to be made whole solely from those entities and their respective assets. Upon our review of a list of the two entities' respective unencumbered assets, we may either drop the requirement of the personal guarantees or cap the liability of each guarantor at an amount less than the Note balance.

In speaking with Joe, the lender is also requiring that a particular employee of Camelot (whether or not he continues his employment with Camelot) handle the distribution of the library collection during the five-year period during which the lender will have a revenue interest in the borrowing entities. I will include this requirement in the documents.

I have given the draft asset purchase agreement a cursory review. Before I spend quality time on it and provide you with any specific comments, I need to know what stage you are at in your negotiations. I hesitate spending significant time on this unless and until I know I am dealing with a draft agreement which is close to being final. Please advise on the status of your negotiations and whether you think the APA will undergo significant modifications.

As mentioned above, we need to receive a list of unencumbered assets of each borrowing entity. This is important in our analysis of the need for personal guarantees and in crafting appropriate security agreement language as to those assets.

I have attached and invite your review of the three personal guaranty agreements. We should have all of the finance documents done by tomorrow. This should enable us to close late tomorrow or early next week.

Nathan S. Dorius
(801) 961-1308

From: Jatedbaer@aol.com [mailto:Jatedbaer@aol.com]
Sent: Thursday, April 01, 2010 8:55 AM
To: Nathan Dorius; Pmjarowey2@aol.com; Joseph Pia
Cc: bob@camelotfilms.com; plevoff@aol.com
Subject: Re: Loan Documentation Scheduling

Nathan - good morning. In an effort to get a solid handle on timing in consideration of all our schedules, we would like to set up a conference call between yourself, Phil, Peter and me for a time as early as possible today at your convenience. We have a conference number you may use - 712-432-0800 ext. 444480#. I would think that we only need a short time in order to establish the timing for finishing all the documentation. Please text me several good times as I may be off computer for a while this morning - and I will confirm a time that we can all talk. My cell is 805-441-4136.

thanks

best

Ted

In a message dated 3/30/2010 7:23:47 P.M. Pacific Daylight Time, nathan@ssparlaw.com writes:

> Gentlemen:
>
> Please review the attached draft Note. I am sending this to Joe simultaneously, and he may additional comments or changes. I began working on the other loan documents and will circulate them once completed. I still have not received the draft asset purchase agreement. When may we expect to receive a draft? Thank you.
>
> Nathan S. Dorius
>
> (801) 961-1308
>
> ---
>
> **From:** Jatedbaer@aol.com [mailto:Jatedbaer@aol.com]
> **Sent:** Tuesday, March 30, 2010 6:22 PM
> **To:** Nathan Dorius; Pmjarowey2@aol.com; Joseph Pia
> **Cc:** bob@camelotfilms.com; plevoff@aol.com; Jatedbaer@aol.com
> **Subject:** Re: Liberation Outside Review
>
> Nathan - good afternoon. I am following up on your email below as Phil has left for the evening. If you have those financing documents to circulate, we would appreciate seeing them tonight in order to move quickly on them tomorrow when Phil will be back in the office to review with us.
>
> Thank you.
>
> Best

Ted

In a message dated 3/30/2010 7:46:17 A.M. Pacific Daylight Time, nathan@ssparlaw.com writes:

Gentlemen:

Good morning. Per a voicemail I received yesterday from Phil, I have begun preparing draft financing documents which I intend to circulate later today. I understand that Phil is preparing (or has prepared) a draft asset purchase agreement. I would like to review that draft agreement, so please forward it to me at your earliest convenience.

In the meantime, would you please forward to me scanned copies of any UCC financing statements which have been filed against any assets or interests of Camelot Films, Inc. and/or Camelot Entertainment Group, Inc. Thank you.

Nathan

From: Pmjarowey2@aol.com [mailto:Pmjarowey2@aol.com]
Sent: Monday, March 29, 2010 1:01 PM
To: Jatedbaer@aol.com; Joseph Pia; Nathan Dorius
Cc: bob@camelotfilms.com; plevoff@aol.com
Subject: Re: Liberation Outside Review

Hi Joe:

Let me also say thank you and that we look forward to working with you. The reason we want to limit the distribution list is that the details of our financing do not really matter to the sales and marketing team. AND, we don't want them distracted from the task at hand---which is selling the library and generating cash.

Also, I want to introduce Phil Levoff who will be assisting Ted and me in our efforts to close the transaction. Phil is a corporate attorney based in Boston who is very experienced with "asset-based" lending transactions. I have closed many deals with Phil over the years. I asked him to join our team because I knew he could get the job done in short order and get it done correctly. Phil's email address is above and his office phone is 617-332-0624; his cell phone is 617-930-0624.

Regards,

Peter

In a message dated 3/29/2010 1:49:58 P.M. Eastern Standard Time, Jatedbaer@aol.com writes:

Hi,

Thank you, Joe.

Nathan - I can be reached today via email and cell phone - my cell is 805-441-4136. Please let me know when you begin sending documents. Thank you.

By the way, going forward, the ccs on the documentation and correspondence should only go to Bob Atwell, Camelot's CEO, myself, Peter Jarowey (our financial advisor in Boston) and Phil Levoff - our corporate counsel.

Best

Ted

EXHIBIT 2

Joseph Pia

From:	Jatedbaer@aol.com
Sent:	Thursday, April 01, 2010 9:25 PM
To:	Nathan Dorius; Joseph Pia
Cc:	bob@camelotfilms.com; plevoff@aol.com; pmjarowey2@aol.com; jamie@camelotfilms.com; Jatedbaer@aol.com
Subject:	Re: Loan Documentation INFORMATION REQUESTED
Attachments:	CDG-Projections-Liberation.xls; CDG-SalesProjections03012010.xls March 19, 2010.xls; EvaluationToExclude TITLES NO LONGER PART OF LIBRARY.xls; LibraryValuationReportandSupportingSchedules-FINAL061708.pdf

Nathan -

I am attaching four files that cover the unencumbered assets of the two borrowing entities: Camelot Film Group and Camelot Distribution Group:

1 - the Camelot Distribution Group Sales Revenue Projections on Liberation Library titles to be purchased
2 - the Up-dated 2010 valuation of the Liberation Library prepared by the Liberation management (i.e. an update from the Salter report enclosed)
3 - the Camelot Distribution Group Sales Revenue Projections for the new film titles licensed by CDG over the last number of months
4 - the Salter Library valuation report of the Liberation Library

Together these assets have a significantly higher value than the amount of the Loan and the interest thereon.

Also, of particular note, I should point out that the parent company, Camelot Entertainment Group, Inc., is a public company, and, as such, has substantial value that is far more secure than personal guarantees. For example, the company would consider placing into escrow $650,000 in convertible preferred stock in the publicly-traded entity in order to give your lender additional comfort of a substantial guarantee. The escrow would only be released upon satisfaction of the loan.

We look forward to reviewing and finalizing the documentation with you tomorrow.

best

Ted

J. A. Ted Baer

In a message dated 4/1/2010 6:42:01 P.M. Pacific Daylight Time, nathan@ssparlaw.com writes:

> Gentlemen:
>
> Let me begin by apologizing for not being more responsive to your several phone calls and emails the past day or so. I have been in court and out-of-office meetings nearly non-stop the past two days. I have tried to push along the documentation and review those items you have sent me in between my hearings and meetings. I appreciate your patience in this regard.
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In speaking with Joe, the lender is also requiring that a particular employee of Camelot (whether or not he continues his employment with Camelot) handle the distribution of the library collection during the five-year period during which the lender will have a revenue interest in the borrowing entities. I will include this requirement in the documents.

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I have attached and invite your review of the three personal guaranty agreements. We should have all of the finance documents done by tomorrow. This should enable us to close late tomorrow or early next week.

Nathan S. Dorius

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Cc: bob@camelotfilms.com; plevoff@aol.com
Subject: Re: Loan Documentation Scheduling

Nathan - good morning. In an effort to get a solid handle on timing in consideration of all our schedules, we would like to set up a conference call between yourself, Phil, Peter and me for a time as early as possible today at your convenience. We have a conference number you may use - 712-432-0800 ext. 444480#. I would think that we only need a short time in order to establish the timing for finishing all the documentation. Please text me several good times as I may be off computer for a while this morning - and I will confirm a time that we can all talk. My cell is 805-441-4136.

thanks

best

Ted

In a message dated 3/30/2010 7:23:47 P.M. Pacific Daylight Time, nathan@ssparlaw.com writes:

Gentlemen:

Please review the attached draft Note. I am sending this to Joe simultaneously, and he may additional comments or changes. I began working on the other loan documents and will circulate them once completed. I still have not received the draft asset purchase agreement. When may we expect to receive a draft? Thank you.

Nathan S. Dorius

(801) 961-1308

From: Jatedbaer@aol.com [mailto:Jatedbaer@aol.com]
Sent: Tuesday, March 30, 2010 6:22 PM
To: Nathan Dorius; Pmjarowey2@aol.com; Joseph Pia
Cc: bob@camelotfilms.com; plevoff@aol.com; Jatedbaer@aol.com
Subject: Re: Liberation Outside Review

Nathan - good afternoon. I am following up on your email below as Phil has left for the evening. If you have those financing documents to circulate, we would appreciate seeing them tonight in order to move quickly on them tomorrow when Phil will be back in the office to review with us.

Thank you.

Best

Ted

In a message dated 3/30/2010 7:46:17 A.M. Pacific Daylight Time, nathan@ssparlaw.com writes:

Gentlemen:

Good morning. Per a voicemail I received yesterday from Phil, I have begun preparing draft financing documents which I intend to circulate later today. I understand that Phil is preparing (or has prepared) a draft asset purchase agreement. I would like to review that draft agreement, so please forward it to me at your earliest convenience.

In the meantime, would you please forward to me scanned copies of any UCC financing statements which have been filed against any assets or interests of Camelot Films, Inc. and/or Camelot Entertainment Group, Inc. Thank you.

Nathan

From: Pmjarowey2@aol.com [mailto:Pmjarowey2@aol.com]
Sent: Monday, March 29, 2010 1:01 PM
To: Jatedbaer@aol.com; Joseph Pia; Nathan Dorius
Cc: bob@camelotfilms.com; plevoff@aol.com
Subject: Re: Liberation Outside Review

Hi Joe:

Let me also say thank you and that we look forward to working with you. The reason we want to limit the distribution list is that the details of our financing do not really matter to the sales and marketing team. AND, we don't want them distracted from the task at hand---which is selling the library and generating cash.

Also, I want to introduce Phil Levoff who will be assisting Ted and me in our efforts to close the transaction. Phil is a corporate attorney based in Boston who is very experienced with "asset-based" lending transactions. I have closed many deals with Phil over the years. I asked him to join our team because I knew he could get the job done in short order and get it done correctly. Phil's email address is above and his office phone is 617-332-0624; his cell phone is 617-930-0624.

