

Hannover House/Empire Film Group Term Sheet

1. Empire acquires 80% of Truman Press, Inc., dba "Hannover House" by transferring (but partially holding back) a total of 3,000,000 shares of Empire stock in a IRC Section 368 transaction as follows:
 - a. On closing, Empire will transfer a total of one-million (1,000,000) shares comprised of the following issues: 416,500 shares to Eric Parkinson, 416,500 shares to Vivian Schilling, 147,000 shares to Fred Shefte, 10,000 shares to Lindsay Van Beek, 5,000 shares to Jon McCallum, and 5,000 shares to Joseph Schilling (the "Initial Shares").
 - b. Empire will transfer 850,000 shares to Eric Parkinson and 150,000 shares to Fred Shefte at such point in time during calendar year 2008 that the Hannover House distribution division shall have achieved at least \$4,500,000 of gross receipts (gross sales less returns).
 - c. Empire will transfer 425,000 shares to Eric Parkinson, and 75,000 shares to Fred Shefte at such point in time during calendar year 2008 that the Hannover House distribution division shall have achieved at least \$9,000,000 of gross receipts.
 - d. Empire will transfer 425,000 shares to Eric Parkinson, and 75,000 shares to Fred Shefte at such point in time during calendar year 2008 that the Hannover House distribution division shall have achieved at least \$14,000,000 of gross receipts.
 - e. The Initial Shares shall be protected under customary non-dilution provisions if Empire elects to issue additional shares of Empire stock beyond the shares in issue as of the closing of this agreement.
2. Parkinson and Shefte shall transfer 8,000 shares of Truman to Empire on closing, reflecting eighty percent (80%) of the total ownership of Truman / Hannover.
3. ~~The Initial Shares shall vest without transfer restrictions on or about January 1, 2009, or sooner if transfer restrictions on other key Empire shareholders, including Dean Hamilton, are modified to allow for earlier dates.~~ Holdback restrictions to be provided by securities counsel, and shall be consistent with other Empire key executives.
4. Empire will arrange for a loan of a total of \$600,000 from Keystone Capital to Hannover for operations (the "Keystone Loan"), as follows: \$50,000 on or before December 14, 2007; \$25,000 on or before Dec. 21, 2007; \$100,000 on or before January 11, 2008; \$100,000 on or before Jan. 18, 2008; \$100,000 on or before Jan. 25, 2008; and \$225,000 on or before February 20, 2008. Hannover will use funds in accordance with the attached Use of Proceeds. This loan shall be repaid to Keystone as follows:

- a). Fifty percent (50%) of Hannover House collections each month shall be applied to reduce or otherwise replenish the Keystone Loan, excepting for collections received by Hannover during the months of December (2007) and January (2008), which shall be utilized by Hannover for general operations, marketing and acquisitions;
 - b). A "Balloon Payment" shall be set for June 30, 2008, at which time, any remaining balance of the Keystone Loan shall become due and payable, unless otherwise extended by Keystone;
 - c). Interest shall accrue at the rate of ten percent (10%) on the Keystone Loan.
 - d). Hannover shall provide to Empire and to Keystone a weekly report detailing all sales, collections and disbursements of funds.
5. Although the parties anticipate that Hannover will be self sufficient with the \$600,000 infusion of funds from Empire via the Keystone Loan, Empire will reasonably consider transfer of additional funds to Hannover as needed for settlement of payables and litigation and for product acquisitions and operations.
 6. Hannover shall operate reasonably in accordance with the attached Budget and Use of Proceeds, which may be supplemented by
 7. It is expressly understood and agreed that the Empire Hannover distribution division shall proceed with the release of "BLONDE & BLONDER" to theaters under this plan, subject to the acquisition of applicable rights and/or authority from appropriate rights holders for such a theatrical release. At this time, the Hannover release plan calls for approximately one hundred prints in ten key markets in selected theaters as currently available on Friday January 18, 2008. This special theatrical engagement will be cross-promoted with Consolidated Resorts International, as well as a charitable association with PETA in order to induce the theatrical exhibitors to waive their customary theatrical-to-video window requirements. To the fullest extent allowed by applicable rights holders, EMPIRE FILM GROUP" will be prominently displayed in all advertising, posters, and support materials relating to the theatrical release of "BLONDE & BLONDER."
 8. It is agreed that this venture shall result in the existence of a "distribution division" for Empire, which shall tentatively be called "Hannover House." Parkinson shall remain as President and CEO of Hannover. Shefte shall be Vice President, COO, Secretary and CFO of Hannover. In accordance with their existing employment agreements and industry standards, Parkinson and Shefte shall each be paid \$12,500 per month as a salary advance against a salary of 1.5% each of the quarterly gross receipts of Hannover (gross sales less returns). During the initial three months of the venture with Empire, specifically December, 2007 and January and February, 2008, Parkinson and Shefte may each be paid \$8,000 of their respective \$12,500 monthly salaries from the

\$600,000 transfer referenced above, and the balance of their salaries to be paid from Hannover House collections of existing receivables.

9. Following this transaction, the day-to-day management and operations of Hannover House as the distribution division of Empire shall remain vested with Parkinson and Shefte who shall reasonably adhere to the business model, goals and plans as set forth in the proforma schedule and the description of activities. It is understood and agreed that the distribution division will seek and acquire additional properties for Hannover House as Empire's distribution division to release during 2008 and beyond. Empire authorizes Hannover House as the distribution division to retain sufficient revenues from its collections to cover ongoing expenses, including the reasonable costs associated with acquisition and marketing of titles as specified in the release schedule and other titles not currently identified.
10. Hannover will have a five (5) person Board of Directors, including Parkinson and Shefte.
11. Both Parkinson and Shefte shall be invited to become members of the board of directors for Empire.
12. Empire and Hannover agree that this Term Sheet is the basis of a formal and complete agreement between them to be completed and executed as soon as reasonably possible. Until that Agreement document is finalized and executed, the parties are bound by this Term Sheet.

Dated: _____

Empire Film Group
Dean Hamilton Bornstein, President

Dated: _____

Truman Press, Inc. dba Hannover House
Eric F. Parkinson, President

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8. It is agreed that this venture shall result in the existence of a "distribution division" for Empire, which shall be called "Empire Home Entertainment" for film and video properties and "Hannover House" for non-film and book products. Parkinson shall remain as President and CEO of Hannover. Shefte shall be Vice President, COO, Secretary and CFO of Hannover. In accordance with their existing employment agreements and industry standards, Parkinson and Shefte shall each be paid \$12,500 per month as a salary advance against a salary of 1.5% each of the quarterly gross receipts of Hannover (gross sales less returns). During the initial three months of the venture with Empire, specifically December, 2007 and January and February, 2008, Parkinson and Shefte may each be paid \$8,000 of their respective \$12,500 monthly

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10. Hannover will have up to a five (5) person Board of Directors, including Parkinson, Shefte and Bornstein.
11. Both Parkinson and Shefte shall be invited to become members of the board of directors for Empire.
12. Empire and Hannover agree that this Term Sheet is the basis of a formal and complete agreement between them to be completed and executed as soon as reasonably possible. Until that Agreement document is finalized and executed, the parties are bound by this Term Sheet.

Dated: 12-11-07



Empire Film Group
Dean Hamilton Bornstein, President

Dated: 12-11-07



Truman Press, Inc. dba Hannover House
Eric F. Parkinson, President