QUARTERLY REPORT FOR THE PERIOD ENDING September 30, 2011
FOR EDCI HOLDINGS, INC.

Item 1. Exact Name of the Issuer and the Address of its Principal Executive Offices.

EDCI Holdings, Inc. (PINK SHEETS: EDCI.PK)
11411 Overlook Drive
Fishers, IN 46037
Phone: (646) 401-0084
Website: www.edcih.com
Investor Relations Contact: Matthew K. Behrent, (646) 201-9549
or Kyle E. Blue, (317) 348-1940

Item 2. Shares Outstanding.

Common Stock, $0.02 par value per share
(i) Period End Date: September 30, 2011
(ii) Number of Shares Outstanding: 5,929,153
(iii) Freely Tradable Shares (Public Float): 5,531,626
(iv) Total Number of Shareholders: 175 Beneficial Holders in Street Name, 41 Shareholders of Record

Preferred Stock, $0.01 par value per share
(i) Period End Date: September 30, 2011
(ii) Number of Shares Outstanding: -0-
(iii) Freely Tradable Shares (Public Float): -0-
(iv) Total Number of Shareholders: -0-

<u>Transfer Agent Information</u>
American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, New York 11219
Phone: (877) 248-6417
Website: www.amstock.com

Item 3. Interim Financial Statements

EDCI HOLDINGS, INC. AND SUBSIDIARIES
:ONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS IN LIQUIDATION (LIQUIDATION BASI!
(IN THOUSANDS)

		For the Period January 1, 2011 to September 30, 2011 (Unaudited)
Net Assets (liquidation basis) as of January 1, 2011	$	19,589
Distributions to stockholders		(2,905)
Adjustment to value of assets held for sale		(1,000)
Other, net		1,165
Effect of foreign currency translation		(252)
Changes in net assets in liquidation		(2,992)
Net assets in liquidation - March 31, 2011	$	16,597
Net proceeds from sale of patents		6,900
Other, net		(271)
Effect of foreign currency translation		172
Changes in net assets in liquidation		6,801
Net assets in liquidation - June 30, 2011	$	23,398
Distributions to stockholders		(4,091)
Other, net		2,071
Effect of foreign currency translation		(385)
Changes in net assets in liquidation		(2,405)
Net assets in liquidation - September 30, 2011	$	20,993

See Notes to Consolidated Financial Statements

EDCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF NET ASSETS IN LIQUIDATION (LIQUIDATION BASIS)
(IN THOUSANDS)

	September 30, 2011 (Unaudited)		December 31, 2010 (Unaudited)	
ASSETS				
Cash and cash equivalents	$	57,445	$	56,274
Restricted cash		2,379		3,062
Investments		-		810
Accounts receivable, net		10,808		10,312
Employee benefit receivable from Universal		1,300		1,617
Inventories, net		5,638		4,205
Prepaid expenses and other current assets		8,377		10,734
Deferred income taxes		3,691		3,613
Assets held for sale		5,400		6,400
Total assets	$	95,038	$	97,027
LIABILITIES AND NET ASSETS IN LIQUIDATION				
Accounts payable	$	9,654	$	9,718
Accrued expenses and other liabilities		17,086		20,094
Liquidation accrual		3,511		4,850
Loans from employees		758		1,544
Universal rebate payable		1,581		1,470
Deferred income taxes		269		177
Reserve for uncertain tax positions		1,044		891
Pension and other defined benefit obligations		39,996		38,548
Total liabilities		73,899		77,292
Noncontrolling interest at estimated value		146		146
Total liabilities and noncontrolling interest		74,045		77,438
Net assets in liquidation	$	20,993	$	19,589

See Notes to Consolidated Financial Statements

1. Business Overview

EDCI Holdings, Inc. ("EDCI"), the majority shareholder of Entertainment Distribution Company, LLC ("EDC"), a European provider of manufacturing and distribution supply chain services to the optical disc market, is a company engaged in a final Plan of Complete Liquidation and Dissolution ("Plan of Dissolution"). The Plan of Dissolution was approved by EDCI's shareholders at a Special Meeting held on January 7, 2010. Accordingly, EDCI commenced the voluntary dissolution, liquidation and winding up of the Company in accordance with Delaware law. For financial reporting purposes, the Plan of Dissolution was adopted effective January 1, 2010, as the Company's operating results during the period January 1, 2010 through January 7, 2010, were nominal.

Upon adoption of the Plan of Dissolution, we have ceased all of EDCI's business activities except for those relating to winding up EDCI's business and affairs during a minimum three-year period required under Delaware law, including, but not limited to, gradually settling and closing its business, prosecuting and defending suits by or against EDCI, seeking to convert EDCI's assets into cash or cash equivalents, discharging or making provision for discharging EDCI's known and unknown liabilities, making cash distributions to our stockholders, withdrawing from all jurisdictions in which EDCI is qualified to do business and, subject to statutory limitations, taking other actions necessary to wind up the Company's business affairs. If EDCI is unable to convert any assets to cash or cash equivalents by the end of the three-year period, we will either distribute EDCI's remaining assets in-kind among our stockholders according to their interests or place them in a liquidating trust for the benefit of our stockholders.