Regards,

Peter

In a message dated 3/29/2010 1:49:58 P.M. Eastern Standard Time, Jatedbaer@aol.com writes:

Hi,

Thank you, Joe.

Nathan - I can be reached today via email and cell phone - my cell is 805-441-4136. Please let me know when you begin sending documents. Thank you.

By the way, going forward, the ccs on the documentation and correspondence should only go to Bob Atwell, Camelot's CEO, myself, Peter Jarowey (our financial advisor in Boston) and Phil Levoff - our corporate counsel.

Liberation Library Avails/Projected Receipts Key Territory Summary March 2010

Note: These Projections are based on the conservative estimate that Camelot may only sell 10% of the available title

Territory	# Avail PTV	Low License fee per title	Estimated Total Value (low)	Short Term Sales Potential (10%)	Med License fee per title	Estimated Total Value (med)	Short Term Sales Potential (10%)
CIS (Fmr USSR)	261	$2,500	$652,500	$65,250	$5,000	$1,305,000	$130,500
Benelux	290	$2,000	$580,000	$58,000	$4,000	$1,160,000	$116,000
Bulgaria	289	$1,000	$289,000	$28,900	$2,000	$578,000	$57,800
Czech	366	$2,000	$732,000	$73,200	$3,000	$1,098,000	$109,800
Fmr Yugo	291	$1,000	$291,000	$29,100	$1,500	$436,500	$43,650
France	287	$5,000	$1,435,000	$143,500	$8,000	$2,296,000	$229,600
Germany	310	$5,000	$1,550,000	$155,000	$10,000	$3,100,000	$310,000
Greece	287	$2,000	$574,000	$57,400	$4,000	$1,148,000	$114,800
Hungary	293	$2,000	$586,000	$58,600	$4,000	$1,172,000	$117,200
Italy	273	$5,000	$1,365,000	$136,500	$8,000	$2,184,000	$218,400
Poland	287	$3,000	$861,000	$86,100	$5,000	$1,435,000	$143,500
Portugal	289	$1,500	$433,500	$43,350	$3,000	$867,000	$86,700
Romania	332	$1,500	$498,000	$49,800	$3,000	$996,000	$99,600
Scandinavia	291	$3,000	$873,000	$87,300	$6,000	$1,746,000	$174,600
Spain	261	$4,000	$1,044,000	$104,400	$8,000	$2,088,000	$208,800
United Kingdom	187	$5,000	$935,000	$93,500	$10,000	$1,870,000	$187,000
S Africa	286	$1,500	$429,000	$42,900	$3,000	$858,000	$85,800
Thailand	292	$1,000	$292,000	$29,200	$2,000	$584,000	$58,400
Middle East	290	$2,000	$580,000	$58,000	$5,000	$1,450,000	$145,000
Turkey	265	$2,000	$530,000	$53,000	$4,000	$1,060,000	$106,000
Japan	278	$5,000	$1,390,000	$139,000	$9,000	$2,502,000	$250,200
Australia/NZ	269	$3,000	$807,000	$80,700	$6,000	$1,614,000	$161,400
Latin America	258	$8,000	$2,064,000	$206,400	$14,000	$3,612,000	$361,200
USA	287	$10,000	$2,870,000	$287,000	$15,000	$4,305,000	$430,500
Canada	296	$4,000	$1,184,000	$118,400	$7,000	$2,072,000	$207,200
Total			**$22,845,000**	**$2,284,500**		**$41,536,500**	**$4,153,650**

Camelot Distribution Group Projections

SALES PROJECTIONS

* indicates that there is already a contracted sale pending collection.

Samurai Avenger	
*Benelux	5,000
*Scandinavia	5,000
*Russia	9,000
*India	15,500
France	17,000
UK	20,000
Eastern Europe	25,000
South Africa	5,000
Thailand	5,000
Indonesia	5,000
Hong Kong	2,500
Middle East	5,000
USA	25,000
Total	*144,000*
Distribution Fee	25%
Distributors Net	*36,000*
Recoupable Expenses	10,125
Distributors Gross	**46,125**

Fink!	
Japan	10,000
UK	20,000
France	20,000
Benelux	5,000
Scandinavia	5,000
Greece	5,000
Eastern Europe	25,000
CIS	15,000
Australia	15,000
Middle East	5,000
Latin America	30,000
USA	30,000
Canada	10,000
India	10,000
Thailand	8,000
South Africa	5,000
Total	218,000
Distribution Fee	30%
Distributors Net	*65,400*
Recoupable Expenses	0
Distributors Gross	**65,400**

First Strike	
*Thailand	5,000
Germany	18,000
Australia	4,000
UK	8,000
France	8,000
Eastern Europe	12,000
Japan	10,000
South Africa	4,000
Total	*69,000*
Distribution Fee	20%
Distributors Net	*13,800*
Recoupable Expenses	10,000
Distributors Gross	**23,800**

Nude Nuns	
Germany	30,000
UK	20,000
France	15,000
Eastern Europe	25,000
South Africa	5,000
Scandinavia	7,500
Benelux	5,000
Japan	15,000
Australia	8,000
Russia	5,000
USA	25,000
Total	*160,500*
Distribution Fee	20%
Distributors Net	*32,100*
Recoupable Expenses	30,000
Distributors Gross	**62,100**

Never Sleep Again	
UK	20,000
France	10,000
Germany	15,000
Australia	10,000
Japan	10,000
Total	*65,000*
Distribution Fee	25%
Distributors Net	*16,250*
Recoupable Expenses	25,000
Distributors Gross	**41,250**

Camelot Distribution Group Projections

Cross	
UK	100,000
CIS	25,000
Middle East	20,000
India	15,000
Japan	45,000
France	50,000
Germany	100,000
Scandinavia	20,000
Benelux	20,000
Eastern Europe	50,000
Hong Kong	5,000
Taiwan	7,500
Thailand	5,000
Indonesia	7,000
Australia	20,000
Latin America	50,000
Canada	20,000
Total	559,500
Distribution Fee	20%
Distributors Net	*111,900*
Recoupable Expenses	25,000
Distributors Gross	**136,900**

The Wiffler	Rework Mktg
Hellraiser	Presale
One Lucky Dog	Presale
The Fallen	Presale
Zombie Culture	Presale

TOTAL SALES	**1,216,000**
TOTAL CDG NET	**375,575**

SUMMARY OF ADJUSTED VALUATIOI
$ in Thousands

	With Tax	
	Low	
Total per 3/1/08 Salter Valuation -net of Advances	**$**	**17,100**
Add back Advances no longer due per report	$	8,000
Deduct Adjusted Regent Titles per report	$	(2,100)
Deduct UK/Imperium Titles (noted as other management forecasted titles in valuation report & footnoted to reflect these segments)-per report	$	(1,900)
Subtotal	$	21,100
<u>Deduct Individual Titles No Longer Part of Library-Estimated</u>		
Lost World	$	(370)
Airtime	$	(1,008)
Hottie & Nottie	$	(498)
Marvel	$	(3,426)
David Beckham	$	(381)
Rare and Unseen Beatles	$	(188)
Camp Out	$	(17)
Captain Mack	$	(292)
Freefonix DVD Distribution Rights — Note 1	$	(1,243)
Hungry Hamsters	$	(911)
Mark Bolan	$	(49)
Protégé	$	(458)
Wristcutter	$	(92)
Zula Patrol	$	(609)
Extraordinary Rendition	$	(121)
Subtotal Individual Titles	$	(9,665)
Total Before New Titles Added and Any Revaluation of Existing Library (see next tab for titles not included in valuation)	**$**	**11,435**

NOTE 1: Liberation is acquiring licensing rights to this title now, the estimates for which
they are considered new additions to the library

GENERAL NOTE: Deductions to the valuation are based on either the categories noted i
it relates to specific titles, the net present value of the projections adjusted for a 15% ε
reflected in the Salter report, and, where taxes are depicted, a 40% tax rate. Since Salt
not available for this exercise, the prorata share of the net present value (based on cont

was used to deduct the specific titles . The only exclusion to this assumption is Lost Wo
Lost World was reflected an AA title in the 2008 valuation; all other individual titles abc

\-ESTIMATED

		Without Tax			
High		Low		High	
$	**18,600**	**$**	**20,800**	**$**	**22,000**
$	7,900	$	8,000	$	7,900
$	(2,300)	$	(2,500)	$	(2,600)
$	(2,000)	$	(2,200)	$	(2,300)
$	22,200	$	24,100	$	25,000
$	(370)	$	(616)	$	(616)
$	(1,008)	$	(1,116)	$	(1,116)
$	(498)	$	(551)	$	(551)
$	(3,426)	$	(3,792)	$	(3,792)
$	(381)	$	(422)	$	(422)
$	(188)	$	(208)	$	(208)
$	(17)	$	(19)	$	(19)
$	(292)	$	(323)	$	(323)
$	(1,243)	$	(1,376)	$	(1,376)
$	(911)	$	(1,008)	$	(1,008)
$	(49)	$	(54)	$	(54)
$	(458)	$	(507)	$	(507)
$	(92)	$	(102)	$	(102)
$	(609)	$	(674)	$	(674)
$	(121)	$	(134)	$	(134)
$	(9,665)	$	(10,903)	$	(10,903)
$	**12,535**	**$**	**13,197**	**$**	**14,097**

ı are not included above as

n the Salter Report or, as
ıdministrative/OH Fee
er's workpapers were
tributing gross profit)

rld, which was calculated.
›ve were included as "new titles"

NOTES REGARDING THE SALTER VALUATION OF JUNE 2008

ADVANCE OBLIGATIONS

With regard to the $8 million of advance obligations presented in the Salter report (which reduced the valua none of these monies are due any longer. A portion of this amount was eliminated pursuant to an agreeme give the rights back to the producer, a portion related to titles acquired in the U.K., where we no longer hav are also being excluded as noted below) and a portion of the advances were paid or no longer due.

OVERALL COMMENT

We do not have Salter's workpapers to support the report. The information provided by Liberation may or in the similar categories and thus the notes below must be read with this understanding.

