

ENTERTAINMENT DISTRIBUTION CO INC

Form S-4

June 04, 2008

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As filed with the Securities and Exchange Commission on June 4, 2008

No. 333-

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**Form S-4
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

EDCI HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

3663

*(Primary Standard Industrial
Classification Code Number)*

26-2694280

*(I.R.S. Employer
Identification No.)*

**825 8th Avenue, 23rd Floor
New York, NY 10019
(212) 333-8400**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**JORDAN M. COPLAND
Interim Chief Executive Officer,
Chief Financial Officer, Secretary and Treasurer
825 8th Avenue, 23rd Floor
New York, NY 10019
(212) 333-8400**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies of all communications, including communications sent to agent for service, should be sent to:

ELIZABETH H. NOE, ESQ.
Paul Hastings Janofsky & Walker LLP
600 Peachtree St., Suite 2400
Atlanta, Georgia 30308
(404) 815-2400

Approximate date of commencement of proposed sale to the public: Upon consummation of the reorganization described herein.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Unit(2)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, \$0.02 par value	6,869,436	\$4.35	\$29,882,047	\$1,174.36

(1) Based upon an estimate of the maximum number of shares of common stock, \$0.02 par value per share, of EDCI Holdings, Inc. that will be exchanged for shares of common stock, \$0.02 par value, of Entertainment Distribution Company, Inc. pursuant to the reorganization described below.

(2) Estimated solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act of 1933, as amended, and calculated pursuant to Rules 457(c) and 457(f) under the Securities Act of 1933, as amended, based on the average of the high and low prices for Entertainment Distribution Company Inc.'s common stock on June 2, 2008, as reported on The NASDAQ Global Market.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file an amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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THE INFORMATION IN THIS PROXY STATEMENT/PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROXY STATEMENT/PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES NOR IS IT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER AND SALE ARE NOT PERMITTED. THIS PROXY STATEMENT/PROSPECTUS DOES NOT CONSTITUTE A SOLICITATION OF A PROXY IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH PROXY SOLICITATION.

SUBJECT TO COMPLETION DATED JUNE 4, 2008

**ENTERTAINMENT DISTRIBUTION COMPANY, INC.
825 8TH AVENUE, 23RD FLOOR
NEW YORK, NEW YORK 10019**

, 2008

Dear Stockholder:

On behalf of the board of directors and management of Entertainment Distribution Company, Inc., (**EDCI** or the **Company**), I cordially invite you to the Annual Meeting of Stockholders to be held on _____, 2008 at the Courtyard by Marriott, 1856 Remount Road, Gastonia, North Carolina 28054 at 9:00 a.m. local time. At the Annual Meeting, you will be asked to:

- (1) consider and vote upon a proposal to adopt a plan of reorganization intended to assist in protecting the long-term value to the Company of its substantial net operating loss carryforwards (**NOLs**) and to help ensure compliance with stock market listing standards by engaging in a transaction following which the Company will become a wholly owned subsidiary of EDCI Holdings, Inc. (**EDCI Holdings**), a newly formed holding company, and each ten outstanding shares of the common stock of the Company (the **Common Stock**) will be exchanged for one share of EDCI Holdings common stock (the **Reorganization**);
- (2) elect two Class III Directors;
- (3) ratify the selection of Ernst & Young LLP as the independent registered public accounting firm to audit the financial statements of the Company; and
- (4) transact any other business that may properly come before the 2008 Annual Meeting and any adjournment(s) or postponement(s) thereof.

As indicated above, in addition to the customary actions of electing the members of the Board of Directors of EDCI (the **Board of Directors** or the **Board**) and ratifying the appointment of our independent accountants, at this year's Annual Meeting we are seeking stockholder approval of a transaction intended to protect the long-term value of our NOLs and thereby help maximize stockholder value. There are two principal reasons for proposing this transaction.

First, as we have previously disclosed, we have substantial NOLs. We consider these loss carryforwards to be an important part of our overall strategy because they can be used to reduce the amount of income tax we would be required to pay in the future on earnings from our business. Under United States tax laws, certain changes in the ownership of the Company's stock could, over time, result in significant limitations being imposed on our ability to use

these loss carryforwards thereby reducing their long-term value to us. Because we consider these loss carryforwards to be important assets that can provide the Company with substantial value in the future, we feel it is important to protect our ability to use them. As announced on April 3, 2008, EDCI has adopted a rights plan to assist in protecting these loss carryforwards. We believe the Reorganization and the transfer restrictions that will be imposed thereby will be a more effective way to preserve this important asset. Therefore, if the Reorganization is approved, EDCI will terminate the rights plan upon the implementation of the Reorganization.

