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**From:** Pmjarowey2@aol.com  
**Sent:** Wednesday, March 24, 2010 8:46 AM  
**To:** Joseph Pia  
**Cc:** jamie@camelotfilms.com; bob@camelotfilms.com; Jatedbaer@aol.com  
**Subject:** Liberation 2009 Income Statement Detail  
**Attachments:** 2009Forecast&SGADetail2009&2010.xlsLIBERATION.xls

Joe:

It took me awhile to locate the best document to provide the detail on revenue distribution for the Liberation Library. Attached is an income statement with actuals through 9/30/2009 and monthly forecasts for the 4Q 2009. The forecast actually came in very close the final numbers for 2009. This will give you a sense of the annual and monthly cash generation. Also included in the file for your consideration, are SGA actuals for 2009 and SGA an estimate for 2010. As you know, Camelot will not be acquiring any overhead in its purchase of the Liberation assets, so all the estimated SGA goes to the bottom line.

This responds to your request for specific revenue figures as we discussed the other day. After reading your note to Jamie yesterday regarding the "independent review of the library", I believe these numbers serve to solidly support that, in fact, the library does generate significant revenue exclusive of some of the territories Jamie is focusing on--supporting the cash price the Company is paying. Jamie plans to get back to you directly on the specifics raised in your email to him, but the attached is my contribution to the position that the Liberation assets are a good buy and can generate sufficient cash flow to pay back the loan in short order.

Please feel free to call with any questions. My cell phone is 617-388-4339. Thanks.

Peter

LIBERATION ENTERTAINMENT INC  
Income Statement (US Only)  
For the Nine Months Ending September 30, 2009

	Year to Date					Total 2009
	Actual	Oct	Nov	Dec	Total 2009	
<b>Revenues</b>						
DVD Distribution Sales	-					
DVD Distribution Sales- US	2,082,480	217,078	218,152	108,837	2,626,547	
DVD Rev Share Sales - US	(1,235)				(1,235)	
DVD Distribution Sales-Canada	929,718	81,818	8,099	2,731	1,022,366	
DVD Rev Share Sales - Canada	127,549				127,549	
DVD Distribution Sales- Intl	-				-	
Licensing TV & DVD-USA	-				-	
Licensing DVD only-USA	10,000				10,000	
Licensing TV only-USA	617,579	1,000	1,000	1,000	620,579	
Licensing - Digital - USA	-				-	
Licensing TV & DVD-Canada	-				-	
Licensing DVD only-Canada	-				-	
Licensing TV only-Canada	-				-	
Licensing - Digital - Canada	-				-	
Licensing TV & DVD Intl	-				-	
Licensing DVD only-Intl	736,324	-	60,000	10,000	806,324	
Licensing TV Only-Intl	1,004,424	7,200	80,500	105,740	1,197,864	
Licensing - Digital - Intl	-				-	
Theatrical Gross Revenue - Dom	150,584				150,584	
Theatrical Revenue - Intl	2,068				2,068	
Post-production income	9,915				9,915	
OTHER	-	2,500	2,500	2,500	7,500	
Commissions	-				-	
IPA (fka AFMA) Royalties	-				-	
Royalty-Other	42,929				42,929	
Misc Other Income	56,563				56,563	
<b>Combined domestic &amp; International</b>	<b>5,768,898</b>	<b>309,596</b>	<b>370,251</b>	<b>230,808</b>	<b>6,679,553</b>	
Sales Discounts	(51,936)				(51,936)	
PV Sales Discounts	(89,409)				(89,409)	
Returns	(395,029)	(73,983)	(43,931)	(20,892)	(533,835)	
<b>Total Revenues</b>	<b>5,232,524</b>	<b>235,613</b>	<b>326,320</b>	<b>209,916</b>	<b>6,004,373</b>	

