

PEACE ARCH ENTERTAINMENT GROUP INC
Form 6-K
September 17, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C., 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15D-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of September, 2007

PEACE ARCH ENTERTAINMENT GROUP INC.
(Translation of Registrant's name into English)

407-124 Merton Street, Toronto, Ontario M4S 2Z2
(Address of principal executive office)

[Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20F or Form 40-F.

Form 20-F

Form 40-F

[Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

This Form 6-K shall be incorporated by reference into the Registration Statement on Form S-8 (File No. 333-134552) and any other Registration Statement filed by the Registrant which by its terms automatically incorporates the Registrant's filings and submissions with the SEC under Sections 13(a), 13(c) or 15(d) of the Securities Exchange Act of 1934.

(If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

82-_____

FORM 51-102F4

BUSINESS ACQUISITION REPORT

ITEM 1

IDENTITY OF COMPANY

1.1

Name and Address of Company

Peace Arch Entertainment Group Inc. (PAE or the Company)

1867 Yonge Street, Ste. 650

Toronto, Ontario

M4S 1Y5

1.2

Executive Officer

The following executive officer of PAE is knowledgeable about the significant acquisition described herein and this business acquisition report.

Mara Di Pasquale

Chief Financial Officer

416-783-8383 x 222

ITEM 2

DETAILS OF ACQUISITION

0.1

Nature of Business Acquired

On July 3, 2007, PAE acquired 100% of the membership interests of Trinity Home Entertainment LLC (Trinity) a privately owned business in the United States who sells, markets, licenses and distributes films and television products and properties via DVDs, videos and ancillary merchandise as well as facilitates the distribution of film and television products and properties owned by or licensed to third parties.

0.2

Date of Acquisition

The Company acquired Trinity on July 3, 2007.

0.3

Consideration

On July 3, 2007, the Company acquired 100% of the issued and outstanding interest in Trinity. The cost of the purchase was \$8,544,000 consisting of 229,358 common shares of the Company valued at \$530,000 and cash consideration of \$8,014,000. The fair value of the common shares issued of \$2.18 per share was based on the date the agreement was reached. The cash component of the acquisition was financed by the proceeds of a private placement of 13,200,000 common shares for gross proceeds of \$33,000,000 (net proceeds \$30,708,000), completed on June 8, 2007.

The purchase agreement also provided for payment of a maximum additional consideration of \$2,135,000 based on Trinity's achieving certain financial results as reported on their audited financial statements for the years ended December 31, 2006 and 2005. The audited financial statements gave rise to \$1,850,000 of the contingent consideration becoming payable. The additional consideration has been included as a cost of the purchase and was paid for on September 10, 2007 from the proceeds of the private placement completed on June 8, 2007.

0.4

Effect on Financial Position

The Company has no plans or proposals for any material changes in the business of Trinity Home Entertainment that would have a significant effect on the results of operations and financial position of the Company.

0.5

Prior Valuations

No valuation opinion has been obtained within the last 12 months in respect of Trinity to support the consideration paid by the Company.

0.6

Parties to Transaction

The parties to the Purchase Agreement in respect of the acquisition are the Company, Thent, LLC, Trient, LLC, and Topaz Entertainment LLC who collectively owned 100% of Trinity. Each of Thent, LLC, Trient, LLC and Topaz Entertainment LLC, was at arm's length to PAE at the time of the acquisition and no insider of PAE had an interest, directly or indirectly in the acquisition.

0.7

Date of Report

September 14, 2007

ITEM 3

FINANCIAL STATEMENTS

Attached hereto as Schedule A.

PEACE ARCH ENTERTAINMENT GROUP INC.

FORM 51-102F4

BUSINESS ACQUISITION REPORT

SUPPLEMENTARY SCHEDULE A FINANCIAL STATEMENTS

The following financial statements accompany and form part of this Business Acquisition Report.

Peace Arch Entertainment Group Inc.

•

Unaudited proforma condensed consolidated balance sheet as at May 31, 2007;

•

Unaudited proforma condensed consolidated statement of earnings for the nine months ended May 31, 2007;

•

Unaudited proforma condensed consolidated statement of income for the year ended August 31, 2006;

The following documents filed with the securities commission or similar authorities in each of the provinces of Canada are specifically incorporated by reference.