Second, as we have previously disclosed, on January 4, 2008, the Company received a letter from The NASDAQ Stock Market (**NASDAQ**) advising that for the previous 30 consecutive trading days, the bid price of the Common Stock had closed below the minimum \$1.00 per share requirement for continued inclusion on The NASDAQ Global Market pursuant to NASDAQ Marketplace Rule 4450(a)(5). Shares of the Common Stock may be delisted from The NASDAQ Global Market if the price of the shares does not close above \$1.00 for ten consecutive trading days before July 2, 2008, subject to an additional 180 day extension period if the Common Stock begins trading on The NASDAQ Capital Market instead of on The NASDAQ Global Market. In connection with the Reorganization, the Company intends to apply for listing of EDCI Holdings common stock on The NASDAQ Capital Market, which the Board of Directors believes is a more appropriate market

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than The NASDAQ Global Market for the common stock of EDCI Holdings to trade. The Board of Directors believes that the proposed Reorganization would, among other things, better enable EDCI Holdings to maintain the listing of its common stock on The NASDAQ Capital Market. Therefore, in the Reorganization we are proposing to exchange shares of Common Stock for shares of EDCI Holdings common stock at a ratio of ten to one (the **Exchange Ratio**) with the primary goal of raising the per share trading price of EDCI Holdings common stock above the per share trading price of EDCI's Common Stock. If the Reorganization is implemented, you will own fewer shares of EDCI Holdings common stock than you do of the Company's Common Stock. Nevertheless, the shares that you do own will represent the same proportional ownership interest in EDCI Holdings as you have in the Company. You should not expect, however, that the market price for a share of EDCI Holdings common stock will necessarily increase in direct proportion to the Exchange Ratio. If the Reorganization is not approved by the July 2nd deadline for NASDAQ compliance, the Company intends to apply for listing of the Common Stock on The NASDAQ Capital Market prior to the Reorganization in order to obtain the benefit of the additional 180 day compliance period.

To effect the Reorganization, we have formed two new subsidiaries EDCI Holdings and EDC Merger Sub, Inc. (**EDC Merger Sub**). They are both Delaware corporations, like the Company. Under the terms of a short agreement, we would complete a merger between EDCI and EDC Merger Sub that would result in EDCI becoming a wholly owned subsidiary of EDCI Holdings. In the merger, each ten shares of your existing Common Stock would be exchanged for one share of EDCI Holdings common stock. (EDC Merger Sub would cease to exist following the merger.) In addition, the consolidated assets and liabilities of EDCI Holdings immediately after the merger would be the same as the consolidated assets and liabilities of the Company immediately prior to the merger. In addition to a detailed description of the proposed Reorganization, the attached proxy statement/prospectus also includes (on page 21) diagrams of the proposed transaction. Our Board of Directors, after discussing the situation with our outside professional advisors, decided to approve and recommend for your approval the Reorganization described in the attached proxy statement/prospectus. The Reorganization requires the approval of the holders of a majority of our outstanding shares of Common Stock, and, for this reason, we are sending the attached proxy statement/prospectus to you to solicit your support for the Reorganization.

If the Reorganization is approved and completed, the only changes you, our stockholders, are likely to notice are the following:

You would become stockholders of EDCI Holdings, rather than of the Company. Each ten shares of Common Stock that you now own would be exchanged for one share of common stock of EDCI Holdings, so that your proportional ownership interest in EDCI Holdings will be the same as your ownership interest in the Company, except to the extent that you receive cash for fractional shares of EDCI Holdings in connection with the Reorganization. The treatment of fractional shares is discussed in greater detail in the attached proxy statement/prospectus. Following the Reorganization, you will be asked to exchange your shares of Common Stock for shares of common stock of EDCI Holdings. If you have certificates for your shares of Common Stock, you will receive certificates representing your shares of EDCI Holdings.

Shares of EDCI Holdings will be subject to transfer restrictions designed to protect our NOLs. However, as long as you own less than 5% of the outstanding shares of EDCI Holdings, these transfer restrictions generally will not affect you. The transfer restrictions are described in detail beginning on page 29 of the attached proxy statement/prospectus, and the complete transfer restrictions are included in Appendix B to the attached proxy statement/prospectus.