TITLES NO LONGER PART OF LIBERATION LIBRARY WHICH WERE INCLUDED IN THE 2008 SALTER VALUATION

Lost World	Listed Under Quality AA Titles	Title sold back to producer
All Regent Titles	Listed as Adjusted Regent Titles	Agreed to give rights back to prod Currently in sell off period until 12
UK Library Titles	Listed Under Adjusted Other Management Forecasted Titles *	No longer operate in UK; most rig reverted to producers
Imperium	Listed Under Adjusted Other Management Forecasted Titles *	In process of giving rights back to

* Other titles are included in "Other Management Forecasted Titles" and thus the entire category should not be

The Following titles listed under Adjusted New Titles are no longer part of the library:

Airtime	Technical delivery issues
The Hottie & The Nottie	Part of Regent deal to give rights b
Marvel Animated Titles	UK
David Beckham	UK
Rare and Unseen Beatles	UK
Camp Out	rights reverted to producer
Captain Mack	UK
Freefonix DVD Distribution Rights	UK (we recently acquired licensin
Hungry Hamsters	UK
Mark Bolan	UK
Protégé	UK
Wristcutter	UK
Zula Patrol	Agreed to give rights back to prod
Extraordinary Rendition	UK

The following movies and tv series are additions to the library and not part of the Salter Valuation:

Just Buried	Rage
Tokyo	Turtles-Incredible Journey
One-Eyed Monster	

Frost/Nixon Original Interviews
Second Skin
Eden
Freefonix Licensing Rights
Wolverine TV Series Season 2
HTDT TV Series
Brave TV Series
Speedracer Classic TV Series
Speedracer New Series
Ben & Izzie

The Following Music Titles are additions:
ABBA THE MOVIE
ALICE COOPER: Prime Cuts
ANDREA BOCELLI: NIGHT IN TUSCANY
BRIAN WILSON: On Tour
CURTIS MAYFIELD & THE IMPRESSIONS: MOVIN' ON UP
FLEETWOOD MAC: DESTINY RULES
JACK JOHNSON: A BROKEN DOWN MELODY
JANE'S ADDICTION: THREE DAYS
JOE COCKER: MAD DOGS & ENGLISHMEN
JOHN ENTWHISTLE: AN OX'S STORY
JUANES
KISS: KONFIDENTIAL & X-TREME CLOSE UP
KISS:KISS MY A***
MINISTRY: SPHINCTOUR
MUDDY WATERS: CLASSIC CONCERTS
PET SHOP BOYS: MONTAGE - THE NIGHTLIFE TOUR
PHIL COLLINS: A LIFE LESS ORDINARY
RAY DAVIES: THE WORLD FROM MY WINDOW
ROCK 'N' ROLL IS BORN
SEX PISTOLS: CHAOS
STATUS QUO: ANNIVERSARY WALTZ
STEPHANIE MCINTOSH
THE DAMNED: FINAL DAMNATION - THE REUNION CONCERT
THE WHO: THE KIDS ARE ALRIGHT
BOY WONDERZ
MARVIN GAYE: THE REAL THING
ALLMAN BROTHERS: LIVE AT THE BEACON THEATRE
ANTHRAX: MUSIC OF MASS DESTRUCTION
AXE BASE 24/7
B.B. KING LIVE
BAD COMPANY: MERCHANTS OF COOL
BEACH BOYS: NASHVILLE SOUNDS
BEYONCE KNOWLES: LIVE AT WEMBLEY
BLACK EYED PEAS
BLIND FAITH: LIVE IN HYDE PARK

BLUE OYSTER CULT: A LONG DAYS NIGHT
BLUES TRAVELLER: LIVE FROM RED ROCKS
BOB MARLEY: LIVE AT SANTA BARBARA
BONAROO (2002)
BONAROO: 270 MILES FROM GRACELAND
BOND: LIVE AT ROYAL ALBERT HALL
BRIAN WILSON: PET SOUNDS LIVE
CHRISTOPHER CROSS: AN EVENING WITH CHRISOPHER CROSS
CORROSION OF CONFORMITY: LIVE VOLUME
CURTIS MAYFIELD: LIVE AT RONNIE SCOTTS
DOKKEN: LIVE FROM JAPAN
DOKKEN: LIVE FROM THE SUN
DONOVAN FRANKENREITER: ABBY ROAD SESSION
DOOBIE BROTHERS: LIVE AT WOLFTRAP
DREAMS TO REMEMBER: THE LEGACY OF OTIS READING
EARTHDANCE: DANCING THE DREAM AWAKE
EDDIE MONEY: SHAKING WITH THE MONEY MAN
EMERSON, LAKE AND PALMER: LIVE AT THE ROYAL ALBERT HALL
FRANZ FERDINAND: LIVE IN EDINBURGH
GAMMA RAY: HEADING FOR THE EAST
GARY MOORE: LIVE AT MONSTERS ROCK
GEORGE THOROGOOD & THE DESTROYERS: LIVE
HEARTLAND REGGAE: ONE LOVE PEACE CONCERT
HERO 2 HERO
INXS: LIVE BABY LIVE
KANYE WEST
KEANE: ARAGON BALLROOM
KEANE: DOCUMENTARY
KING CRIMSON: EYES WIDE OPEN
KMFDM: WWIII TOUR
LOU REED: SPANISH FLY
LYNYRD SKYNYRD: LYVE
LYNYRD SKYNYRD: STEELTOWN
MARY J. BLIGE: HOUSE OF BLUES
MARY J. BLIGE: LIVE FROM LOS ANGELES
MAVERICKS: LIVE IN AUSTIN TEXAS
MEATLOAF: LIVE WITH THE MELBOURNE SYMPHONY ORCHESTRA
MEGADETH: RUDE AWAKENING
METALLICA: CUNNING SUNTS
MOLOKO: 11,000 CLICKS
MORISSEY: WHO PUT THE M IN MANCHESTER
MOVE MUSIC FESTIVAL
NAZARETH: RAZAMANAZ
NEIL YOUNG: RUST NEVER SLEEPS
NELLY FURTADO: LOOSE, THE TOUR
NEW ORDER: LIVE IN NEW YORK
NEW YORK DOLLS: PRE CRASH CONDITION

PETULA CLARK: THIS IS MY SONG
QUEENSRYCHE: ART OF LIFE
QUEENSRYCHE: LIVE EVOLUTION
REO SPEEDWAGON: PLUS
REO SPEEDWAGON: STYX
ROCK AND ROLL GREATS: BEST OF
ROY AYERS: LIVE AT RONNIE SCOTT'S
RUSH IN RIO
SEX PISTOLS: WINTERLANDS
SILVER CLEF
SIOUXSIE & THE BANSHEES: NOCTURNE
SIOUXSIE AND THE BANSHEES: 7 YEAR ITCH
SOFT CELL: NONSTOP EROTIC CABARET
SOUNDSTAGE
STRING CHEESE INCIDENT: LIVE AT THE FILLMORE
SUPERJOINT RITUAL
TAJ MAHAL: LIVE AT RONNIE SCOTT'S
TATU: "TRUTH" LIVE IN ST. PETERSBURG
THE CURE
THE KILLERS
THE PIXIES: LIVE AT THE TOWN AND COUNTRY CLUB
THE WHO: LIVE IN BOSTON
UTOPIA AND TODD RUNDGREN: BOSTON
UTOPIA AND TODD RUNDGREN: COLUMBUS
WEEN: LIVE IN CHICAGO
WHITE STRIPES: LIVE IN BLACKPOOL
WIDESPREAD PANIC: LIVE FRMO THE BACKYARD
WIDESPREAD PANIC: OAK MOUNTAIN
WU TANG CLAN: DISCIPLES OF THE 36 CHAMBERS - THE CONCERT
ANDREA BOCELLI: SACRED ARIAS
ANDREA BOCELLI: TUSCAN SKIES
GENE SIMMONS: SPEAKING IN TONGUES
HAYLEY WESTENRA: LIVE FROM WELLINGTON
KITARO
PAVAROTTI & FRIENDS
PAVAROTTI: THE BEST IS YET TO COME
PAVAROTTI: THE EVENT
PAVOROTTI & FRIENDS 2
PAVOROTTI & FRIENDS: FOR CAMBODIA & TIBET
PAVOROTTI & FRIENDS: FOR THE CHILDREN OF BOSNIA
PAVOROTTI & FRIENDS: FOR THE CHILDREN OF LIBERIA
PAVOROTTI & FRIENDS: FOR WAR CHILD
RUSSELL WATSON: THE VOICE LIVE
STING- SONGS FROM THE LABYRINTH

tion),
:nt to
e an operation (the titles

may not be reflected

ucer
/31/09 in dvd market

hts with some exceptions

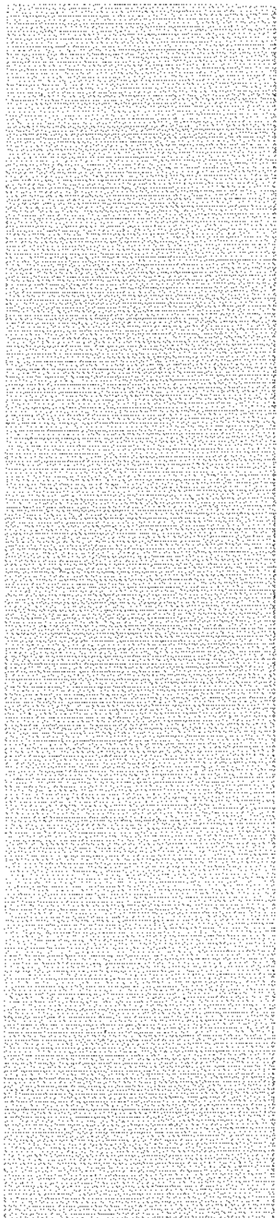
producer

: excluded from the valuation

ack

g rights however and will be sold now)

ucer



Did Lib realize forecast for 2008 and 2009

page 22 Salter Rpt

UK

Regent

Imperium

	New Titles		Ultimate Revenue		prorata portion of valuation	prorata portion of valuation	Ultimate Gross Profit		prorata portion of valuation	prorata portion of valuation
	Airtime		4,108	8%	834.1	923.1	1437.8	10%	1,008.4	1,116.0
	Hottie and Nottie		4,900.0	10%	994.9	1,101.0	710.2	5%	498.1	551.2
UK	Marvel		18,800.0	38%	3,817.1	4,224.3	4,885.5	34%	3,426.4	3,791.9
UK	Beckham		1,163.6	2%	236.3	261.5	543.7	4%	381.3	422.0
UK	Rare & Unseen Beatles		660.1	1%	134.0	148.3	268.6	2%	188.4	208.5
	Camp Out		186.5	0%	37.9	41.9	24.9	0%	17.5	19.3
UK	Captain Mack		1,200.0	2%	243.6	269.6	416.6	3%	292.2	323.3
UK	Freefonix		5,200.0	11%	1,055.8	1,168.4	1,772.6	12%	1,243.2	1,375.8
	Shotgun Stories		556.7	1%	113.0	125.1	191.8	1%	134.5	148.9
	Girls Rock		419.8	1%	85.2	94.3	105.3	1%	73.9	81.7
UK	Hungry Hamsters		2,700.0	5%	548.2	606.7	1,298.6	9%	910.8	1,007.9
	Kickin It		633.6	1%	128.6	142.4	200.7	1%	140.8	155.8
	Kordavision		680.6	1%	138.2	152.9	172.0	1%	120.6	133.5
	Larry Flynt		295.5	1%	60.0	66.4	61.2	0%	42.9	47.5
UK	Marc Bolan		310.1	1%	63.0	69.7	69.5	0%	48.7	53.9
UK	Protégé		1,078.8	2%	219.0	242.4	653.5	5%	458.3	507.2
	Take		1,126.8	2%	228.8	253.2	323.0	2%	226.5	250.7
	Gits		199.9	0%	40.6	44.9	28.1	0%	19.7	21.8
UK	Wristcutter		594.8	1%	120.8	133.6	131.6	1%	92.3	102.2
	Zula Patrol		4,400.0	9%	893.4	988.7	868.3	6%	609.0	673.9
UK	Extraordinary Rendition		304.9	1%	61.9	68.5	172.4	1%	120.9	133.8
		125%	49,519.7				14,335.9		-	-
	total per salter rpt		39,595.0				14,022.8		-	-
	TITLES NO LONGER PART OF LIBRARY			92%				92%		
	Mid Point valuation per Salter Rpt-with taxes				10,054.4				10,054.4	
	portion no longer part of library				9,259.9	10,247.8			9,295.5	10,287.1
	Mid Point valuation per Salter Rpt-without taxes					11,127.0				11,127.0
	portion no longer part of library									

EXCLUDES NEW TITLES ADDED SINCE VALUATION

THE SALTER GROUP
Independent Financial & Strategic Advisors

June 17, 2008

Mr. Mark Lebowitz
Chief Financial Officer
Liberation Entertainment Inc.
1990 Westwood Blvd.
Penthouse
Los Angeles, CA 90025

Dear Mr. Lebowitz:

At your request, on behalf of Liberation Entertainment Inc. ("Liberation" or "Company"), The Salter Group, LLC ("The Salter Group") has analyzed certain financial information regarding the Company's filmed entertainment library ("Library") as set forth herein and submit this letter on our findings.