•

Audited consolidated financial statements for the years ended August 31, 2006 and 2005;

•

Unaudited consolidated interim financial statements for the nine months ended May 31, 2007 and 2006.

Trinity Home Entertainment, LLC

•
Trinity Home Entertainment, LLC audited financial statements for the years ended December 31, 2006 and 2005;

•
Trinity Home Entertainment, LLC unaudited interim financial statements for the six months ended June 30, 2007 and 2006.

The following tables set forth the unaudited pro forma condensed consolidated information of Peace Arch Entertainment Group Inc. ("PAE") as at May 31, 2007, for the nine month period ended May 31, 2007 and for the year ended August 31, 2006 giving effect to the acquisition of 100% membership interests of Trinity Home Entertainment, LLC ("Trinity"), an independent DVD distributor of feature films and television programming in the United States.

The statements of earnings are prepared giving effect to the acquisition as of September 1, 2006 for the nine month period ended May 31, 2007 and September 1, 2005 for the year ended August 31, 2006, and as at May 31, 2007 for the balance sheet.

Unaudited Pro Forma Condensed Consolidated Balance Sheet As at May 31, 2007

(expressed in thousands of Canadian dollars)

	PAE	Trinity \$US	Trinity \$Cdn	Pro Forma Adjustments		
		5	5			
ASSETS						
Cash and cash equivalents	\$ 1,130	\$ 731	\$ 779	\$ -	2,3	\$
Accounts and other receivables	\$ 41,192	\$ 4,180	\$ 4,453		2	\$
Investment in film and television programming	\$ 42,924	\$ 2,121	\$ 2,260		2	\$
Other assets	\$ 7,265	\$ 1,184	\$ 1,261		2	\$
Goodwill	\$ 8,744		\$	7,849	2	\$
Restricted term deposits	\$ 22,211					\$
	\$ 123,466	\$ 8,216	\$ 8,753	\$ 7,849		\$
LIABILITIES AND SHAREHOLDERS' EQUITY						
Bank credit facility	\$ 3,000					\$
Accounts payable and accrued liabilities	\$ 20,426	\$ 5,827	\$ 6,208		2	\$
Term loan	\$ 2,738					\$
Note payable	\$ 267					\$
Production loans	\$ 46,447					\$
Deferred revenue	\$ 1,336					\$
Future income tax liability	\$ 716					\$
Revenue guarantee obligation	\$ 22,211					\$
	\$ 97,141	\$ 5,827	\$ 6,208			\$
SHAREHOLDERS' EQUITY						
Members equity		\$ 2,389	\$ 2,545	\$ (2,545)	2	

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Capital stock	\$ 26,814		\$ 10,394	3	\$
Contributed surplus	\$ 3,282				\$
Warrants	\$ 309				\$
Other paid-in capital	\$ 680				\$
Deficit	\$ (4,760)				\$
	\$ 123,466	\$ 8,216	\$ 8,753		\$ 7,849

5 Trinity Balance Sheet as at June 30, 2007

The unaudited proforma condensed consolidated balance sheet has been prepared as at June 30, 2007.

The accounting policies in accordance with those used in the preparation of the consolidated financial statements of PAE. Some reclassifications have been made to the Trinity statements of earnings in order to conform to the presentation adopted by PAE. The statements are in US dollars and have been converted to Cdn dollars using a rate of 1.0654.

Unaudited Pro Forma Condensed Consolidated Statement of Earnings For the nine months ended May 31, 2007

(expressed in thousands of Canadian dollars, except per share information)