Immediately following the Reorganization, the only assets and liabilities of EDCI Holdings will be 100% of the stock of the Company. Therefore, as stockholders of EDCI Holdings, you will continue to own 100% of the Company through your ownership of EDCI Holdings. The certificate of incorporation and the by-laws of EDCI Holdings will be virtually identical to the Company's, except that they will now include the transfer restrictions described in detail in the

attached proxy statement/prospectus and authorize EDCI Holdings to issue fewer shares of its common stock than EDCI is authorized to issue. The directors and executive officers of EDCI Holdings will be the same as the directors and executive officers of the Company. In addition, we will remain a publicly traded company, with EDCI Holdings common stock listed and traded on The

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NASDAQ Capital Market under the symbol EDCI the same symbol under which our Common Stock now trades on The NASDAQ Global Market.

We believe that the Reorganization is an important part of the Company's future, and we hope you will agree to support it. **The Company's Board of Directors recommends that you vote FOR the Reorganization, FOR the election of the board's nominees for directors, and FOR approval of Ernst & Young LLP as our independent accountants.**

Before deciding how to vote, you should review the attached proxy statement/prospectus for a detailed explanation of the Reorganization, the transfer restrictions, and the implications of the Exchange Ratio. You should also review the appendices to the proxy statement/prospectus, which contain the complete terms and conditions of the Reorganization and the complete transfer restrictions, as well as our annual report to stockholders accompanying the attached proxy statement/prospectus.

Whether or not you plan to attend the Annual Meeting, please complete, sign and date the accompanying proxy card and return it in the enclosed prepaid envelope. If you attend the Annual Meeting, you may revoke your proxy and vote in person if you wish, even if you have previously returned your proxy card. Your prompt cooperation will be greatly appreciated.

Sincerely,

Clarke H. Bailey
Chairman of the Board

Your Vote is Important.

**Please execute and return the enclosed proxy promptly,
whether or not you plan to attend the Annual Meeting.**

Neither the Securities and Exchange Commission nor any state securities commission has approved the common stock to be issued under this proxy statement/prospectus or has determined if this proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated _____, 2008,
and is first being mailed to stockholders on or about _____, 2008.

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**ENTERTAINMENT DISTRIBUTION COMPANY, INC.
825 8TH AVENUE, 23RD FLOOR
NEW YORK, NEW YORK 10019**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON _____, 2008**

The 2008 Annual Meeting of the Stockholders of Entertainment Distribution Company, Inc., a Delaware corporation (the **Company**), will be held at the Courtyard by Marriott, 1856 Remount Road, Gastonia, North Carolina 28054 on _____, 2008 at 9:00 a.m., local time, for the following purposes:

- (1) To consider and vote upon a proposal to adopt a plan of reorganization intended to assist in protecting the long-term value to the Company of its substantial net operating loss carryforwards (**NOLs**) and to help ensure compliance with stock market listing standards by engaging in a transaction following which the Company will become a wholly owned subsidiary of EDCI Holdings, Inc. (**EDCI Holdings**), a newly formed holding company, and each ten outstanding shares of the common stock of the Company (the **Common Stock**) will be exchanged for one share of EDCI Holdings common stock (the **Reorganization**);
- (2) To elect two Class III Directors;
- (3) To ratify the selection of Ernst & Young LLP as the independent registered public accounting firm to audit the financial statements of the Company; and
- (4) To transact any other business that may properly come before the 2008 Annual Meeting and any adjournment(s) or postponement(s) thereof.

The Board of Directors of the Company has approved and recommends that you vote FOR all of the proposals that are described in the attached proxy statement/prospectus.

The close of business on _____, 2008 has been fixed as the record date for determination of stockholders entitled to notice of and to vote at the 2008 Annual Meeting and any adjournment(s) or postponement(s) thereof. A proxy statement/prospectus, a form of proxy, and the Company's 2008 Annual Report are enclosed with this Notice.

A list of stockholders entitled to vote at the 2008 Annual Meeting will be open to the examination of any stockholder for any purpose relevant to the 2008 Annual Meeting, during ordinary business hours, for a period of 10 days prior to the 2008 Annual Meeting at the Company's offices located at 825 8th Avenue, 23rd floor, New York, New York and will be available at the meeting for such purpose.

Please do not send any stock certificates to us at this time. If the Reorganization is completed, you will receive letters of transmittal and instructions regarding the exchange of your certificates of stock in the Company.

Stockholders are cordially invited to attend this meeting. Each stockholder, whether or not he or she expects to be present in person at the 2008 Annual Meeting, is requested to **SIGN, DATE and RETURN THE ENCLOSED PROXY** in the accompanying envelope as promptly as possible.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Jordan M. Copland

Jordan M. Copland
Interim Chief Executive Officer,
Chief Financial Officer, Secretary and Treasurer

, 2008

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QUESTIONS AND ANSWERS REGARDING THE ANNUAL MEETING

Set forth below are some key questions and answers to provide you with more information about the annual meeting. These questions and answers are qualified in their entirety by reference to the more detailed information appearing elsewhere in or accompanying this proxy statement/prospectus. You are urged to review the entire proxy statement/prospectus and accompanying materials carefully.