The purpose of this analysis was to express an opinion (the "Opinion") on the fair market value as of March 1, 2008 ("Valuation Date"), of the Library on a controlling interest basis to serve as a valuation basis for internal planning purposes to facilitate a prospective senior debt facility. Notwithstanding the original scope of the engagement, during the course of the analysis, The Salter Group identified certain assets comprising the Library that required a value-in-place valuation basis, as defined below.

All conclusions presented and documentation delivered are intended solely for the information of the person or persons to whom they are addressed, solely for the purpose stated, and should not be relied upon for any other purpose.

For purposes of this valuation, The Salter Group has taken into consideration only the existing titles currently comprising the Library. The Salter Group has not considered any future growth of the Library as a result of acquisitions of titles or independent filmed entertainment productions of the Company. As such, The Salter Group has assumed that the Library is a static asset, an asset that is non-renewable and declining in nature.

General Information:

Liberation Entertainment Inc. is an independent licensor and distributor of entertainment content including: (i) independent films; (ii) documentaries; (iii) lifestyle programming; (iv) animation; (v) classic television; and (vi) music concerts worldwide via television and home entertainment platforms. Corporate headquarters are located in Los Angeles, California.

The term "fair market value," as used herein, is defined as the amount at which the Library would change hands between a willing buyer and a willing seller, each having reasonable knowledge of all relevant facts, neither being under any compulsion to act, with equity to both.

The term "value-in-place" as used herein, is defined as value derived from the Library deemed by The Salter Group within the context of a particular set of circumstances that may or may not reflect typical market conditions. Such circumstances may relate to (i) assets being exploited according to a particular business plan, (ii) assets being transferred under specific transactional structures and (iii) assets being exploited by a specific management team. In this case, The Salter Group considered the value of the Library within the context of the Library being exploited by the current senior management of the Company ("Management"). For clarity, a value-in-place indication potentially differs from a traditional fair market value indication.

It is the understanding of The Salter Group, upon which it is relying, any recipient of the Opinion will consult with and rely solely upon their own legal counsel with respect to said limitations and definitions herein. No representation is made herein, or directly or indirectly by the Opinion, as to any legal matter or as to the sufficiency of said definitions for any purpose other than setting forth the scope of The Salter Group's Opinion hereunder.

Due Diligence:

In connection with this Opinion, The Salter Group has made such reviews, analyses and inquiries as The Salter Group has deemed necessary and appropriate under the circumstances. Among other things, The Salter Group has:

(i) reviewed the previous valuation, dated March 1, 2007 ("2007 Valuation"), performed by The Salter Group and additional underlying informational documents;

(ii) spoke with certain members of Management to discuss the operations, financial condition, future prospects and projected operations and performance of the Library;

(iii) reviewed historic performance information for the Library, prepared by Management, in the form of a by-title licensing and distribution revenues from January 1, 2005 through March 1, 2008;

(iv) reviewed gross receipts forecasts and waterfall schedules, prepared by Management, detailing the net receipts arising to the Company for quality AA titles as identified by the Company;

(v) reviewed historic licensing information, prepared by Management, in the form of historical by-title, by-territory listings of contracts from March 1, 1998 through March 31, 2008;

(vi) reviewed historic and prospective performance information, prepared by Management, for certain titles distributed domestically by the Company including: *Third Man Out, Dante's Cove, Julie Johnson, Hellbent, Summer Storm* and *Poster Boy*, which includes historical information in the form of year-to-date units, revenue and net receipts incurred to-date through December 31, 2007, and future remaining units, revenue and net receipts until expiration of each title;

(vii) reviewed historic and prospective performance information, prepared by Management, for certain titles distributed in the UK including: *Stereophonics – L.S.V.O.*, *Stereophonics – Rewind, Weller – As is Now, Collective Soul, Jennifer Ellison, Perfect Disasters, The Game – Stop Snitchin' Stop Lyin', Tom Baker – Ultimate Sci-Fi Quiz, Barry Norman – Ultimate Film Quiz, The Beano, Ian Wright – It Shouldn't Happen to a Footballer, The 2006 Open Golf,* and *The 2007 Open Golf* which includes historical information in the form of year-to-date units, revenue and net receipts incurred to-date through December 31, 2006, units, revenue and net receipts for the year ending December 31, 2007 and prospective information in the form of yearly unit projections for the year ending December 31, 2008 and all future years until the expiration of each title;

(viii) reviewed prospective information, prepared by Management, for certain titles added to the Library from March 1, 2007 through February 28, 2008 including: *Airtime, The Hottie & the Nottie, Camp Out, Marvel, Freefonix, Girls Rock!, Protégé* and *Extraordinary Rendition* which includes prospective information in the form of future gross and net receipts projections arising from the distribution and/or licensing of each title through its expiration;

(ix) reviewed contractual commitments, including future advances and minimum guarantees payable and the timing of such future payables as of the March 1, 2008 on a by-title basis;

(x) reviewed balances of unrecouped advances and minimum guarantee payments as of the March 1, 2008 on a by-title basis;

(xi) reviewed availability and expiration information for the Library, prepared by Management in the form of a by-title and by-territory listing as of March 1, 2008;

(xii) reviewed a by-title quality gradation of the Library, as provided by Management;

(xiii) reviewed certain other publicly available financial data for certain companies that we deem comparable to the Company; and

(xiv) conducted such other studies, analyses and inquiries as we have deemed appropriate.

The Salter Group has not independently verified the accuracy and completeness of the information supplied to us with respect to the Library and does not assume any responsibility with respect to it. The Salter Group has not made any physical inspection or independent appraisal of any of the properties or assets of the Library.

We have relied upon and assumed, without independent verification, that the historic financial information and projections provided to us have been reasonably prepared and reflect the best currently available estimates of the future financial results and condition of the Library and that there has been no material change in the assets, financial condition, business or prospects of the Library since the date of the most recent financial information made available to us (notably between the date of the most recent financial information made available to us and the Valuation Date).

As The Salter Group is not a law firm or accounting firm, in connection with this analysis, The Salter Group has not reviewed or interpreted the contracts underlying the distribution structure associated with the Library. The Salter Group has relied upon Management's representations regarding the qualitative gradation of the Library, underlying distribution structure and associated calculations as well as Management's interpretations of the related contracts/agreements and other information as noted above.

Library Overview:

It is the understanding of The Salter Group that the Library is primarily comprised of approximately 450 filmed entertainment titles from which the Company generates receipts by distributing and/or licensing the titles domestically and internationally. For purposes of this analysis, The Salter Group noted that the Company exploits the Library through two primary strategies as follows:

(i) the Company distributes certain titles on DVD using third parties (e.g. through the distribution systems of Genius Products) to manufacture and market the titles for a set period of time in exchange for a distribution fee determined as a percentage of gross receipts generated by the titles ("Distribution"); and

(ii) the Company licenses the television and/or home entertainment exploitation rights to certain titles to third parties in certain territories for a set period of time in exchange for a negotiated license fee ("Licensing").

The Salter Group noted that Liberation's plan to exploit the Library through Distribution and Licensing varies by title and territory. In general, Liberation exploits the Library through both Distribution and

Licensing in the United States and United Kingdom ("Hybrid Territories") and solely through Licensing in the rest of the world.

Methodology Overview:

In our analysis of Library, The Salter Group has taken into consideration its prospective income- and cash-generating capability. Typically, an investor contemplating an investment in a library with income- and cash-generating capability similar to Library will evaluate the risks and returns of its investment on a static asset basis.

Accordingly, after due consideration of other appropriate and generally accepted valuation methodologies, the value of the Library has been developed primarily on the basis of the income approach using the discounted cash flow method ("DCF").

The DCF method involves determining a valuation indication for a cash-generating asset, and is particularly well suited to the valuation of intangible assets such as the Library.

The DCF methodology involves the following key steps:

(i) the determination of cash flow forecasts ("Representative Level Projections"); and

(ii) the selection of a range of comparative investment-risk-adjusted discount rates to apply against the Representative Level Projections.

For purposes of determining the Representative Level Projections, The Salter Group applied the procedures outlined below. In addition, The Salter Group determined terminal cash flows by applying the Gordon Growth Model[1] using a terminal decline rate.

Representative Level Projections

With respect to estimating the prospective performance of the Library, The Salter Group considered by-title rights information and Management indicated exploitation strategies, inclusive of (i) rights availabilities, (ii) rights expirations, (iii) distribution fees received, (iv) distribution fees paid to sub-distributors, (v) outstanding advances, (vi) distribution expense recoupments and (vii) marketing expense recoupments.

The following sections portray the applied methodology employed to determine estimates of prospective performance of the Library. With respect to estimating the prospective performance of the Library, The Salter Group developed forecasts for the prospective video and television media windows on an annual by-territory basis from March 1, 2008 to December 31, 2027 ("Forecast Period"), as detailed herein.

For purposes of this analysis, The Salter Group segmented value and prospective cash flows arising from the Library into three major segments as follows:

(i) Library Titles ("Library Titles"): reflecting value arising from titles with a demonstrated history of exploitation by Liberation (or third parties);

(ii) Quality AA Titles ("Quality AA Titles"): reflecting value arising from the top tier of titles determined by Management's by-title quality gradation and Management's (or third parties) investment in the titles in the form of advances; and

1 The Gordon Growth Model is a model for determining the value of a cash flow into perpetuity based on a terminal cash flow (CF), an average growth/decline rate (g) and the weighted average cost of capital (k). The formula is as follows: $CF * (1 + g) / (k - g)$.