EDCI's ownership of 97.99% of the membership units of EDC is an asset of EDCI that is subject to the Plan of Dissolution. The Plan of Dissolution does not directly involve the operating business, assets, liabilities or corporate existence of EDC and EDC plans to continue to honor the terms of its long term customer agreement that expires in May 2015. Beginning in January 2010, EDCI's consolidated financials are required to reflect EDC's assets and liabilities under the liquidation basis of accounting (see Note 2) and it should be noted that during EDCI's three-year dissolution period, EDCI will continue to seek value for its investment in EDC by exploring strategic alternatives and seeking, as appropriate, cash distributions, subject to applicable legal requirements. There can be no assurances either of those efforts to obtain additional value from EDC GmbH will be successful. While EDC expects to continue to examine the possibility of making future nominal distributions, including from EDC's German subsidiary ("EDC GmbH") to EDC, such a distribution remains subject to the future operating performance of EDC GmbH and compliance with German law and tax considerations, and the distribution of any cash from EDC to EDCI is subject to additional security obligations and additional U.S. legal and tax considerations, including potential reserves for known and unknown liabilities. In particular, any distribution of cash from EDC to EDCI is subject to security obligations covering indemnity obligations resulting from the sale of EDC's U.S. assets in December 2009, as a result of which any, proceeds obtained by EDCI from EDC must be held as cash collateral until at least January 1, 2012 (and later to the extent a claim is filed during that period) to satisfy those indemnification obligations. As previously disclosed, the cooperation of Universal International Music B.V. ("Universal") , EDC's largest customer, is critical to any sale of EDC GmbH, and there can be no assurance such cooperation will be forthcoming. Further, the industry in which EDC GmbH operates, CD and DVD replication and logistic services, is a market in decline, and EDC's contract with its largest customer, comprising approximately 85% of its revenue, will expire in May 2015 unless renewed by mutual agreement, and there can be no assurance such contract will be renewed. If EDCI continues to own any interest in EDC at the end of the three year dissolution period, EDCI anticipates transferring such interests to a liquidating trust, for the benefit of our shareholders.

On February 1, 2010, pursuant to the Company's Plan of Dissolution, EDCI made an initial dissolution distribution of $3.12 per share of its common stock. On July 30, 2010, EDCI made an additional dissolution distribution of $1.56 per share of its common stock.

On July 19, 2010, a special committee consisting of independent directors (the "Special Committee") of EDCI's Board of Directors recommended, and EDCI's Board of Directors approved, a plan to cease the registration of the Company's common stock under the Securities Exchange Act of 1934 (the "Exchange Act"), end its obligation to file reports with the Securities and Exchange Commission ("SEC"), and withdraw its shares of common stock from listing on the NASDAQ Stock Market. This was accomplished through a 1-for-1,400 reverse stock split of EDCI's common stock followed immediately by a 1,400-for-1 forward split (the "Stock Split Transaction"), which was approved by the Company's stockholders on November 8, 2010, and consummated by the Company on November 10, 2010 by filing amendments to the Company's Certificate of Incorporation with the Delaware Secretary of State effectuating the reverse and forward stock splits. In the Stock Split Transaction, shareholders with fewer than 1,400 shares of EDCI common stock held of record immediately before the Stock Split Transaction received cash payments in lieu of fractional shares equal to $3.44 per pre-split share. EDCI cashed out approximately 800,428 shares in the split transaction at $3.44 per share. In total, approximately $2.75 million was used to pay the cash out consideration in the Stock Split Transaction. Upon the effectuation of the split transaction, EDCI had approximately 5,929,153 million shares of common stock outstanding among approximately 175 beneficial shareholders in street name and approximately 9 record holders. Shareholders holding 1,400 or more shares of EDCI common stock immediately before the split transaction did not receive a cash payment and continue to hold the same number of shares after completion of the split transaction. As a result of the reverse split, EDCI deregistered its common stock with the SEC and is no longer required to file periodic reports with the SEC, and EDCI's common stock ceased trading on the NASDAQ. EDCI's common stock now trades on the Pink Sheets Electronic Quotation Service under the symbol EDCI.PK.

On December 17, 2010, pursuant to the Company's Plan of Dissolution, EDCI made a third dissolution distribution of $0.46 per share of its common stock. On March 28, 2011, pursuant to the Company's Plan of Dissolution, EDCI made a fourth dissolution distribution of $0.49 per share of its common stock. On September 30, 2011, pursuant to the Company's Plan of Dissolution, EDCI made a fifth dissolution distribution of $0.69 per share of its common stock. In the aggregate, approximately $41.2 million of EDCI's cash has been distributed to its stockholders pursuant to the five dissolution distributions made as part of the Plan of Dissolution.