In this proxy statement/prospectus, **EDCI**, the **Company**, **we** and **our** refer to Entertainment Distribution Company Inc. and its consolidated subsidiaries (other than EDCI Holdings and EDC Merger Sub) and predecessors, **EDCI Holdings** refers to EDCI Holdings, Inc., the Company's wholly owned subsidiary before the Reorganization and the parent company after the Reorganization, and **EDC Merger Sub** refers to EDC Merger Sub, Inc., the wholly owned subsidiary of EDCI Holdings before the Reorganization into which the Company will merge if the Reorganization is approved.

INTRODUCTION

Q: Why am I receiving this proxy statement/prospectus?

A: You have received this proxy statement/prospectus and the enclosed proxy card from the Company because you held shares of common stock of the Company (the **Common Stock**) on _____, 2008.

Q: What are the proposals I will be voting on at the annual meeting?

A: As a stockholder, you will:

- (1) consider and vote upon a proposal to adopt a plan of reorganization intended to assist in protecting the long-term value to the Company of its substantial net operating loss carryforwards (**NOLs**) and to help ensure compliance with stock market listing standards by engaging in a transaction following which the Company will become a wholly owned subsidiary of EDCI Holdings, Inc. (**EDCI Holdings**), a newly formed holding company, and each ten outstanding shares of Common Stock will be exchanged for one share of EDCI Holdings' common stock (the **Reorganization**);
- (2) elect two Class III Directors; and
- (3) ratify the selection of Ernst & Young LLP as the independent registered public accounting firm to audit the financial statements of the Company.

Q: Who is entitled to vote?

A: Only holders of record of shares of Common Stock on the close of business on _____, 2008 will be entitled to vote at the annual meeting. On _____, 2008, the Company began mailing this proxy statement/prospectus to all persons entitled to vote at the annual meeting.

Q: When and where is the annual meeting being held?

A: The annual meeting is being held on _____, 2008 at the Courtyard by Marriott, 1856 Remount Road, Gastonia, North Carolina 28054, at 9:00 a.m., local time.

THE REORGANIZATION

Q: Why is the Company proposing the Reorganization?

A: One reason the Company is proposing the Reorganization is to assist in protecting the long-term value to the Company of its substantial net operating loss carryforwards, which are an important part of the Company's business strategy. In the Reorganization, restrictions on certain transfers of common stock of EDCI Holdings received in exchange for the Common Stock will be put in place that will reduce the risk that the Company would experience an ownership change for tax purposes, which would impose significant limitations on the use of the Company's NOLs. The second reason for the Reorganization is that the

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Company expects that by fixing the ratio at which shares of Common Stock are converted into shares of EDCI Holdings common stock at ten to one (the **Exchange Ratio**), EDCI Holdings will be able to meet the requirements for the continued listing of its common stock on The NASDAQ Capital Market, as a successor of the Company.

Q: What will I receive in the Reorganization for my shares of Common Stock?

A: You will receive one share of common stock of EDCI Holdings in exchange for each ten shares of Common Stock that you hold at the time of the Reorganization. For example, if you currently own 10,000 shares of the Common Stock, after the Reorganization you will receive 1,000 shares of EDCI Holdings common stock.

Q: After the Reorganization, will EDCI Holdings have the same directors and executive officers that the Company currently has?

A: Yes. The executive officers of EDCI Holdings immediately after the Reorganization will be the same as EDCI's current executive officers, and the directors of EDCI Holdings immediately after the Reorganization will be the continuing EDCI directors as well as the directors who are elected at the annual meeting.

Q: What will be the business of EDCI Holdings after the Reorganization?

A: The sole activity of EDCI Holdings immediately after the Reorganization will be to hold 100% of the stock of EDCI. The consolidated assets, liabilities and stockholders' equity of EDCI Holdings immediately following the Reorganization will be the same as the consolidated assets, liabilities and stockholders' equity of the Company immediately prior to the Reorganization.

Q: Will I have appraisal rights in connection with the Reorganization?

A: No. You are not entitled to appraisal rights under Delaware law.

Q: What will happen to my shares of Common Stock after the Reorganization?

A: If the Reorganization is approved, EDCI Holdings will send you a letter of transmittal that will explain how to obtain common stock of EDCI Holdings in exchange for your shares of Common Stock.

Q: What if I fail to exchange my Common Stock for common stock of EDCI Holdings?