## LIBERATION ENTERTAINMENT INC

## Income Statement (US Only)

For the Nine Months Ending September 30, 2009

	Year to Date				Total 2009
	Actual	Oct	Nov	Dec	
Cost of Sales	-				-
<b>PRODUCTION COSTS</b>	<b>4,453</b>				<b>4,453</b>
Contractors- outside vendors -	125				125
Narration/Voice-overs	10,847				10,847
Dubbing/Duplication	11,593				11,593
Film Trfr format/fix	1,900				1,900
Closed Caption	813				813
Studio rentals/filming	16,775				16,775
Video Edit	7,172				7,172
Audio Mix/Edits	720				720
Narration/Voice-overs	25,197				25,197
Video Masters	2,340				2,340
Closed Captioning	150				150
Graphic Designs/Key Art	1,568				1,568
Quality Control Expense	-				-
<b>MANUFACTURING COSTS</b>	<b>30,608</b>				<b>30,608</b>
Dubbing/Duplication	583				583
Delivery, Freight & Postage	275				275
Legal & Copyrights	196				196
Contractors- outside vendors	9,586				9,586
Studio rentals/filming	11,776				11,776
Graphic Designs/Key Art	657				657
Rep/Maint-Production Equipment	3,255				3,255
Quality Control Expense	-				-
<b>DISTRIBUTION COSTS</b>	<b>1,700</b>				<b>1,700</b>
Adv/Promotions (Gen Key Art)	46,985				46,985
Dubbing/Duplication	10,520				10,520
Delivery, Freight & Postage	495				495
Legal & Copyrights	9,712				9,712
DVD Screeners/Promotion	481				481
Local Messenger/Courier	6,357				6,357
Digital File Transfers/Uploads	4,000				4,000
Travel	76,207				76,207
Marketing-TV Licensing	6,045				6,045
Contractors- outside vendors					

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Commissions-Domestic Sales	86,947				86,947
Commissions-International Sales	21,248				21,248
PP-Writing/Editing/Assembly	3,441				3,441
Graphic Designs/Key Art	450				450
Storage/Restock Fees	43,805				43,805
Sync/Mechanical Royalties	10,300				10,300
Residuals-recoupable	46,800				46,800
Quality Control Expense	3,013				3,013
Reimb Costs-Wolveine	(130,270)				(130,270)
<b>Production/Distribution Costs</b>	<b>388,825</b>				<b>388,825</b>
DVD Distribution COGS	-				-
Distribution Fee DVD Distr COGS	425,224				425,224
Manufacturing DVD Distr COGS	445,457				445,457
Mfg Costs-Accrued Return Reser	-				-
Shipping DVD Distr COGS	21,931				21,931
Freight to Distributors	7,279				7,279
Returns Handling - DVD Distr	4,530				4,530
VMI Expense	602				602
Fulfillment - DVD Distr Costs	2,551				2,551
Marketing DVD Distr COGS	152,218				152,218
WEBSITE DESIGN/MAINT-MKTG DVD	45,246				45,246
Art & other DVD Distr COGS	81,114				81,114
Royalties DVD Distr COGS	298,965				298,965
Music Royalties-DVD	1,202				1,202
Residuals-DVD	12,965				12,965
Post Production-DVD-Cap Item	-				-
PP-DVD-AUTHORING	58,769				58,769
PP-DVD-Blue Ray Authoring	7,900				7,900
PP-DVD-Bonus Footage	15,531				15,531
PP-DVD-MENU DESIGN	18,700				18,700
PP-DVD-Video Mastering	5,090				5,090
PP-DVD-Quality Control	1,438				1,438
PP-DVD-Film Transfer	2,920				2,920
PP-DVD-Video/Audio Editing	7,873				7,873

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PP-DVD-Graphics & Key Art	25,745					25,745
PP-DVD-Commissions	702					702
PP-DVD-Dubbing/Duplication	7,659					7,659
PP-DVD-Delivery & Freight	1,346					1,346
PP-DVD-Local Messenger/Courier	1,012					1,012
PP-DVD-Online	1,281					1,281
PP-DVD-Quality Control	10,418					10,418
PP-DVD-Screeners/Trailers	12,772					12,772
Misc Other-DVD Distr COGS	35,204					35,204
Retail Coop Adv-North America	3,782					3,782
Cap Expenses Offset-DVD	(76,041)					(76,041)
DVD P&D COGS	1,641,385	140,732	105,875	50,848	50,848	297,455
		140,732	105,875	50,848	50,848	1,938,840
<b>THEATRICAL COGS</b>						
Theatrical Booking	-					-
Marketing US - Theatrical	26,947					26,947
Art & other Theatr Distr COGS	192,018					192,018
Prints/Digital Distrib- Theatr	6,076					6,076
Post Production-Theatr-Exp Item	85,577					85,577
PP-Theatrical-Graphics/Key Art	-					-
PP-Theatrical-Delivery/Freight	1,340					1,340
PP-Theatrical-Messenger/Courier	7,700					7,700
PP-Theatrical-Printing/Brochur	3,595					3,595
Quality Control-Theatrical	-					-
PP-Theatrical-Screeners/Trailers	3,103					3,103
	8,867					8,867
Theatrical COGS	335,223					335,223
Producer's Shares	1,020,775	5,599	52,688	66,234		1,145,297
Mechanical Publish royalties	1,836					1,836
Gain/Loss on foreign Exchange	4,317					4,317
Cap Expenses Offset-Licensing	(13,100)					(13,100)
Total Cost of Sales	3,379,261	146,332	158,564	117,082		3,801,238