2. Basis of Presentation

For financial reporting purposes, EDCI adopted the liquidation basis of accounting effective January 1, 2010. The Plan of Dissolution was approved by the Company's shareholders on January 7, 2010. Operating results during the stub period ended January 7, 2010 were nominal. Under the liquidation basis of accounting, the principal financial statements required are a Statement of Net Assets in Liquidation and a Statement of Changes in Net Assets in Liquidation. Further, under the liquidation basis of accounting, assets are stated at their estimated net realizable value, which is the non-discounted amount of cash, or its equivalent, into which an asset is expected to be converted in the due course of business less direct costs, while liabilities are reported at their estimated settlement amount, which is the non-discounted amounts of cash, or its equivalent, expected to be paid to liquidate an obligation in the due course of business, including direct costs. Additionally, under the liquidation basis of accounting, we are required to establish a reserve for all future estimated general and administrative expenses and other costs expected to be incurred during the liquidation period. The reserve for these estimated expenses includes primarily accruals for employee costs (payroll and benefits), facilities, professional services and litigation costs, and corporate expenses (insurance, directors' fees and statutory fees). Further, the estimates of our costs will vary with the length of time necessary to complete the Plan of Dissolution. These estimates will be periodically reviewed and adjusted as appropriate. There can be no assurance that these estimated values will not materially change. Accordingly, it is not possible to predict with certainty the timing or aggregate amount which will ultimately be distributed to stockholders and no assurance can be given that the distributions will equal or exceed the estimate presented in the accompanying Statements of Net Assets in Liquidation. The valuation of assets at their net realizable value and liabilities at their anticipated settlement amount represent estimates, based on present facts and circumstances, of the net realizable value of the assets and the costs associated with carrying out the Plan of Dissolution. The actual values and costs associated with carrying out the Plan of Dissolution may differ from amounts reflected in the accompanying financial statements because of the plan's inherent uncertainty. In addition, certain of the dissolution reserves that EDCI provided for in accordance with Delaware law that were included in the range of estimated liquidating distributions set forth in EDCI's November 16, 2009 proxy related to the approval of the Plan of Dissolution are not permitted by GAAP to be included in the Company's Statements of Net Assets in Liquidation. These include dissolution reserves for certain known and unknown contingent liabilities and dissolution reserves. These differences may be material. In addition, the net asset value attributed to the Company's EDC subsidiary in the accompanying Statements of Net Assets in Liquidation is subject to numerous uncertainties and the ultimate value of EDC to its shareholders in liquidation may be substantially different from that as presented herein. Further, the estimates of our costs will vary with the length of time necessary to complete the Plan of Dissolution. Accordingly, it is not possible to predict with certainty the timing or aggregate amount which will ultimately be distributed to stockholders and no assurance can be given that the distributions will equal or exceed the estimate presented in the accompanying Statements of Net Assets in Liquidation.

(Tabular Amounts in Thousands)

The unaudited Statements of Net Assets in Liquidation and the Statement of Changes in Net Assets in Liquidation have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. In the opinion of management, the statements reflect all adjustments necessary for a fair presentation of the net assets of EDCI.

We have evaluated subsequent events up to the time of filing and there were none.

3. Adoption of Liquidation Basis of Accounting

Upon the adoption of the liquidation basis of accounting, the Company recorded the following adjustments to adjust assets to estimated net realizable value and liabilities to net settlement amounts:

Initial Adjustment of EDC Assets to Estimated Net Realizable Value		Amount
Write down of fixed assets	$	15,613
Write down of spare parts		3,011
	$	18,624

Initial Adjustment of Liabilities to Net Settlement Amounts		Amount
Write down of deferred taxes		(221)
Adjustment of noncontrolling interest to estimated settlement value		(5,124)
	$	(5,345)

The adjustment to deferred income taxes of $0.2 million was the result of EDCI updating its estimate of the net settlement value of this liability in liquidation. The adjustment of noncontrolling interest in the amount of $5.1 million was the result of this liability having a settlement amount upon EDCI's adoption of liquidation accounting of less than what was previously recorded.

The Company was required to make significant estimates and exercise judgment in determining the accrued costs of liquidation as of January 1, 2010. Upon conversion to the liquidation basis of accounting, EDCI accrued for certain costs to be incurred in liquidation, and has made subsequent adjustments and payments against these accounts, as follows:

Accrued Costs of Liquidation		Amount as of January 1, 2010		Activity to Date		Adjustments to Reserves			Amount as of September 30, 2011
Payroll and severance related	$	3,104	$	(2,115)	$	1,097	(1)	$	2,086
Professional fees		744		(721)		90			113
Wind down costs related to EDC's UK facility		380		(372)		(8)			-
Accrual of carrying costs on assets held for sale		1,800		(1,027)		(118)			655
Outside services and other wind down expenses		2,233		(1,488)		(88)			657
	$	8,261	$	(5,723)	$	973		$	3,511

(1) EDCI's Board of Directors approved a discretionary executive bonus program under which certain performance bonuses could be earned at prescribed levels during the Plan of Dissolution period if total distributions paid or payable to EDCI's shareholders exceed pre-established thresholds per share. Based on current facts and circumstances the Company has recorded $0.7 million for this bonus award as of September 30, 2011. The $0.7 million accrual only includes estimated bonus payments related to proceeds actually distributed to shareholders from EDCI and that would be distributed in the future based on the estimated net assets in liquidation as set forth in the accompanying statement of net assets and does not include an estimate of potential bonus payments that would be made based on proceeds distributed from EDC to EDCI.

(Tabular Amounts in Thousands)

The Company will continue to incur operating costs throughout the liquidation period. On a regular basis, we evaluate our assumptions, judgments and estimates that can have a significant impact on our reported net assets in liquidation based on the most recent information available to us, and when necessary make changes accordingly. Actual costs and income may differ from our estimates, which might reduce net assets available in liquidation to be distributed to shareholders.

4. Selected Financial Data

Statement of Net Assets in Liquidation - Consolidating

The Statement of Net Assets in Liquidation presented below is consolidating and is intended to illustrate which components of the consolidated Statement of Net Assets in Liquidation are attributable to EDCI and EDC, respectively, as of September 30, 2011.