A: If you fail to surrender your certificates of Common Stock, you will not receive certificates representing common stock of EDCI Holdings. In this case, you will not be entitled to any distributions made with respect to common stock of EDCI Holdings, and you will not be able to transfer your EDCI Holdings common stock until your Common Stock is surrendered.

Q: Will the common stock of EDCI Holdings be publicly traded?

A: Yes. After the Reorganization, EDCI's Common Stock will no longer be listed on The NASDAQ Global Market, but EDCI Holdings' common stock will be listed on The NASDAQ Capital Market for trading under the symbol EDCI. (The Common Stock is currently traded under this same symbol on The NASDAQ Global Market.) The Company will not complete the Reorganization unless and until EDCI Holdings' common stock is approved for listing on The NASDAQ Capital Market.

Q: What if the Reorganization is not approved by the stockholders?

A: The reorganization transaction will not occur and you will continue to hold shares of the Company's Common Stock. The Company will not have the same ability to prohibit transfers that could lead to or cause an ownership change had the Company completed the Reorganization. An ownership change could severely limit the Company's ability to use the net operating loss carryforwards.

Also, EDCI's Common Stock may be delisted from The NASDAQ Global Market regardless of whether the Reorganization is approved. One purpose of the Reorganization is to reduce the likelihood of delisting by reducing the number of issued and outstanding shares of the common stock of EDCI Holdings below the number of issued and outstanding shares of EDCI, thereby raising the trading price for EDCI Holdings

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stock and making it more likely that shares of such stock will continue to qualify for listing on The NASDAQ Capital Market, which the Board of Directors believes is a more appropriate market than The NASDAQ Global Market for the common stock of EDCI Holdings to trade.

Q: What are the U.S. federal income tax consequences of the Reorganization on the stockholders of the Company?

A: Stockholders will, for federal income tax purposes: (1) recognize no gain or loss upon the receipt of stock of EDCI Holdings in exchange for their Common Stock; (2) have an initial tax basis in the stock of EDCI Holdings received that is the same as their adjusted tax basis in their EDCI stock; and (3) have a holding period for stock of EDCI Holdings that includes their holding period for their stock of the Company.

THE EXCHANGE RATIO

Q: How will the Exchange Ratio accomplish the stated objectives?

A: EDCI believes the Exchange Ratio is likely to result in a market price per share of the common stock of EDCI Holdings above the level necessary to achieve and maintain EDCI Holdings listing on The NASDAQ Capital Market. You should not expect, however, that the market price for a share of common stock of EDCI Holdings will necessarily increase above the price for a share of Common Stock of EDCI at the rate suggested by the Exchange Ratio or will maintain any such price, if achieved.

Q: Will my ownership position in EDCI be diluted in the Reorganization?

A: Generally, no. The number of outstanding shares of EDCI Holdings after the Reorganization will be less than the number of outstanding EDCI shares before the Reorganization, but the aggregate economic interests represented by these shares will remain the same as they are today because all of the shares of Common Stock are subject to the Reorganization. Consequently, you will own indirectly the same portion of the Company after the Reorganization that you do directly now, unless the number of shares of the Company you own is not evenly divisible by the Exchange Ratio.

Q: What if the number of EDCI shares I own is not evenly divisible by the Exchange Ratio?

A: You will not receive any fractional shares of EDCI Holdings. In lieu of issuing fractional shares, the Company may either (i) directly pay each stockholder who would otherwise have been entitled to a fraction of a share an amount in cash equal to the closing sale price of the Common Stock, as quoted by the NASDAQ on the Effective Date, multiplied by the fractional share amount, or (ii) make arrangements with the Company's transfer agent or exchange agent to aggregate all fractional shares otherwise issuable in the Reorganization and sell these whole shares as soon as possible after the Effective Date at the prevailing market prices on the open market on behalf of those holders, and then pay each such holder his, her or its pro rata portion of the sale proceeds.

THE TRANSFER RESTRICTIONS

Q: What is the purpose of the transfer restrictions?

A: The purpose of the transfer restrictions is to help preserve the long-term value to the Company of its accumulated net operating loss carryforwards. The proposed transfer restrictions are designed to prohibit certain transfers of EDCI Holdings stock in excess of amounts that, because of provisions of the Internal Revenue Code, could inhibit the Company's ability to use its NOLs to reduce its future income tax liability.

Q: What transfers will the proposed restrictions prohibit?