(iii) Management Forecasted Titles ("Management Forecasted Titles"): reflecting value arising from titles with limited demonstrated history of exploitation by Liberation (or third parties), or with prospective business/distribution plans by Management that may not be consistent with historical performance. Management has indicated that such titles are further segmented as follows:

a. UK Titles: reflecting value arising from select titles distributed directly by Liberation in the United Kingdom;

b. Regent Titles: reflecting value arising from titles produced and distributed through Regent Releasing;

c. Imperium Titles: reflecting value arising from titles produced and distributed through an agreement with RAI; and

d. New Titles: reflecting value arising from unreleased or recently released titles.

With respect to the segments detailed above, The Salter Group applied two techniques summarized as follows:

(i) for the Library Titles, in cases where historical and or comparable film library information was available, The Salter Group applied techniques and methodologies consistent with industry practice giving rise to a Fair Market Value basis; and

(ii) for the Quality AA and Management Forecasted Titles, The Salter Group reviewed detailed information prepared by Management, which appeared to support a significant component of Management's forecasts for certain Quality AA Titles and Management Forecasted Titles. The Salter Group noted that the general techniques and strategies that Management applied in developing forecasts were generally consistent with observable industry approaches. . During such review, The Salter Group determined that it would not be unreasonable to incorporate approximately 85.0% of the Management forecasted cash flows in a fair market value analysis. The remaining component of Management forecasted cash flows have been incorporated herein on a value-in-place basis.

Library Titles – Licensing Forecasts
With respect to determining prospective gross receipt estimates for the Licensing activity of Library Titles, The Salter Group performed the following steps:

(i) analyzed and compiled the availability and expiration information, as provided by Management, on a by-title, by-territory and by-media basis;

(ii) categorized the Library Titles on a by-quality basis, based on information provided by Management;

(iii) analyzed and compiled the historic license fees for the years ended December 31, 2002 through March 1, 2008 for each title on a by-quality, by-title, by-territory and by-media basis;

(iv) considered license fees that the Library would prospectively achieve in consideration of the analysis performed in step (iii) above, as well as The Salter Group's:

a. observations of license fees generated by the comparable quality titles of comparable libraries;
b. observations of the behavior of investors in forecasting comparable libraries;

c. conversations with Management; and
d. conversations with industry participants.

(v) forecasted gross sales for each title on a by-territory and by-media basis, for the following eleven territories ("Forecast Territories"):

Forecast Territories		
i. Australia	v. Italy	ix. Spain
ii. Benelux	vi. Japan	x. United Kingdom
iii. France	vii. Latin America	xi. United States
iv. Germany	viii. Scandinavia	

(vi) estimated, on a by-quality and by-media basis, the probabilities of sale based on an analysis of historic sales and availabilities;

(vii) estimated a cycle-to-cycle decline rate to portray the decline in license fees typically observed as titles age and demand for licensing diminishes over time;

(viii) forecasted gross receipts on a by-title basis, in consideration of the estimations and analyses outlined in steps (i) through (vii) above, on a by-territory basis for each of the Forecast Territories;

(ix) accounted for other territories outside of the Forecasted Territories ("Rest of World") by applying a gross-up on the order of 15% to the forecasted gross receipts, to imply a forecast including consideration for the entire world;

(x) determined the Company's share of gross receipts, based on applicable distribution fees, outstanding minimum guarantees, recoupment of marketing expenses and fees and other calculations as appropriate on a by-title or by-segment basis, as provided by Management, to determine net receipts to the Company; and

(xi) deducted administration and overhead fees associated with the ongoing administration of the titles from net receipts due to the Company.

Library Titles – Distribution Forecasts
With respect to determining prospective gross receipts estimates for the Distributed activity of the Library Titles, The Salter Group performed the following steps:

(i) analyzed and compiled the historic gross receipts for the period ending December 31, 2007 for each title in the United States and the United Kingdom;

(ii) considered the gross receipts that the Library would prospectively achieve in consideration of the analysis performed in step (i) above, as well as The Salter Group's:

a. observations of receipts generated by the comparable quality titles of comparable libraries;
b. observations of the behavior of investors in forecasting comparable libraries;
c. conversations with Management; and
d. conversations with industry participants.

(i) analyzed historical domestic home video distribution performance for the Library to determine appropriate annual decay rates. Specifically, The Salter Group reviewed by-title decay rates to determine reasonable estimates of long term annual decay rates for the Library based on historic performance levels.

The Salter Group noted in this analysis, that on a by-title basis, there was often significant fluctuation from one year to the next. It is the understanding of The Salter Group that such fluctuation is caused by (i) varying marketing strategies, (ii) varying pricing strategies, (iii) returns and rebates, (iv) product placement on shelves in retail channels, (v) financial reporting mechanisms, (vi) inventory reporting mechanisms and (v) other factors. In light of the above, The Salter Group focused this analysis on summary statistics;

(ii) compared decay rates from above with The Salter Group's observations of titles deemed similar to the Library for purposes of assessing reasonableness;

(iii) compared decay rates from above with The Salter Group's observations of forecasting techniques and approaches applied by buyers of assets in transactions and circumstances where analysis was conducted involving other titles deemed similar to the Library for purposes of assessing reasonableness;

(iii) applied a decay rate to actual historical sales to determine projected gross cash flows on a by-title basis through the Forecast Period;

(iv) determined the Company's share of gross receipts, based on applicable distribution fees, outstanding minimum guarantees, recoupment of marketing expenses and fees and other calculations as appropriate on a by-title basis, as provided by Management, to determine net receipts to the Company; and

(iv) deducted cost of sales and estimated administration and servicing costs associated with the ongoing operations of the Company.

The Salter Group noted that for certain Library Titles, Management provided prospective gross receipts estimates. In these cases, The Salter Group relied solely upon the forecasts provided by Management.

Quality AA Titles & Management Forecasted Titles
The Salter Group noted that the Quality AA Titles and Management Forecasted Titles had limited historical performance information and/or operating history. Further, The Salter Group noted that Management's forecasts implied a level of overall performance that was generally inconsistent with the observable historical performance for such titles. As such, based on further discussion with the Company, The Salter Group noted that the forecasts provided by Management reflect their prospective business plan for each of the Quality AA Titles and Management Forecasted Titles, for which there is no observed historical performance precedent.

During the course of this analysis The Salter Group reviewed detailed information prepared by Management, which appeared to support a significant component of Management's forecasts for certain Quality AA Titles and Management Forecasted Titles. During such review, The Salter Group determined that it would not be unreasonable to incorporate approximately 85.0% of the Management forecasted cash flows in a fair market value analysis. The remaining component of Management forecasted cash flows have been incorporated herein on a value-in-place basis.

Determination of Net Receipts Due Liberation
With respect to determining net receipts due Liberation from the prospective gross receipts estimates, The Salter Group performed the following steps:

(i) for the Library and Management Forecasted Titles, summarized the prospective gross receipts estimates by segment and in cases in which there were licensors with material advances summarized the titles by licensor within the segment (e.g. Regent Releasing, RAI and IFC);

(ii) determined appropriate advance and cost recoupment on by-title basis for the Quality AA Titles and by sub-segment for the Library and Management Forecasted Titles, based on a comparison of outstanding recoupable advances to forecasted gross receipts;

(iii) deducted royalties payable to third parties on a by-title basis for the Quality AA Titles and by sub-segment for the Library and Management Forecasted Titles, based on indications from Management; and

(iv) deducted an estimated administration and overhead cost on the order of 15% of gross receipts in consideration of the costs of the ongoing administration of the titles.

The analyses described above are further summarized and portrayed in the support schedules attached hereto.

Advance Obligations
Through discussions with Management, The Salter Group determined it to be reasonable to include in this analysis a portrayal of the net present value of the Company's advance obligations. The Salter Group noted that (i) payment of future advances would be required in order for the Company to retain distribution rights for certain titles in the Library and (ii) if the Company did not make such payments, the Company's reputation and ability to operate would likely be impaired. For purposes of this portrayal, The Salter Group has calculated the net present value of the advance obligations excluding any impact of taxes and other costs. Further, The Salter Group has discounted future obligations at a discount rate consistent with the Library, as detailed below.

Administrative/Overhead Expenses
For purposes of this analysis, The Salter Group considered certain administration and servicing costs to represent the overhead and administrative costs that a prospective acquirer or financier would incur in exploiting the underlying rights, which include but are not limited to the following items:

(i) salaries and bonuses;

(ii) benefits;

(iii) promotions and marketing;

(iv) travel and entertainment; and

(v) general office expenses.

The administration and servicing costs also reflect certain profitability objectives of acquirers and financiers of filmed entertainment content.

The Salter Group determined appropriate levels of administration and servicing costs as consistent with our observations of typical market behavior associated with filmed entertainment content. Based on such observations of acquirers and financiers valuing filmed entertainment content, The Salter Group has deducted administration and servicing costs as a percentage of gross cash flow.

Calculation of Estimated Taxes
The Salter Group estimated taxes associated with income arising from Library inclusive of consideration of amortization.

The calculation of taxes may be relevant and considered within our analysis because an acquirer of the Library would be obligated to pay state and federal income taxes arising from the cash receipts less (as appropriate) amortized costs of the marked up asset value. The discount rates selected by The Salter Group reflect the after-tax cost of interest-bearing debt and equity, weighted according to the degree of leverage that The Salter Group determined to reflect current market conditions.

The Salter Group typically observes that acquirers of a library will account for the price paid (in this case, the determined fair value) as an intangible asset on their balance sheet. Acquirers would then amortize the intangible asset over time based on anticipated and realized income arising from the asset. In effect, the fair value (as discussed and calculated below) is allocated against future income arising from the title for purposes of determining taxes, which impact the fair value, thus creating a circular calculation. The Salter Group references this estimated tax impact as a "Purchase Price Amortization" notwithstanding the fact that there is no specific purchase price identified; rather, it is implied only by virtue of the determination of fair value.

Notwithstanding the above, The Salter Group has observed various collateral-based calculations and other market activities occur based on a pre-tax basis. As such, The Salter Group has portrayed resulting valuation indications on a pre-tax and post-tax basis.

Discount Rates

For purposes of determining the weighted average cost of capital ("WACC"), The Salter Group considered a weighted average of (i) the after tax cost of a senior secured loan facility ("Kd") applied against 40.0% to 45.0% of the capital structure and (ii) the cost of equity ("Ke") applied against 55.0% to 60.0% of the capital structure.