STATEMENT OF NET ASSETS IN LIQUIDATION (LIQUIDATION BASIS)

	September 30, 2011 (Unaudited)			
	EDC (b)	EDCI	Eliminations	Total
ASSETS				
Cash and cash equivalents	$ 44,512	$ 12,933	$ -	$ 57,445
Restricted cash	2,379	-	-	2,379
Investments	-	-	-	-
Accounts receivable, net	10,808	-	-	10,808
Due from Universal	1,300	-	-	1,300
Inventories, net	5,638	-	-	5,638
Prepaid expenses and other current assets	8,050	327	-	8,377
Deferred income taxes	3,691	-	-	3,691
Due to EDCI from EDC (a)	-	1,502	(1,502)	-
Assets held for sale	5,400	-	-	5,400
Total assets	81,778	14,762	(1,502)	95,038
LIABILITIES AND NET ASSETS IN LIQUIDATION				
Current Liabilities:				
Accounts payable	$ 9,654	$ -	$ -	$ 9,654
Accrued expenses and other liabilities	17,054	32	-	17,086
Due from EDC to EDCI (a)	1,502		(1,502)	-
Liquidation accrual	655	2,856		3,511
Loans from employees	758	-	-	758
Universal rebate payable	1,581	-	-	1,581
Deferred income taxes	114	155	-	269
Reserve for uncertain tax positions	892	152	-	1,044
Pension and other defined benefit obligations	39,705	291	-	39,996
Total liabilities	71,915	3,486	(1,502)	73,899
Noncontrolling interest at estimated value	-	146	-	146
Total liabilities and noncontrolling interest	71,915	3,632	(1,502)	74,045
Net assets in liquidation	$ 9,863	$ 11,130	$ -	$ 20,993

(Tabular Amounts in Thousands)

(a) The amount recorded as Due from EDC to EDCI represents an estimate of EDC's portion of certain shared corporate costs which are anticipated to be incurred during the dissolution period and which will be recovered from EDC through intercompany settlements.

(b) See Note 1 regarding restrictions on our ability to transfer cash from EDC to EDCI.

5. Cash and Cash Equivalents

The Company maintains cash and cash equivalents with various financial institutions. These financial institutions are large diversified entities. The Company classifies investments with maturities of three months or less when purchased as cash equivalents. At times the amounts of cash held in certain bank accounts may exceed the amount that the Federal Deposit Insurance Corporation ("FDIC") insures. The overwhelming majority of the cash held in the U.S. is invested in U.S. Treasury Bills. A significant portion of the cash held at EDC GmbH is held in short term European sovereign debt, consisting primarily of investments in German Treasury Bonds.

(a) Restricted Cash

Restricted cash of EDC GmbH at September 30, 2011 was $2.4 million. Approximately $1.7 million of the restricted cash relates to funds being held to secure phased retirement obligations. The remaining $0.7 million of the restricted cash is being held in escrow to fund employee related obligations, the final payment for which is due in January 2012.

6. Employee Benefit Receivable from Universal

Under the terms of the share purchase agreement relating to the acquisition of Universal's European operations, Universal is required to reimburse EDC GmbH relating to the liabilities net of accounts receivable and other receivables assumed by EDC GmbH at the acquisition date. Amounts not paid or received in future periods for these assumed liabilities and receivables, with the exception of the pension obligations, will be adjusted through the receivable. The balance of $1.3 million at September 30, 2011 relates to the long-term service award plan.

7. Inventories

Inventories, net at September 30, 2011, relate to EDC GmbH and consisted of:

	September 30, 2011
Raw materials	$ 4,403
Finished goods	340
Work in process	895
Total	$ 5,638

At September 30, 2011 inventory reserves were approximately $0.8 million.

8. Sale of Patents

On June 27, 2011, one of EDCI's wholly owned subsidiaries completed the sale of substantially all of its remaining patents, which are primarily related to the former paging infrastructure operations, for total consideration of $8.0 million in cash, resulting in net proceeds of $6.9 million to EDCI, after payment of patent brokerage expenses. As a result of the sale, EDCI's Net Assets in Liquidation increased by $6.9 million during the second quarter of 2011. The transaction was not subject to any closing conditions. The agreement provides for a cap on liabilities related to any breaches of the sale agreement equal to approximately $2.7 million. The cap on liabilities declines over time and, assuming no claim is made by the buyer, is reduced to zero after December 31, 2012, and also provides for a limited license back to the relevant subsidiaries for certain activities conducted prior to the sale.

9. Assets Held for Sale

Assets Held for Sale as of September 30, 2011, consists of EDC's Kings Mountain, North Carolina facility ("Kings Mountain Facility'), which formerly housed EDC's U.S. manufacturing operations. EDC has listed the Kings Mountain Facility for sale since the second quarter of 2009 and is currently unable to predict when a successful transaction involving the sale of this facility will occur. Given the continued soft commercial real estate market, management engaged a broker during the second quarter of 2011 in an effort to accelerate the sales process. Based on analyses received from its broker, management has reassessed the fair value of the Kings Mountain Facility to be $5.4 million, net of commissions, and thus recorded a $1.0 million write down during the nine months ended September 30, 2011, for financial reporting purposes. Management has also engaged a licensed contractor to perform selective demolition and interior dismantling of certain areas of the Kings Mountain Facility in an effort to better position the facility for sale. This project was substantially completed during the third quarter of 2011.