A: Subject to certain limited exceptions, the transfer restrictions would restrict any person from buying or selling EDCI Holdings stock (or any interest in EDCI Holdings stock) if the transfer would result in a stockholder (or several stockholders, in the aggregate, who hold their stock as a group under the federal securities laws) owning 5% or more of EDCI Holdings stock. The purpose of these restrictions is to limit direct or indirect transfers of stock of EDCI Holdings that would affect the percentage of stock that is

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treated as being owned by 5% stockholders (within the meaning of section 382 of the Internal Revenue Code). Changes in ownership of the Company's stock by such 5% stockholders and the creation of new 5% stockholders can result in limitations on the Company's ability to use the Company's NOLs to reduce the Company's future income tax liability. Stockholders who own more than 5% of the Company's stock prior to the Reorganization will be allowed to acquire additional shares of EDCI Holdings' common stock representing up to one-half of 1% of the total outstanding shares of EDCI Holdings' common stock immediately following the Reorganization (and taking into account in calculating the number of additional shares acquired, any shares exchanged in the Reorganization for shares of common stock of EDCI acquired by such pre-existing 5% stockholder on or after April 2, 2008).

Q: How will the restrictions affect me if I already own more than 5% of the Company's stock?

A: If you already own more than 5% of the Company's stock, you would be able to transfer your shares following the Reorganization if both of the following conditions are met: (i) such transfer does not increase the percentage stock ownership of another holder of 5% or more of EDCI Holdings' common stock or create a new holder of 5% or more of EDCI Holdings' common stock (but you will be able to transfer your shares in such a way that creates a new public group) and (ii) the stock that is the subject of the transfer was acquired by you in the Reorganization. In addition, if you owned more than 5% of the Company's stock prior to the Reorganization, the transfer restrictions would allow you to acquire additional shares of EDCI Holdings' common stock representing up to one-half of 1% of the total outstanding shares of EDCI Holdings' common stock immediately following the Reorganization (and taking into account in calculating the number of additional shares acquired, any shares exchanged in the Reorganization for shares of common stock of EDCI acquired by you on or after April 2, 2008).

Q: Will the transfer restrictions apply to me if I own less than 5% of EDCI's stock?

A: Yes, but there will be no restrictions on the sale of common stock of EDCI Holdings by a stockholder who owns less than 5% of EDCI Holdings' common stock to a purchaser who, after the sale, also would own less than 5% of EDCI Holdings' common stock.

Q: How long will the transfer restrictions remain in effect?

A: The transfer restrictions will remain in effect until the Board of Directors determines that the Company's NOLs are no longer available to reduce the Company's future income tax liability, which should be the earlier of full usage of the loss carryforwards or their expiration. The Company estimates that the latest date of expiration of the current loss carryforwards is 2027.

Q: Will the transfer restrictions apply to me if I vote against the Reorganization?

A: Yes, if a majority of holders of the Company's issued and outstanding Common Stock approve the Reorganization, your stock will be subject to the transfer restrictions even if you vote against the Reorganization.

Q: Can I sell my shares before the annual meeting without being subject to the transfer restrictions?

A: Yes. Transfers of the Common Stock prior to the completion of the Reorganization will not be subject to the transfer restrictions. However, as announced on April 3, 2008, EDCI has adopted a rights plan that would be triggered if any one individual or entity acquires 4.9% or more of EDCI's Common Stock. Therefore, the rights plan may limit your ability to transfer your shares of Common Stock.

Q: Will the Board of Directors be able to make exceptions for transfers that would otherwise be restricted?

A: Yes, the Board of Directors will have the discretion to approve transfers that would otherwise be restricted. In addition, the Board of Directors has determined that in some circumstances, stockholders that own 5% or more of the common stock of EDCI Holdings immediately following the consummation of the Reorganization will not be prohibited from selling shares received in the Reorganization so long as such sales do not create a new 5% stockholder or increase the ownership of an existing 5% stockholder (in each case, other than a public group).

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Q: Are there risks that I should consider in deciding on how to vote on the Reorganization?

A: Yes, you should carefully read this proxy statement/prospectus, including the factors discussed in the section titled "Risk Factors of the Reorganization" beginning on page 34.

VOTING

Q: What vote is required to approve the Reorganization?

A: Under Delaware law and the Company's by-laws, the affirmative vote of the holders of a majority of the Company's outstanding shares of Common Stock is required to approve the Reorganization.

Q: What vote is required for the election of directors?

A: The two nominees for director who receive the most votes will be elected to the Company's Board of Directors.

Q: What vote is required for the ratification of the appointment of Ernst & Young LLP as the Company's independent accountant for 2008?

A: Ernst & Young LLP will be ratified as the Company's independent accountant for the 2008 fiscal year if a majority of the shares represented at the annual meeting and eligible to vote ratify the board of director's appointment of Ernst & Young LLP.

Q: Who is soliciting my proxy?

A: The Company's Board of Directors.