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	Year to Date				Total 2009
	Actual	Oct	Nov	Dec	
Gross Profit	1,853,263	89,281	167,756	92,834	2,203,135
Expenses					
MIPCOM	5,366				5,366
MIPTV	(9,987)				(9,987)
Conventions-Acquisitions	7,253				7,253
DISCOP Trade Show	191				191
General Promotional Expenses	2,095				2,095
Website fees & support-LEI Cor	1,484				1,484
Marketing & Tradeshows	6,402				6,402
LABOR & RELATED COSTS					
Salaries & Wages	1,203,288				1,203,288
Vacation Pay Net accrual	2,064				2,064
Payroll Taxes	84,197				84,197
Insurance - Medical	69,692				69,692
Ins-Group Life AD&D STD & LTD	4,383				4,383
Insurance - Workers Comp.	7,236				7,236
Co Contribution-401k	36,287				36,287
Acc Bonus -All	18,750				18,750
Temporary Labor	17,790				17,790
Payroll/Burden Alloc to COGS	(5,305)				(5,305)
Labor & related costs	1,438,382				1,438,382
OPERATING EXPENSES					
Bank Fees/Charges	-				-
Computer Software (not capital	1,710				1,710
Computer Hardware Peripherals	689				689
Delivery - Couriers & Freight	828				828
Dues & Subscriptions - Profess	301				301
Gifts-Business	9,629				9,629
Insurance - General	258				258
	7,501				7,501

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Insurance - D&O	57,413					57,413
Internal Meetings	495					495
Meetings-external seminar/conf	457					457
Miscellaneous office	1,117					1,117
Parking-Office Building	10,680					10,680
Payroll Processing Fees	2,175					2,175
Plan 401k fees & expenses	1,922					1,922
Postage-Office	7,330					7,330
Prof. Fees - Audit/Tax Service	75,000					75,000
Prof Fees -Legal & Copyrights	89,364					89,364
Prof Fees - Consulting IT	26,770					26,770
Prof Fees - Consulting Other (	(21,969)					(21,969)
Prof Fees-Public Relations	(2,492)					(2,492)
Prof fees-Clarity Mgmt Fee	75,000					75,000
Rent-Building	84,100					84,100
Rent - Office Equipment	4,859					4,859
Stationary & Printing	254					254
Storage fees	786					786
Supplies-Kitchen	1,197					1,197
Supplies-Office	3,506					3,506
Taxes - Property	1,129					1,129
Taxes & Licenses - Business	7,524					7,524
Telephone-Landlines	8,279					8,279
Telephone-Cellular	12,263					12,263
Telecomm - Other (pagers, fax)	12,492					12,492
Travel & Entertainment	74,339					74,339
Bad Debt Expense	57,794					57,794
Operating Expenses	612,700					612,700
Total SG&A Expenses	2,057,484	213,194	201,953	199,853	199,853	2,672,484
Net Oper Income (Loss) before ITDA	(204,221)	(123,912)	(34,197)	(107,019)	(107,019)	(469,350)
Interest, Tax, Dept, Amort	-					
FILM & RIGHTS AMORTIZATION						

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Amort. Exp - Orig Acquired	737,085				
Amort. Exp - Newly Acquired	1,395,420				
Amortization	2,132,505	94,410	130,757	84,114	2,441,786
	40%				
DEPRECIATION EXPENSE	-				
Depreciation - Furn & Fixtures	7,686				
Depreciation - Production	2,289				
Depreciation - Computer Hardwa	15,591				
Depreciation - Computer Softwa	19,063				
Depreciation	44,629	4,949	4,949	4,949	59,476
INTEREST EXPENSE	-				
Interest- Clarity Credit Lines	-				
Interest Expense-Note Payable	1,741,385				
Late charges from vendor	5,960	100	100	100	6,260
Interest Expense	1,747,345	197,493	197,493	197,493	1,741,385
Interest Income	(9,836)				(9,836)
Interest Income-AR Discount	(6,707)	(2,200)	(2,200)	(2,200)	(13,307)
Other Non-Operating	(16,543)	(2,200)	(2,200)	(2,200)	(23,143)
Foreign Tax Withheld	46,765				
Income Taxes-State	1,737				
Income Taxes	48,502	-	-	-	48,502
Subtotal-Int, Taxes, Depr & Amort	3,956,438	294,652	330,999	284,356	4,268,006
Net Income (Loss)	(4,160,659)	(418,565)	(365,196)	(391,375)	(4,737,355)