Annual carrying costs related to maintaining the Kings Mountain Facility in a condition to be sold are estimated to be approximately $0.5 million. Due to EDC's uncertainty in regards to the timing of a successful sale transaction, $0.7 million of carrying costs remain accrued as part of the liquidation accrual as of September 30, 2011**.**

10. Long-Term Debt

	September 30, 2011
Payable to Universal - undiscounted	1,768
Employee Loans	758
Subtotal	2,526
Less: Unamortized Discount	187
Total Debt	$ 2,339

Universal

Under the terms of the supply contracts that EDC entered into as part of EDC's purchase of Universal's European disc manufacturing and distribution operation, EDC is obligated to pay to Universal deferred acquisition payments. Scheduled payments of $0.5 million are due on December 31 of each of the next four years, ending in 2014.

Employee Loans

Employees of EDC GmbH participate in a government regulated employee savings plan whereby a portion of their earnings are held by us in savings accounts and are therefore treated as loans to us. These loans are for six-year terms and are signed annually in January. The loans, including all accumulated interest, are paid at the end of the term. Interest rates are determined prior to the loans being assigned and remain constant for the six-year period. In addition to interest, each participant receives a grant of approximately €0.1 million, which is included in the employee loan balance. The value of the loans outstanding at September 30, 2011 totaled $0.8 million. Funds for these loans are held in escrow as restricted cash. See Note 5. These loans are 100% guaranteed by several different banks and are not convertible. Under certain hardship conditions the employee loan may be paid out early. The employee savings plan is closed to new entrants.

11. Reserve For Uncertain Tax Positions

During the nine months ended September 30, 2011, the amount of reserves for uncertain tax positions increased by $0.1 million primarily due to the impact of foreign exchange rates. Of the reserve for uncertain tax positions recorded as of September 30, 2011, it is anticipated that over the next 12 months various tax-related statutes of limitation will expire which will cause a $0.1 million reduction in the unrecognized tax benefits and thus net assets in liquidation will increase by a like amount. These unrecognized tax benefits relate primarily to transfer pricing.

12. Employee Benefit Plans

Post retirement benefit obligation consisted of the following components:

	September 30, 2011
Pension obligation	35,540
Post-retirement health care benefit costs	291
Long-term service award plan	1,977
Early retirement program	2,188
	39,996

(a) Pension Obligations

As a result of the May 31, 2005 acquisition of EDC, certain obligations of various defined benefit plans were assumed. Employees and managing directors of EDC GmbH participate in the pension plans. These benefits are based on pay, years of service and age. As of September 30, 2011, EDC has accrued approximately $35.5 million related to this plan. The plans are not funded and therefore have no plan assets. These pension plans are closed to new entrants.

(b) Long-term service award plan

EDC maintains a long-term service awards program, a defined benefit plan, for qualified employees of EDC GmbH, which allows qualified employees to receive a lump sum service gratuity (“Jubilee”) payment once they have reached a certain number of years of service. The Jubilee payment is determined based on 1/12th of the employee’s annual salary. A portion of the long-term service obligations is funded by Universal (see Note 6).

(c) Early Retirement Program

In Germany, Altersteilzeit (“ATZ”) is an early retirement program established by law, and is designed to create an incentive for employees, within a certain age group, to transition from (full or part-time) employment into retirement before their legal retirement age. The German government provides a subsidy to employers taking advantage of this legislation for bonuses paid to the employee and the additional contributions paid into the German government pension scheme under an ATZ arrangement for a maximum of six years. To receive this subsidy, an employer must meet certain criteria established by the German government. EDC accrues for ATZ based on current and future contracts.

(d) Post retirement health care benefit obligations

EDCI provides certain U.S. employees of its former Messaging business with certain health care benefits upon retirement assuming the employees met minimum age and service requirements as of the date of disposition of the Messaging business. EDCI’s policy is to fund benefits as they become due. Consequently, the plan has no assets. For non-funded plans, the expected employer contributions equal the benefit payments. The plan is closed to new participants. EDCI has accrued approximately $0.3 million related to this benefit plan.

13. Commitments and Contingencies

Litigation

In addition to the legal proceedings discussed below, we are, from time to time, involved in various disputes and legal actions related to our business operations. While no assurance can be given regarding the outcome of these matters, based on information currently available, we believe that the resolution of these matters will not have a material adverse effect on our financial position or results of our future operations.