Discount Rate Build Up Analysis

Costs of Capital	With Taxes Low		With Taxes High	Without Taxes Low		Without Taxes High
K_E	18.0%	--	20.0%	18.0%	--	20.0%
K_D	5.9%	--	6.9%	5.9%	--	6.9%
Capital Structure						
Equity	55.0%	--	60.0%	55.0%	--	60.0%
Debt	45.0%	--	40.0%	45.0%	--	40.0%
Debt to Equity Ratio	0.8 x	--	0.7 x	0.8 x	--	0.7 x
Tax Rate	40.0%	--	40.0%	0.0%	--	0.0%
WACC	11.5%	--	13.7%	12.6%	--	14.8%
Applied WACC	**12.0%**		**14.0%**	**13.0%**		**15.0%**

To determine the Ke, The Salter Group utilized (i) indications arising from the "capital asset pricing model"[2] and (ii) information from providers of equity capital for similar assets. To determine the Kd, The Salter Group considered (i) information regarding the cost of debt of public comparable companies and floating debt market rates such as the 6-month LIBOR rate as of the Valuation Date, (ii) information from providers of debt capital for similar assets and (iii) The Salter Group's observations of senior debt levels for similar assets. As such, in considering such WACC, The Salter Group applied traditional costs for Kd and Ke without consideration of the reasonableness of the representative level. Based upon these analyses, The Salter Group utilized a WACC in the range of 12.0% to 14.0% on a post-tax basis, and 13.0% to 15.0% on a pre-tax basis.

2 A model describing the relationship between risk and expected return that is used in the pricing of risky securities. The CAPM says that the expected return of a security or a portfolio equals the rate on a risk-free security plus a risk premium. If this expected return does not meet or beat the required return then the investment should not be undertaken. The security market line (SML) plots the results of the CAPM.

The Salter Group noted the following paragraph related to discount rates for filmed entertainment product from AICPA's Statement of Position on accounting for film producers and distributors:

> When determining the fair value of a film using a traditional discounted cash flow approach, the discount rate(s) should not be an entity's incremental borrowing rate(s), liability settlement rate(s), or weighted average cost of capital as those rates typically do not reflect the risks associated with a particular film. The discount rate(s) should consider the time value of money and the expectations about possible variations in the amount or timing of the most likely cash flows and an element to reflect the price market participants would seek for bearing the uncertainty inherent in such an asset as well as other factors, sometimes unidentifiable, including illiquidity and market imperfections. When determining the fair value of a film using the expected cash flow approach, the discount rate(s) also would consider the time value of money. Because they are reflected in the expected cash flows, there would be no adjustment for possible variations in the amounts or timing of those cash flows. If not reflected in risk-adjusted expected cash flows, an additional element to reflect the price market participants would seek for bearing the uncertainty inherent in such an asset as well as other factors, sometimes unidentifiable, including illiquidity and market imperfections, should be added to the discount rate(s)[3].

The Salter Group noted that its methodologies with regard to developing the WACC are consistent with the foregoing position.

Furthermore, The Salter Group has valued the Library as a static asset operating within a going-concern enterprise, meaning that the underlying tangible assets of the Library are presumed to attain their highest values as integral components of a business entity in continued operation and that liquidation of said assets would likely diminish the value of the Library.

All valuation methodologies that estimate the worth of a library as a static asset are predicated on numerous assumptions pertaining to prospective economic and operating conditions. Our opinion is necessarily based on business, market and other conditions as they exist and can be evaluated by us as of the Valuation Date. Unanticipated events and circumstances may occur and actual results may vary from those assumed. The variations may be material.

Valuation Reconciliation:

Performance Comparison
The Salter Group analyzed the forecasts developed during the 2007 Valuation and the historical information that has been provided by Management since the 2007 Valuation for the period March 1, 2007 through April 30, 2008, as detailed in the following table:

3 "Statement of Position 00-2: Accounting by Producers or Distributors of Films", American Institute of Certified Public Accountants, June 12, 2002.

Mark Lebowitz
Liberation Entertainment Inc.
June 17, 2008

Comparison of Forecasts in 2007 Valuation with Historical Information
(in thousands of USD)

Library Segments:	Forecast 2007	Actual 2007	Variance
Quality AA Titles			
Daniel Boone	3,403.2	1,890.0	(1,513.2)
Gipsy Kings	129.8	91.3	(38.6)
Michael Bolton	115.8	111.5	(4.3)
Peter Gunn	108.3	37.1	(71.3)
Phenomenon Archives	141.7	-	(141.7)
Scope	43.3	26.1	(17.2)
Soundstage	91.8	-	(91.8)
Wolverine	-	-	-
Lost World	488.7	264.0	(224.7)
The Invisible Man	307.3	108.3	(199.0)
The Soundies	458.3	188.5	(269.9)
Hotel Erotica	477.6	327.8	(149.8)
Third Party Participations			
Quality AA Titles Gross Receipts	5,765.9	3,044.4	(2,721.4)
Current Titles			
Current Other Titles	9,523.2	4,208.9	(5,314.3)
Regent Releasing Titles	6,405.5	3,568.7	(2,836.8)
RAI Trade Titles	243.1	102.5	(140.6)
Universal Titles	844.9	123.6	(721.4)
Third Party Participations			
Curent Titles Gross Receipts	17,016.8	8,003.6	(9,013.1)
Library Titles			
Library Other Titles	627.4	521.7	(105.6)
IFC Titles	96.9	182.8	85.9
Third Party Participations			
Library Titles Gross Receipts	724.2	704.5	(19.7)
Total Gross Receipts	**23,506.8**	**11,752.6**	**(11,754.2)**

With consideration of the historical financial performance of the Company in comparison to its forecasts, Management's expectations regarding the future operations of the Company and The Salter Group's understanding of changes in the filmed entertainment industry and capital markets, The Salter Group adjusted certain forecast methodology and valuation metrics used in the 2007 Valuation. Specifically, with respect to the Value-In-Place indications for certain Quality AA Titles and Management Forecasted Titles, The Salter Group has specifically considered key elements underlying the projected performance. For additional commentary from Management regarding the Library's performance relative to previous forecasts, please reference Appendix A.

Summary Findings:

In addition to the above, the findings presented below herein assume, without independent verification by The Salter Group, the following:

(i) upon a potential foreclosure of the Library by any lender against the Company, the distribution rights held by the Company are entirely transferable to such lender and/or any potential acquirer of such distribution rights;

(ii) upon a potential foreclosure of the Library by any lender against the Company and/or sale of the rights to a third party, all existing output agreements and similar distribution agreements with are fully assumable and transferable to such lender or third party acquirer;

(iii) there will be no misallocation of receipts that should be ascribed to the Library ascribed to non-Library assets. As discussed with Management, this is remedied by the inclusion of all upcoming and future programming or distribution rights to the Library with periodic Library valuation updates that reconcile for differences between newly added programming and interim license Library rights;

(iv) all the information regarding the Library, the titles therein and the ownership of the rights associated with such titles ("chain of title") is accurate and complete;

(v) the physical assets comprising the Library are in good condition with all marketing, collateral and language tracks in acceptable condition;

(vi) the allowance for participations and residuals reflected as a deduction to the cash flows and value as represented by Management reasonably reflects an accurate representation of such obligations, and there are no further obligations owing against such assets.

(vii) there is no litigation or outstanding liability associated with the Library that would materially impact our valuation conclusions;

Based upon the investigation, premises, provisos, and analyses outlined above, and subject to the attached "Limiting Factors and Other Assumptions" it is our opinion that, as of March 1, 2008 the Fair Market Value and Value-in-Place components of the Library on a controlling interest basis are reasonably stated as portrayed in the following table:

Valuation Summary
(in thousands of USD)

Range of Value:	With Taxes Low		With Taxes High	Without Taxes Low		Without Taxes High
Fair Market Value Indication						
Library Titles	1,600.0	--	1,700.0	1,800.0	--	1,900.0
Adjusted Quality AA Titles	4,600.0	--	5,000.0	5,400.0	--	5,700.0
Adjusted New Titles	9,900.0	--	10,300.0	11,000.0	--	11,300.0
Adjusted Recent Titles	2,100.0	--	2,300.0	2,500.0	--	2,600.0
Adjusted Other Management Forecasted Titles (1)	1,900.0	--	2,000.0	2,200.0	--	2,300.0
Total Fair Market Value Pre-Advances	**20,100.0**	**--**	**21,300.0**	**22,900.0**	**--**	**23,800.0**
Value-in-Place Indication						
Unadjusted Management Forecasts	5,000.0	--	5,200.0	5,900.0	--	6,100.0
Total Fair Market Value & Value-in-Place Pre-Advances	**25,100.0**	**--**	**26,500.0**	**28,800.0**	**--**	**29,900.0**
Advance Obligations	(8,000.0)	--	(7,900.0)	(8,000.0)	--	(7,900.0)
Total After Advance Obligations	**17,100.0**	**--**	**18,600.0**	**20,800.0**	**--**	**22,000.0**

In accordance with recognized professional ethics, our fees for this service are not contingent upon the opinion expressed herein, and neither The Salter Group nor any of its employees have a present or intended financial interest in the Company.

The Opinion, expressed above, is advisory in nature. The accompanying documentation and exhibits more fully describes the premises, analyses and logic upon which the Opinion is founded. Before relying upon the Opinion, the accompanying documentation and exhibits should be read and analyzed in their entirety.

The Salter Group, LLC

THE SALTER GROUP, LLC

LIMITING FACTORS AND OTHER ASSUMPTIONS

The professional fee for this engagement is not contingent upon the results set forth in this written opinion ("Opinion") prepared by The Salter Group, LLC ("The Salter Group").

This Opinion is based on business, general economic, market and other conditions that reasonably could be evaluated by The Salter Group as of the date of this report. Subsequent events that could affect the conclusions set forth in this Opinion include adverse changes in industry performance or market conditions and changes to the business, financial condition and results of operations of the Assets. The Salter Group is under no obligation to update, revise or reaffirm this Opinion after the date hereof or prior to the closing of any transaction.

This Opinion is intended for the sole use of Liberation Entertainment Inc. (the "Company"), solely for the purpose stated in the Opinion, and may not be relied upon by any other person or for any other purpose without The Salter Group's prior written consent. The conclusions set forth in this Opinion are based on methods and techniques that The Salter Group considered appropriate under the circumstances, and represent the opinion of The Salter Group based upon information furnished by the Company and its advisors and publicly available sources. The Salter Group has relied upon the Company's (i) representations that the information provided by it, or on its behalf, is accurate and complete in all material requests, and (ii) agreement to notify us if it learns of any material misstatement in, or material omission from, any information previously delivered to The Salter Group. While all public information (including industry and statistical information) was obtained from sources we believe are reliable, The Salter Group makes no representation as to the accuracy or completeness thereof, and we have relied upon such public information and all information provided by, or on behalf of, the Company without independent verification.

The opinions set forth in this Opinion are not intended by The Salter Group, and should not be construed, to be investment advice in any manner whatsoever. Furthermore, no opinion, counsel or interpretation is intended in matters that require legal, accounting, tax, insurance or other appropriate professional advice. Such opinions, counsel or interpretations should be obtained by any recipient of this Opinion from the appropriate professional sources.

For purposes of this Opinion, The Salter Group assumes that the Company has complied with all applicable federal, state, and local regulations and laws, unless the lack of compliance is specifically noted herein.