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

A: The Company's Board of Directors recommends that you vote **FOR** the Reorganization, and **FOR** each of the other proposals.

Q: How is my vote counted if I vote by proxy?

A: If you decide to vote by proxy, your proxy card will be valid only if you sign, date and return it before the annual meeting to be held on _____, 2008. You may vote **FOR**, **AGAINST** or **ABSTAIN** on Proposals One (the Reorganization) and Three (ratification of the appointment of Ernst & Young LLP). You may vote **FOR** all director nominees, or to **WITHHOLD** voting authority with respect to one or both director nominees. If you fail to vote **FOR** the Reorganization, or you **ABSTAIN** from voting on the Reorganization, it has the same effect as a vote **AGAINST** the Reorganization. If you **WITHHOLD** authority with regard to one or both of the director nominees, your vote on this proposal will not be counted in determining its outcome. If you **ABSTAIN** from voting on the ratification of the appointment of Ernst & Young LLP, your vote on this proposal will be treated as a vote against the ratification of Ernst & Young LLP.

Q: If my shares are held in street name, will my broker be able to vote my shares?

A: Yes, but only if you provide instructions to your broker on how to vote on the Reorganization. Brokers will have discretionary authority to vote on the election of directors and the ratification of the appointment of Ernst &

Young LLP.

Q: Can I change my vote after I have mailed my signed proxy card?

A: Yes, you may change your vote at any time before your shares are voted at the annual meeting by giving written notice of revocation to the Chairman or the Secretary of the Company, by filing a later-dated proxy with either of them prior to the commencement of the 2008 Annual Meeting, or by voting in person at the 2008 Annual Meeting. Proxies and notices of revocation should be mailed or delivered to Entertainment Distribution Company, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, New York 11717 for receipt by Broadridge no later than two business days prior to the 2008 Annual Meeting, or should be deposited with

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the Chairman or the Secretary of the Company immediately prior to the commencement of the 2008 Annual Meeting.

Q: Whom can I contact with questions about the Reorganization or the annual meeting?

A: If you have questions about the Reorganization or the annual meeting or would like additional copies of this proxy statement/prospectus, you should contact EDCI's Chief Financial Officer at (212) 333-8400.

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SUMMARY

This summary highlights selected information from this proxy statement/prospectus regarding the Reorganization and may not contain all of the information that may be important to you in evaluating the proposed Reorganization. The information contained in this summary is qualified in its entirety by, and should be read in conjunction with, the detailed information appearing elsewhere in this proxy statement/prospectus and in the appendices. To understand fully the proposed Reorganization, you are strongly encouraged to read this proxy statement/prospectus, the appendices and the Company's annual report to stockholders that accompanies this proxy statement/prospectus. Page references are included in this summary to direct you to a more complete discussion in this proxy statement/prospectus.

EDCI (see page 18)

The Company, through its majority owned subsidiary, is an industry leader in providing pre-recorded products and distribution services to the entertainment industry with operations serving the United States, central Europe and the United Kingdom. The Company's principal place of business is at 825 8th Avenue, 23rd Floor, New York, New York 10019, telephone: (212) 333-8400.

EDCI Holdings (see page 18)

EDCI Holdings, Inc. is a Delaware corporation and wholly owned subsidiary of EDCI. EDCI Holdings was recently formed for the purpose of effecting the Reorganization. EDCI will be a wholly owned subsidiary of EDCI Holdings after the Reorganization.

EDC Merger Sub (see page 19)

EDC Merger Sub, Inc. is a Delaware corporation and a wholly owned subsidiary of EDCI Holdings. EDC Merger Sub was recently formed for the purpose of effecting the Reorganization and will cease to exist following the Reorganization.

Reasons for the Reorganization (see pages 28-34)

The Reorganization is intended to help EDCI preserve the long-term value of its net operating loss carryforwards, which can be used to reduce its future income tax liability. Under current tax laws, an ownership change could severely limit EDCI's ability to use these tax benefits. As a result of the Reorganization, EDCI Holdings (the Company's new parent) stock would be subject to transfer restrictions intended to decrease the risk that an ownership change would occur. While, as announced on April 3, 2008, EDCI has adopted a rights plan to assist in protecting these loss carryforwards, we believe the Reorganization and the transfer restrictions that will be imposed thereby will be a more effective way to preserve this important asset. Therefore, if the Reorganization is approved, EDCI will terminate the rights plan prior to the implementation of the Reorganization.

Another primary objective of the Reorganization is to raise the per share trading price of the common stock of EDCI Holdings above the per share trading price of the Common Stock of EDCI. The Board of Directors believes that the Reorganization would, among other things, better enable EDCI Holdings to achieve and maintain the listing of its common stock on

The NASDAQ Capital Market.