Patent Litigation: In March 2008, EDC was served as a defendant in an action by Koninklijke Philips Electronics N. V. and U.S. Philips Corporation, pending in the U. S. District Court for the Eastern District of Texas, Beaumont Division, filed on January 18, 2008. This complaint was dismissed without prejudice on April 30, 2008 and a substantially similar action was filed in the U.S. District Court for the Southern District of New York (the "NY Complaint") on April 30, 2008. In the NY Complaint, plaintiffs allege breach of contract for failure to pay royalties and patent infringement and claim unspecified damages and, in addition to naming EDC and the Company, named James Caparro and Jordan Copland as defendants in their capacities as former CEOs of EDC. In 2009, the Court denied plaintiffs' motion for a summary judgment that EDC breached the contract. Pending before the Court was a motion for summary judgment that there is no patent infringement. In December 2009 the Court held a claim construction hearing, a decision for which was rendered in May 2010. On January 22, 2010, the Court dismissed the action against the individual defendants, Messrs. Caparro and Copland. In April of 2010, the defendants objected to a request by Philips to amend its complaint to add additional claims (including allegations of breach of contract, and new claims for fraud in the inducement, unjust enrichment, tortuous interference with business relations and civil conspiracy) a decision for which was rendered in May 2010 stating that Phillips could not amend its complaint to add new claims but could add specificity to its previously pled breach of contract allegations, which Phillips has now done. On July 12, 2010, Phillips also filed a complaint against EDC in the New York State court making newly alleged claims for breach of contract, fraud in the inducement and unjust enrichment, essentially the same claims the federal court did not permit Phillips to introduce by amendment. This state court action was removed to federal court and was subsequently stayed by the Federal Court on September 29, 2010 pending resolution of the related Federal Court actions. Phillips subsequently sought to add customers of the defendants to the Federal complaints. On April 8, 2011 the Court issued an order denying Philips' motion to add customers as defendants. However, the Court stated that Philips is not precluded from bringing separate actions against Defendants' customers. If Philips brings such separate actions, EDC could be required to indemnify such customers for their legal costs and any damages. EDC plans to oppose any such separate actions. In July 2010, EDC and other defendants submitted a motion for a summary judgment that it has not infringed the patent-in-suit, based on the court's claim construction, and a motion for a summary judgment that the patent is invalid. On December 10, 2010 the Court denied defendants' motions for summary judgment, stating that the motions raised factual disputes that were best resolved by a jury. On July 22, 2011, Philips submitted an expert report quantifying its alleged damages. This report listed total damages claimed against EDC of approximately $34.4 million. However, approximately $25.8 million of that amount relate to claims Philips is pursuing jointly against EDC and one of its customers, for which EDC believes it has indemnification rights under certain contractual arrangements with that customer in the event Philips sought to collect those damages from EDC. As a result, the non-indemnified damages alleged against EDC total approximately $8.6 million. Philips is also seeking enhanced damages in an unspecified amount for willful patent infringement. On September 16, 2011, EDC and the other defendants submitted rebuttal testimony from their expert related to the alleged damages. Also on September 16, 2011, Phillips submitted further rebuttal testimony from their expert and in subsequent depositions acknowledged certain errors in the report and its intent to submit a revised report. While the rebuttal testimony of EDC and the other defendants identifies various arguments that would justify lower damages, even if Phillips were successful on the merits of their key claims, no specific quantification of such lower damages has been made as EDC does not believe the complaints, including the claims Philips added through the amendment motions or the New York State Court complaint, have merit. EDC intends to vigorously defend these actions and believes it has indemnification rights under certain contractual arrangements covering a substantial portion of the alleged infringement, but at this stage in the matter, EDC is not able to assess the likelihood of a favorable outcome. The federal case is still pending and discovery and motion practice are continuing. The Court stated its intent to hold a jury trial in a related action involving similar claims brought by Philips against an unrelated CD replicator in March of 2012, although a trial date has not yet been set. A trial date for the present case has not been set.

14. Restructuring

On June 15, 2010, the Board of Directors of EDC approved a restructuring plan (the "Restructuring Plan") related to the manufacturing and logistics operations of EDC GmbH. During the second half of 2010, management representatives of EDC GmbH completed a comprehensive review of the cost reduction and sales growth potential of the EDC GmbH operations and commenced consultations with the workers council and chemical industry workers union regarding the Restructuring Plan. As part of these consultations, management presented its plan to streamline the organizational structure and to initiate several special projects to increase efficiencies in manufacturing, logistics and in business support areas. Negotiations with management representatives of EDC, GmbH's unionized workforce and the chemical industry workers union were completed in December 2010. The Restructuring Plan is in the process of being implemented and charges of $9.7 million in restructuring costs were recorded in 2010 and approximately $3.4 million remain unpaid are included in accrued expenses and other liabilities in the consolidated statements of net assets as of September 30, 2011. We expect the Restructuring Plan to be substantially completed by the end of December 2011.

During the second quarter of 2011, management representative of EDC GmbH identified an additional 20 positions that it determined should be made redundant due to weaker than expected CD demand. This additional reduction in work force will cost EDC GmbH approximately $2.0 million to implement and is expected generate annual costs savings of $1.4 million beginning in 2012.

Item 4. Management's Discussion and Analysis or Plan of Operation.

We, from time to time, make "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements reflect the expectations of management at the time such statements are made. The reader can identify such forward-looking statements by the use of words such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "intend(s)," "potential," "continue," or the negative of such terms, or other comparable terminology. Forward-looking statements also include the assumptions underlying or relating to any of the foregoing statements.

These forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. All forward-looking statements included in this quarterly report are based on information available to us on the date hereof. We assume no obligation to update any forward-looking statements and do not intend to do so.

Overview

On September 9, 2009, our Board of Directors unanimously approved recommending a dissolution process to EDCI's stockholders, and on October 14, 2009 approved the final Plan of Dissolution. At a Special Meeting held on January 7, 2010 the stockholders of EDCI approved the voluntary dissolution and liquidation of EDCI pursuant to the Plan of Dissolution. Delaware law provides that a corporation may dissolve upon the recommendation of the Board of Directors of the corporation, followed by the approval of its stockholders. As the Plan of Dissolution was approved by the requisite vote of our stockholders at the Special Meeting, we filed a certificate of dissolution with the Delaware Secretary of State in January 2010. The Plan of Dissolution is described in further detail in Note 1 of Item 3 above.