Except to the extent specifically disclosed in writing to The Salter Group, this Opinion also assumes that (i) the Company's management would continue to maintain the character and integrity of the assets until, and subsequent to, any sale or other transaction, and (ii) the Company has no undisclosed (a) material contingent assets or liabilities, (b) unusual obligations or substantial commitments, other than those incurred in the ordinary course of business, and (c) pending or threatened litigation that would have a material adverse effect on the Company.

Any recipient of this Opinion (other than certain persons affiliated with the Company, as specified in our client engagement letter) who has not signed and returned to The Salter Group its customary "Schedule A" access letter agreement is not authorized to review or retain this document. Any such unauthorized person shall be deemed to have acknowledged and agreed to the following additional terms, conditions and limitations: (i) this Opinion was prepared in accordance with instructions provided by, and for the exclusive use of, our client, (ii) this Opinion may not include all procedures deemed necessary or desirable for the purposes of any unauthorized recipient, (iii) neither The Salter Group nor any of its owners, officers or employees owe any duty or responsibility to any unauthorized recipient, and (iv) this Opinion may not be quoted, referenced or distributed, in whole or in part, without the prior written consent of The Salter Group.

APPENDIX A
Management Discussion of Actual Performance vs. Projections

General Overview:

TV/DVD Licensing numbers for 2007 in general were lower than projections as the sales efforts were hampered by 2 key factors: 1) the long-time, senior sales executive suffered a severe illness and 2) underperformance of the junior UK sales person. These events led to not only lower sales, but to the need to restructure the team. Korn Ferry was retained to find a seasoned TV sales executive who would reshape the team and the strategy. That sales executive, Matt Cooperstein, started with Liberation in late March 2008. He was previously a Senior Vice President of sales at Universal Studios where he developed and launched 2 very successful syndication shows: *Blind Date* and *Fifth Wheel*. He also was Senior Vice President of sales at Polygram TV. He is currently recruiting for a new sales person to cover certain international territories. Additionally, we recently made arrangements with new sales agents in Latin America and Asia to represent our properties.

On the DVD front, our head of DVD sales left the company, causing a void in our ability to interact with our DVD distributors and our customers, with a resulting impact on sales in 2007. While we were able to hire a new General Manager of DVD mid year, he could not start until close the end of 2007. We hired a seasoned DVD marketing and sales executive from Rhino, Sig Sigworth, who has already had a huge impact on the structure of the operations and our sales plan.

Also, Goldhil, our distributor for *Daniel Boone*, ran into financial difficulties and downsized dramatically, severely impacting our ability to fully carry out our sales strategy for the property. While the first 2 (of 6) seasons sold well, seasons 3-5 were not exploited to our satisfaction. Season 6 and the full Seasons 1-6 collector's series have not yet been released as originally planned. We are currently in a legal dispute with Goldhil. When we get the property rights back, we will relaunch the DVDs back into the marketplace.

We look towards future revenue streams like the WB's new digital platform and the growth of VOD to supplement our TV and DVD licensing and DVD retail sales.

The following will address specific titles:

(i) Daniel Boone: Licensing activities impacted by sales team issues noted above; Sale to U.S. TV was delayed. According to our U.S. sales agent handling the show, he is packaging the title with other classic TV shows, and the deal was unable to be completed in 2007. U.S.DVD distribution affected by Goldhil situation noted above.

Projected worldwide TV revenue is considered very reasonable and equates to approximately \$30k/episode over the period. This includes an estimated \$1m or more from the US market initially, with future cycles to come. There are a number of unsold international territories to be sold.

We will be taking the title back from Goldhil as noted above and relaunching all seasons again to the marketplace. We have yet to fully exploit all the seasons and season 6 was never released. Additionally, we will release a full collector's pack (with all 6 seasons) at some point. In addition to typical retail sales, we will continue to license the show around the world where we do not have a distribution presence (e.g., we just made a sale to Spain for \$50k to Impulso for DVD rights). We also expect to take advantage of the various alternative methods of distribution including the new digital platforms.

Notwithstanding the above, to better reflect our view of the marketplace, we have both reduced the estimates for Daniel Boone in the most recent valuation, as well as provided the estimates on more of a generally declining basis over the years as opposed to last year.

(ii) Gipsy Kings: TV licensing fell short of the 2007 projections due to the issues noted above. Home Entertainment/DVD in total approximated the projection put forth last year. The Gipsy Kings continue to tour and we expect continued sales of the title.

(iii) Michael Bolton: Projection achieved within $4k, with DVD exceeding projections and licensing lower as per reasons above.

(iv) Peter Gunn: Licensing revenues fell short as a result of reasons noted above. There have been a number of discussions surrounding the remake of Peter Gunn, whether a series of "MOW-type" formats, a movie or a new series. Our TV projection is only at $7k/episode. Liberation will get back the rights to the DVD at the end of 2008 and will release the title in DVD, as well as exploit on digital platforms. Liberation owns this title in perpetuity. We did review the timing of the projections and they are presented on more of a general declining basis than the prior valuation.

(v) Phenomenon: Licensing impacted by issues noted above. According to our recent sales tracking, we have interest currently in France and Italy, as well as a number of other territories.

(vi) Scope: We achieved 70% of the 2007 revenue goal for TV. Again, was impacted by the sales issues noted above.

(vii) Lost World: We achieved 70% of the revenue goal for TV. We have had a Canadian sale pending for $250k-$300k. We are awaiting certain legal certificates to complete the transaction, which we thought would take place in 2007. The show continues to be of great interest around the world. While we did not achieve the DVD Licensing projection, we did release the title ourselves internationally near the end of 2007.

(viii) Invisible Man: Licensing was impacted by sales issues noted above. Similar to Peter Gunn, we own this property in perpetuity, and expect the show to be remade in some format. However, we did reduce the projections from the prior valuation more in line with Peter Gunn.

(ix) The Soundies: When we did the 2007 projection, we had sold a newly produced show to PBS for their Spring Pledge. The series did not go forward with PBS, but we are in continued discussions with other entities. Additionally, the licensing potential of this huge library of valuable material is enormous, and we expect to be able to exploit it much better going forward. Notwithstanding, we did reduce the projections for the title in this valuation since we did not get the immediate boost from a series pick up last year.

(x) Hotel Erotica: We exceeded the sales projection for 2007 for TV, but did not make the Home Entertainment licenses, again as a result of the sales issues noted above. This property has a tremendous amount of interest internationally and we are licensing continually.

(xi) Library Other: We achieved approximately 70% of the $700k or so projected for other library titles. Again, the sales were impacted by the issues noted above.

(xii) Regent: While we achieved slightly less than 70% of the DVD projection, approximately $2m of projected revenue not achieved was due to titles shifted into 2008 or delayed to much later in 2007 to be able to achieve the targets. These delays were due to Regent being unable to deliver the titles to us for release as originally anticipated. Additionally, we did not end up selling the titles into the international DVD market as anticipated last year. We also expected Regent to make licensing deals faster than they did on the joint venture titles. We have not yet recorded our portion of the deals they did make thus far, however, as we just recently received the information. As a result of a review of these titles, the projections have been adjusted in line with the general sales trend of the various genres we sell from this producer.

(xiii) Universal Titles (segregated in 2007 valuation): Seemingly consistent with the segments of the library noted above, we achieve almost 70% of the projected sales for 2007. Again, refer to issues noted above.

(xiv) RAI (Imperium): We had hired a consultant in 2007 to sell this show to PBS and/or other outlets and obtain sponsorship revenue. The timing in the marketplace was not ideal during the period of his engagement, and we decided to delay the project. We still achieved 35% of the projection on other licensing deals. Our new TV sales executive will take over the sales of this title in 2008.

(xv) Other Current Titles: We achieved about 60% of the projections for all other titles. The primary shortfall came in the UK, where we had certain holiday "gifting" titles that did not perform as expected. For the 2006 holiday season, we had a major success with Ian Wright, a footballer in the UK. We sold over 130k units and won a British Video Award for Marketing. We attempted to replicate that success with Gary Lineker, another famous footballer in the UK, but the market did not cooperate (we hit about 50% of our sales goal). We also released an interactive game called Beat the Intro, which had major success in prior versions (we also had some success with interactive titles the year before). Unfortunately, the UK interactive DVD game market dried up and we shipped 40% of expectations. Additionally, we released the life story of Ricky Hatton, who fought Floyd Mayweather in Vegas in November 2007. While we still sold a record setting number of units (top boxing title of all time) and again won a British Video Award for Marketing for the title, Hatton lost the fight and we did not hit the targeted number of units.

We have done a couple of things going forward. First, we have dramatically reduced our reliance on fourth quarter "gifting" titles in the UK (we may only have 1 in 2008-not yet acquired and thus not reflected in the valuation). Additionally, we have insisted that our UK office be more conservative in the projections, both from a units and pricing prospective, which are reflected in this valuation.

THE SALTER GROUP
Independent Financial & Strategic Advisors

Liberation Entertainment Inc.

Filmed Entertainment Library Valuation

As of March 1, 2008

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Liberation Entertainment Inc.

Valuation Summary

(in thousands of USD)

	March 1, 2008 Valuation				
	With Taxes			Without Taxes	
Range of Value:	Low		High	Low		High

	With Taxes Low		With Taxes High	Without Taxes Low		Without Taxes High
Fair Market Value Indication						
Library Titles	1,600.0	--	1,700.0	1,800.0	--	1,900.0
Adjusted Quality AA Titles	4,600.0	--	5,000.0	5,400.0	--	5,700.0
Adjusted New Titles	9,900.0	--	10,300.0	11,000.0	--	11,300.0
Adjusted Regent Titles	2,100.0	--	2,300.0	2,500.0	--	2,600.0
Adjusted Other Management Forecasted Titles (1)	1,900.0	--	2,000.0	2,200.0	--	2,300.0
Total Fair Market Value Pre-Advances	**20,100.0**	--	**21,300.0**	**22,900.0**	--	**23,800.0**
Value-in-Place Indication						
Unadjusted Management Forecasts	5,000.0	--	[illegible]200.0	5,900.0	--	6,100.0
Total Fair Market Value & Value-in-Place Pre-Advances	**25,100.0**	--	**26,500.0**	**28,800.0**	--	**29,900.0**
Advance Obligations	(8,000.0)	--	(7,900.0)	(8,000.0)	--	(7,900.0)
Total After Advance Obligations	**17,100.0**	--	**18,600.0**	**20,800.0**	--	**22,000.0**

	March 1, 2007 Valuation					
	With Taxes Low		With Taxes High	Without Taxes Low		Without Taxes High
Fair Market Value Indication						
Library Titles	1,000.0	--	1,100.0	1,300.0	--	1,300.0
Current Titles	1,700.0	--	1,800.0	2,000.0	--	2,000.0
Total Fair Market Value Pre-Advances	**2,700.0**	--	**2,900.0**	**3,300.0**	--	**3,300.0**
Value-in-Place Indication						
Quality AA Titles & Management Forecasts	22,200.0	--	23,300.0	27,300.0	--	28,400.0
Total Fair Market Value & Value-in-Place Pre-Advances	**24,900.0**	--	**26,200.0**	**30,600.0**	--	**31,700.0**
Advance Obligations	(8,000.0)	--	(8,200.0)	(8,000.0)	--	(8,200.0)
Total After Advance Obligations	**16,900.0**	--	**18,000.0**	**22,600.0**	--	**23,500.0**

Footnotes:

(1) Includes the UK Title and Imperium Title segments.