Reorganization (see pages 18-27)

As depicted in the diagrams on page 21, in the Reorganization, EDC Merger Sub will merge with and into EDCI, and EDCI will be the surviving corporation. As a result, EDCI will become a wholly owned subsidiary of EDCI Holdings.

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At the time of the Reorganization,

you will become a stockholder of EDCI Holdings, and each ten shares of your Common Stock will be automatically converted into the right to receive one share of common stock of EDCI Holdings (subject to the cash out of fractional shares);

each share of common stock of EDCI Holdings will be subject to the transfer restrictions, whether or not you vote in favor of the Reorganization;

each share of EDC Merger Sub common stock held by EDCI Holdings will be converted into one share of EDCI; and

each share of common stock of EDCI Holdings held by EDCI will be cancelled.

After the Reorganization, outstanding options to purchase Common Stock will be exercisable only for common stock of EDCI Holdings.

The relative powers, designations, preferences, rights and qualifications of EDCI Holdings' common stock as in effect immediately prior to the Reorganization will be identical in all respects to the Common Stock, except for the transfer restrictions described below under the section entitled "Transfer Restrictions."

Completion of the Reorganization may be deferred by the Company's Board of Directors or an authorized officer following the annual meeting if the Board of Directors or an authorized officer determines that deferral would be in the best interests of the Company and its stockholders.

The Agreement and Plan of Reorganization, attached as Appendix A, may be terminated and the Reorganization abandoned prior to the filing of the certificate of merger, whether before or after approval by EDCI stockholders, if the Board of Directors determines that the Reorganization for any reason would not be in the best interests of EDCI and its stockholders.

If the Reorganization is implemented, the number of issued and outstanding shares of common stock of EDCI Holdings will be 15,000,000 authorized and approximately 6,869,436 outstanding, as compared with 200,000,000 authorized shares and 68,694,358 outstanding shares of Common Stock of EDCI as of May 27, 2008.

The number of outstanding shares of EDCI Holdings will be less than the number of outstanding EDCI shares, but the aggregate economic interests represented by these shares will remain the same as they are today. You should not expect, however, that the market price for a share of EDCI

Holdings' common stock will necessarily be the same as the market price of Common Stock before the Reorganization multiplied by the Exchange Ratio.

Management of EDCI Holdings (see pages 22-23)

Immediately after the Reorganization, the executive officers of EDCI Holdings will be the same persons who currently serve as officers of EDCI and the directors of EDCI Holdings will be the directors who are elected at the annual meeting together with the

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continuing directors of EDCI. There will be no change in the compensation or benefits of the directors or executive officers of EDCI as a result of the Reorganization. They will continue to receive the same aggregate compensation and benefits as they presently receive from EDCI (unless and until such compensation and benefits are changed at some future time by the board of directors of EDCI Holdings).

Listing of EDCI Holdings common stock (see page 20)

After the Reorganization, EDCI's Common Stock will be delisted and cease to trade, and EDCI Holdings common stock will be listed for trading on The NASDAQ Capital Market under the symbol EDCI the same symbol under which the Common Stock now trades on The NASDAQ Global Market.

Conditions to the Reorganization (see page 23)

The Reorganization is subject to the satisfaction of the following conditions:

approval by the vote of the holders of a majority of the Company's issued and outstanding Common Stock;

receipt of an opinion from counsel with respect to the enforceability of the transfer restrictions under Delaware law;

EDCI Holdings common stock having been approved for listing by The NASDAQ Capital Market; and

obtaining any other consents, approvals or authorizations deemed necessary or appropriate.

Effective Time (see page 23)

The Reorganization will become effective immediately upon the filing of a certificate of merger with the Secretary of State of Delaware (or at such later time that may be specified in the certificate of merger), which the Company expects to occur promptly following approval of the Reorganization at the annual meeting.

Transfer Restrictions (see pages 29-34)

Subject to certain exceptions described elsewhere in this proxy statement/prospectus, the transfer restrictions will prohibit, without prior approval of EDCI Holdings board of directors, the direct or indirect sale, transfer, or disposition of any stock of EDCI Holdings (as defined by section 382 of the Internal Revenue Code) by any 5% holder or to any holder:

who beneficially owns directly or through attribution 5% or more of such stock (subject to the exceptions for pre-existing 5% stockholders described below);

who, upon the direct or indirect sale, transfer, disposition, purchase or acquisition of any of such stock, would beneficially own directly or through attribution 5% or more of such stock; or

if the effect of transfer would create a new public group under the Internal Revenue Code.