Financial Condition and Liquidity

At September 30, 2011, we had cash and cash equivalents totaling $57.4 million, of which $12.9 million was cash held by the EDCI and $44.5 million was cash held at EDC. At September 30, 2011, the principal sources of liquidity were our unrestricted cash and cash equivalents.

EDCI plans to use its cash and cash equivalents in connection with the Plan of Dissolution. EDC expects to use its cash and cash equivalents for working capital, to fund cash requirements related to the Restructuring Plan, distributions, and other general corporate purposes. EDC expects to continue to examine the possibility of making future nominal distributions, including from EDC's German subsidiary ("EDC GmbH") to EDC, however, such a distribution remains subject to the future operating performance of EDC GmbH and compliance with German law and tax considerations, and the distribution of any cash from EDC to EDCI is subject to additional security obligations and additional U.S. legal and tax considerations, including potential reserves for known and unknown liabilities. In particular, any distribution of cash from EDC to EDCI is subject to security obligations covering indemnity obligations resulting from the sale of EDC's U.S. assets in December 2009, as a result of which any, proceeds obtained by EDCI from EDC must be held as cash collateral until at least January 1, 2012 (and later to the extent a claim is filed during that period) to satisfy those indemnifications.

We believe that the liquidity position EDC is adequate to fund their operating needs in the near term and to provide EDC with flexibility to respond to further changes in its business environment. In addition, EDCI does not guarantee any of the liabilities of EDC.

Update on Plan of Dissolution

EDCI expects to make further distributions to its shareholders of its remaining cash and investments, less any amount reserved to cover ongoing expenses during the three-year dissolution period and any amounts reserved for, known and unknown contingent liabilities. The amounts reserved will be based on a determination by the board of directors, including consultation with management and outside experts as reasonably required, if the board of directors determines that it is advisable to retain such experts, and a review of, among other things, our estimated known and unknown contingent liabilities and our estimated ongoing expenses, including, but not limited to, payroll, legal expenses, regulatory filings and other miscellaneous expenses. Each shareholder will receive his or her pro rata share of any future distribution based on the number of shares held at the time of the record date for such distribution.

The range of dissolution proceeds in the Company's proxy statement (the "Proxy Statement") filed November 16, 2009 did not include any estimates as to potential distributions from EDC due to the uncertainty of the value of EDCI's investment in EDC at that time. However, certain developments occurred subsequent to the filing of that Proxy Statement which increased EDCI's confidence in its ability to ultimately obtain value from its investment in EDC. The components and circumstances related to EDCI's updated assessment of its ability to obtain value from its investment in EDC are as follows:

- The amount of proceeds that EDC currently estimates that it could distribute to EDCI and that EDCI could ultimately distribute to its shareholders is approximately $17.8 million. These estimated proceeds are comprised of cash that is estimated to be remaining at EDC after the settlement of certain contingencies that are currently reserved for and EDC's estimate of net proceeds that EDC expects to receive upon the sale of EDC USA's Kings Mountain Facility.

- EDC has effectively managed the shutdown of its Blackburn, UK manufacturing operation ("EDC Blackburn") such that EDC expects that the remaining estimated liquidating proceeds of approximately $1.5 million will be distributed to EDC upon the settlement of all remaining liabilities, the receipt of certain tax refunds and the completion of the liquidation process. We expect those amounts would be distributed from EDC Blackburn to EDC within 12 months and note that those amounts are included in the $17.8 million of potential estimated proceeds that could be distributed from EDC to EDCI as referred to above.

- EDC notes that its EDC GmbH remains cash flow positive and that EDC GmbH management has negotiated a Restructuring Plan which could position EDC GmbH to be more competitive. EDC will continue to seek value for its investment in EDC GmbH by exploring strategic alternatives and EDC GmbH is exploring the potential of making future nominal dividends from EDC GmbH to EDC, subject to the future operating performance of EDC GmbH and compliance with German legal and tax considerations, as well as taking into consideration any reserves EDC may need to take should its current assumptions as to those eventualities be incorrect. There can be no assurances either of these efforts to obtain additional value from EDC GmbH will be successful, including due to the issues identified in Section 1 of this report, "Business Overview".

EDCI notes that in addition to the conditions set forth above there are several obstacles to overcome in order for EDC to receive those distributions from its subsidiaries, and in turn for EDC to distribute the proceeds to EDCI as detailed above. In particular, any distribution of cash from EDC to EDCI is subject to certain security obligations covering indemnity obligations resulting from the sale of EDC's U.S. assets in December 2009, as a result of which any, proceeds obtained by EDCI from EDC must be held as cash collateral until at least January 1, 2012 (and later to the extent a claim is filed during that period) to satisfy those indemnification obligations. However, on June 30, 2010, EDC's indemnity obligations with regard to many of the representations and warranties related to that sale have ceased, and EDC will only be responsible for indemnifying the purchaser for a breach of fundamental representations (EDC's proper organization and authority to sell the assets); taxes; employment benefits and labor matters; fraudulent conveyance; post-closing covenants and excluded liabilities; and environmental matters. In addition, similar to EDCI, EDC may need to establish its own contingency reserves for known and unknown contingent liabilities, before making such distributions to EDCI, or obtain indemnification from EDCI for any such contingencies. While EDC expects to continue to examine the possibility of making future nominal distributions from EDC GmbH to EDC, such a distribution remains subject to the future operating performance of EDC GmbH and compliance with German law and tax considerations, and the distribution of any cash from EDC to EDCI is subject to the aforementioned considerations.