Liberation Entertainment Inc.

Management Forecasted Net Receipts - By Segment
(in thousands of USD)

	Forecast Year Ending December 31,																			
	2008 (2)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Library Segments:																				
Quality AA Titles																				
Daniel Boone	1,129.5	1,230.0	1,007.5	837.0	679.0	623.2	349.8	192.7	164.3	164.3	129.9	129.9	129.9	99.9	99.9	99.9	76.9	76.9	-	-
Gipsy Kings	158.5	111.9	82.0	60.5	44.9	33.4	24.9	18.6	13.9	10.4	7.8	5.9	-	-	-	-	-	-	-	-
Michael Bolton	71.1	103.6	104.7	79.0	67.5	53.8	36.2	26.1	22.9	19.7	17.1	11.0	6.5	-	-	-	-	-	-	-
Peter Gunn	103.3	205.3	166.6	140.4	109.4	98.3	98.3	77.0	77.0	70.8	60.3	55.7	55.7	43.8	43.8	41.2	34.5	32.6	32.6	-
Phenomenon Archives	72.0	72.0	64.8	58.3	52.5	47.2	42.5	38.3	34.4	31.0	27.9	25.1	22.6	20.3	18.3	16.5	14.8	13.3	-	-
Scope	38.5	38.5	34.7	31.2	28.1	25.3	22.7	20.5	16.4	13.1	10.5	8.4	6.7	5.4	4.3	3.4	2.7	2.2	-	-
Wolverine	364.0	722.5	2,339.9	417.7	492.3	399.3	436.8	315.6	283.9	170.5	158.4	121.6	-	-	-	-	-	-	-	-
Lost World	354.0	250.4	104.9	85.2	71.3	57.8	36.0	23.7	-	-	-	-	-	-	-	-	-	-	-	-
The Invisible Man	81.0	184.2	148.6	124.3	96.5	85.4	85.4	66.7	66.7	60.4	52.1	47.4	47.4	37.2	37.2	34.6	29.3	27.3	33.0	-
The Soundies	103.3	110.5	110.5	97.8	93.5	93.5	85.0	80.8	80.8	68.0	51.0	51.0	38.3	38.3	28.7	28.7	21.5	21.5	16.1	-
Hotel Erotica	233.8	215.4	191.7	148.0	115.6	83.1	42.1	18.6	-	-	-	-	-	-	-	-	-	-	-	-
Quality AA Titles Net Receipts	2,709.0	3,244.3	4,355.9	2,079.4	1,850.4	1,600.3	1,259.8	878.5	760.3	608.3	515.0	456.0	307.0	244.9	232.2	224.3	179.8	173.8	81.7	-
Management Forecasted Titles																				
UK Titles	1,242.9	834.1	615.4	437.8	187.0	105.0	58.0	25.2	14.4	7.2	4.3	2.4	2.0	1.6	0.1	0.1	0.1	0.1	0.1	0.0
Regent Titles	1,012.2	1,330.6	1,062.0	836.9	626.9	144.2	2.8	1.2	1.1	0.9	0.9	0.8	0.7	0.6	-	-	-	-	-	-
Imperium Titles	91.1	101.3	101.3	50.6	50.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
New Titles	7,776.0	7,200.0	4,320.0	1,426.2	713.1	387.3	342.3	[illegible]	266.1	266.1	266.1	51.1	42.3	30.0	30.0	30.0	1.3	1.3	1.3	1.3
Management Forecasted Titles Net Receipts	10,122.2	9,465.9	6,098.7	2,751.5	1,577.7	636.4	403.1	359.1	281.6	274.2	271.4	54.3	45.0	32.2	30.1	30.1	1.4	1.4	1.4	1.4
Library Titles																				
Library Titles	602.4	685.3	551.2	478.5	333.0	206.8	157.9	76.3	65.9	65.5	50.3	45.9	41.7	37.6	33.4	25.7	23.2	21.3	19.3	17.2
Library Titles Net Receipts	602.4	685.3	551.2	478.5	333.0	206.8	157.9	76.3	65.9	65.5	50.3	45.9	41.7	37.6	33.4	25.7	23.2	21.3	19.3	17.2
Total Net Receipts	13,433.6	13,395.6	11,005.8	5,309.5	3,761.1	2,443.5	[illegible]	1,313.9	1,107.8	948.0	836.7	556.1	393.6	314.7	295.8	280.1	204.4	196.5	102.4	18.6

Footnotes:
(1) Estimated based on by-title indications provided by Management.
(2) For the ten months ending December 31, 2008.

Liberation Entertainment Inc.

TSG Forecasted Net Receipts - By Segment

(in thousands of USD)

	Forecast Year Ending December 31,																			
	2008 (2)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Library Segments:																				
Quality AA Titles																				
Daniel Boone	734.0	736.9	589.5	471.6	377.3	301.8	241.5	193.2	154.5	123.6	98.9	79.1	63.3	50.6	40.5	32.4	25.9	20.7	-	-
Gipsy Kings	88.1	78.3	62.7	50.1	40.1	32.1	27.2	20.5	16.4	13.1	10.5	8.4	-	-	-	-	-	-	-	-
Michael Bolton	62.1	55.2	44.2	35.4	28.3	22.6	18.1	14.5	11.6	9.3	7.4	5.9	4.7	-	-	-	-	-	-	-
Peter Gunn	46.9	131.0	100.3	76.9	59.0	45.3	41.9	32.1	29.9	22.9	21.5	16.4	15.5	11.8	11.2	8.5	8.2	6.2	6.0	-
Phenomenon Archives	61.2	61.2	55.1	49.6	44.6	40.2	36.1	32.5	29.3	26.3	23.7	21.3	19.2	17.3	15.6	14.0	12.6	11.3	-	-
Scope	38.5	35.0	28.8	23.7	19.6	16.2	13.5	11.2	9.0	7.2	5.8	4.6	3.7	2.9	2.4	1.9	1.5	1.2	-	-
Wolverine	309.4	614.1	1,988.9	355.1	418.4	339.4	371.3	268.3	241.4	145.0	134.6	103.4	-	-	-	-	-	-	-	-
Lost World	163.6	238.9	32.7	26.1	20.9	16.7	13.4	10.7	-	-	-	-	-	-	-	-	-	-	-	-
The Invisible Man	59.4	52.8	42.2	33.8	27.0	21.6	17.3	13.8	11.1	8.9	7.1	5.7	4.5	3.6	2.9	2.3	1.9	1.5	1.6	-
The Soundies	115.3	102.5	82.0	65.6	52.5	42.0	33.6	26.9	21.5	17.2	13.8	11.0	8.8	7.0	5.6	4.5	3.6	2.9	2.3	-
Hotel Erotica	126.4	112.3	89.9	71.9	57.5	46.0	36.8	29.4	-	-	-	-	-	-	-	-	-	-	-	-
Quality AA Titles Net Receipts	1,805.0	2,218.3	3,116.2	1,259.8	1,145.3	924.0	850.7	653.2	524.7	373.5	323.2	255.8	119.8	93.3	78.2	63.7	53.7	43.9	9.8	-
Management Forecasted Titles																				
UK Titles	867.0	759.1	594.7	459.4	332.9	231.6	177.5	114.7	89.7	67.2	20.5	15.5	12.4	9.9	7.9	0.1	0.1	0.1	0.1	0.0
Regent Titles	337.4	780.9	1,135.0	1,076.5	842.0	536.0	258.0	49.4	1.7	1.1	1.0	0.9	0.8	0.7	0.4	0.2	-	-	-	-
Imperium Titles	55.6	49.4	39.5	31.6	25.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
New Titles	6,609.6	6,120.0	3,672.0	1,212.3	606.1	329.2	290.9	[illegible]	226.2	226.2	226.2	43.5	36.0	25.5	25.5	25.5	1.1	1.1	1.1	1.1
Management Forecasted Titles Net Receipts	7,869.6	7,709.5	5,441.2	2,779.8	1,806.3	1,096.8	726.4	446.9	317.7	294.5	247.7	59.8	49.1	36.0	33.8	25.8	1.2	1.2	1.2	1.2
Library Titles																				
Library Titles	602.4	685.3	551.2	478.5	333.0	206.8	157.9	76.3	65.9	65.5	50.3	45.9	41.7	37.6	33.4	25.7	23.2	21.3	19.3	17.2
Library Titles Net Receipts	602.4	685.3	551.2	478.5	333.0	206.8	157.9	76.3	65.9	65.5	50.3	45.9	41.7	37.6	33.4	25.7	23.2	21.3	19.3	17.2
Total Net Receipts	10,277.1	10,613.1	9,108.6	4,518.1	3,284.6	2,227.6	[illegible]	1,176.4	908.2	733.4	621.2	361.5	210.6	167.0	145.4	115.2	78.1	66.4	30.3	18.3

Footnotes:

(1) Estimated based on by-title indications provided by Management.

(2) For the ten months ending December 31, 2008.

Liberation Entertainment Inc.

Advance Obligations - Discounted Cash Flow Analysis

(in thousands of USD)

	Forecast Year Ending December 31,																			
	2008 (1)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Gross Cash Flow	(4,965.4)	(3,300.0)	(281.3)	(281.3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net After Tax Cash Flow	(4,965.4)	(3,300.0)	(281.3)	(281.3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Discount Period	0.42	1.33	2.33	3.33	4.33	5.33	6.33	7.33	8.33	9.33	10.33	11.33	12.33	13.33	14.33	15.33	16.33	17.33	18.33	19.33
Discount Factor	0.95	0.85	0.75	0.67	0.59	0.52	0.46	0.41	0.36	0.32	0.28	0.25	0.22	0.20	0.17	0.15	0.14	0.12	0.11	0.09
Present Value	**(4,718.8)**	**(2,803.8)**	**(211.5)**	**(187.1)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

DCF Assumptions	
Discount Rate	13.0%
Tax Rate	0.0%
Terminal Net Before Tax Cash	
Terminal Growth Rate	
Implied Terminal Multiple	

Sensitivity Analysis: Value-in-Place

Discount Rate	
11.0%	(8,044.5)
12.0%	(7,982.2)
13.0%	(7,921.2)
14.0%	(7,861.5)
15.0%	(7,802.9)

Net of Distribution/Admin/Allocated Overhead		
	High:	(7,900.0)
	Low:	(8,000.0)

Footnotes:

(1) For the ten months ending December 31, 2008.