EDC Business Update

We anticipate decline rates of CD and DVD volumes in Europe in the 10-15% range for 2011. As in 2010, EDC will continue its cost-savings initiatives and plan to right size operating capacity in 2011 to deal with forecasted and actual volume declines On June 15, 2010, the Board of Directors of EDC approved a restructuring plan (the “Restructuring Plan”) related to the manufacturing and logistics operations of EDC GmbH. During the second half of 2010, management representatives of EDC GmbH completed a comprehensive review of the cost reduction and sales growth potential of the EDC GmbH operations and commenced consultations with the workers council and chemical industry workers union regarding the Restructuring Plan. As part of these consultations, management presented its plan to streamline the organizational structure and to initiate several special projects to increase efficiencies in manufacturing, logistics and in business support areas. Negotiations with management representatives of EDC GmbH’s unionized workforce and the chemical industry workers union were completed in December 2010. The Restructuring Plan is in the process of being implemented and charges of $9.7 million in restructuring costs were recorded in 2010 and approximately $3.4 million remain unpaid are included in accrued expenses and other liabilities in the consolidated statements of net assets as of June 30, 2011. We expect the Restructuring Plan to be substantially completed by the end of December 2011.

During the second quarter of 2011, management representative of EDC GmbH identified an additional 20 positions that it determined should be made redundant due to weaker than expected CD demand. This additional reduction in work force will cost EDC GmbH approximately $2.0 million to implement and is expected generate annual costs savings of $1.4 million beginning in 2012.

Critical Accounting Policies and Estimates

For financial reporting purposes, EDCI adopted the liquidation basis of accounting effective January 1, 2010. The Plan of Dissolution was approved by the Company’s shareholders on January 7, 2010. Operating results during the stub period ended January 7, 2010 was nominal. Under the liquidation basis of accounting, the principal financial statements required are a Statement of Net Assets in Liquidation and a Statement of Changes in Net Assets in Liquidation. Further, under the liquidation basis of accounting, assets are stated at their estimated net realizable value, which is the non-discounted amount of cash, or its equivalent, into which an asset is expected to be converted in the due course of business less direct costs, while liabilities are reported at their estimated settlement amount, which is the non-discounted amounts of cash, or its equivalent, expected to be paid to liquidate an obligation in the due course of business, including direct costs. Additionally, under the liquidation basis of accounting, we are required to establish a reserve for all future estimated general and administrative expenses and other costs expected to be incurred during the liquidation period. The reserve for these estimated expenses includes primarily accruals including employee costs (payroll and benefits), facilities, professional services and litigation costs, and corporate expenses (insurance, directors’ fees and statutory fees). Further, the estimates of our costs will vary with the length of time necessary to complete the Plan of Dissolution. These estimates will be periodically reviewed and adjusted as appropriate. There can be no assurance that these estimated values will be realized. The valuation of assets at their net realizable value and liabilities at their anticipated settlement amount represent estimates, based on present facts and circumstances, of the net realizable value of the assets and the costs associated with carrying out the Plan of Dissolution. The actual values and costs associated with carrying out the Plan of Dissolution may differ from amounts reflected in the accompanying financial statements because of the plan’s inherent uncertainty. In particular, certain of the dissolution reserves that EDCI provided for in accordance with Delaware law that were included in the range of estimated liquidating distributions set forth in EDCI’s November 16, 2009 proxy related to the approval of the Plan of Dissolution are not permitted by GAAP to be included in the Company’s Statements of Net Assets in Liquidation. These include dissolution reserves for certain known and unknown contingent liabilities and dissolution reserves. These differences may be material. In addition, the net asset value attributed to the Company’s

EDC subsidiary in the accompanying Statements of Net Assets in Liquidation is subject to numerous uncertainties and the ultimate value of EDC to its shareholders in liquidation may be substantially different from that as presented herein. Further, the estimates of our costs will vary with the length of time necessary to complete the Plan of Dissolution. Accordingly, it is not possible to predict with certainty the timing or aggregate amount which will ultimately be distributed to stockholders and no assurance can be given that the distributions will equal or exceed the estimate presented in the accompanying Statements of Net Assets in Liquidation.

Item 5. Legal Proceedings.

See Note 13 in Item 3, which discusses material pending legal proceedings to which the Company or its subsidiaries is party and is incorporated herein by reference.

Item 6. Defaults Upon Senior Securities.

None.

Item 7. Other Information.

None.

Item 8. Exhibits.

None.

Item 9. Certifications.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Clarke H. Bailey, certify that:

1. I have reviewed this quarterly report of EDCI Holdings, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report.

Date: October 31, 2011

/s/ Clarke H. Bailey
Clarke H. Bailey
Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Kyle E. Blue, certify that:

1. I have reviewed this quarterly report of EDCI Holdings, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report.

Date: October 31, 2011

/s/ Kyle E. Blue
Kyle E. Blue
Principal Financial Officer