	PAE	Trinity \$US	Trinity \$Cdn	Pro Forma Adjustment
		5	5	
Revenues	\$ 51,612	\$ 17,096	\$ 19,426	
Expenses				
Amortization of investment in film and television programming and other production costs	\$ 26,344			
Home Entertainment direct costs	\$ 12,059	\$ 13,710	\$ 15,579	
Selling, general and administrative	\$ 7,840	\$ 969	\$ 1,101	
Other amortization	\$ 463			
	\$ 46,706	\$ 14,679	\$ 16,680	
Earnings (loss) from operations before the undernoted	\$ 4,906	\$ 2,417	\$ 2,746	
Interest income	\$ 1,075			
Interest expense	\$ (2,654)	\$ (47)	\$ (53)	
Foreign exchange gain	\$ 196			
Gain on sale of asset	\$ -			
Legal settlement	\$ 957			
Loss on settlement of obligations	\$ (409)			
Earnings before income taxes	\$ 4,071	\$ 2,370	\$ 2,693	
Provision for Income taxes	\$ 167	\$ (12)	\$ (14)	\$ (1,06)
Net earnings for the period	\$ 4,238	\$ 2,358	\$ 2,679	
Net earnings per common share				
Basic	\$ 0.12			
Diluted	\$ 0.11			
Average number of shares used in calculating net earnings per share - basic	32,212			
Average number of shares used in calculating net earnings per share - diluted	39,653			

5 Trinity financial statements for the period October 1, 2006 - June 30, 2007

The unaudited proforma condensed consolidated statements of earnings has been prepared using the nine month period from October 1, 2006 - June 30, 2007 for Trinity. The accounting policies are in accordance with those used in the preparation of the consolidated financial statements of PAE. Some reclassifications have been made to the Trinity statements of earnings in order to conform to the presentation adopted by PAE. The statements are in US dollars and have been converted to Cdn dollars using an average rate of 1.1363 for the statement of income. These financial statements were prepared for the purpose of preparing the proforma financial statements and do not conform with the financial statements for the business included elsewhere in this report.

Unaudited Pro Forma Condensed Consolidated Statement of Earnings For the year ended August 31, 2006

(expressed in thousands of Canadian dollars, except per share information)

	PAE	Trinity \$US	Trinity \$Cdn	Pro Forma Adjustment
		6	6	
Revenues	\$ 21,258	\$ 16,687	\$ 19,070	
Expenses				
Amortization of investment in film and television programming and other production costs	\$ 8,432			
Home Entertainment direct costs	\$ 7,538	\$ 12,701	\$ 14,515	
Selling, general and administrative	\$ 8,085	\$ 2,421	\$ 2,767	
Other amortization	\$ 347			
	\$ 24,402	\$ 15,122	\$ 17,282	
Earnings (loss) from operations before the undernoted	\$ (3,144)	\$ 1,565	\$ 1,787	
Interest income	\$ 1,126			
Interest expense	\$ (2,872)	\$ (34)	\$ (39)	
Foreign exchange gain	\$ 659			
Gain on sale of asset	\$ 44			
Legal settlement	\$ -			
Loss on settlement of obligations	\$ (41)			
Earnings (loss) before income taxes	\$ (4,228)	\$ 1,531	\$ 1,749	
Provision for Income taxes	\$ 108	\$ (13)	\$ (15)	\$ (68)
Net earnings (loss) for the year	\$ (4,120)	\$ 1,518	\$ 1,734	
Net earnings (loss) per common share				
Basic	\$ (0.19)			
Diluted	\$ (0.19)			
Average number of shares used in calculating net earnings (loss) per share - basic	23,741			
Average number of shares used in calculating net earnings (loss) per share - diluted	23,741			

6 Trinity financial statements for the period October 1, 2005 - September 30, 2006

The unaudited proforma condensed consolidated statements of earnings has been prepared using the twelve month period from October 1, 2005 - September 30, 2006 for Trinity. The accounting policies are in accordance with those used in the preparation of the consolidated financial statements of PAE. Some reclassifications have been made to the Trinity statements of earnings in order to conform to the presentation adopted by PAE. The statements are in US dollars and have been converted to Cdn dollars using an average rate of 1.1428. These financial statements were prepared for the purpose of preparing the proforma financial statements and do not conform with the financial statements for the business included elsewhere in this report.

Notes to Unaudited Proforma Condensed Consolidated Financial Statements

(expressed in thousands of Canadian dollars)

1 Basis of presentation

The accompanying unaudited proforma condensed consolidated financial statements give effect to the acquisition of Trinity Home Entertainment, LLC as if had occurred as at:

- May 31, 2007 for the purposes of the unaudited proforma condensed consolidated balance sheet;
- September 1, 2006 for purposes of the unaudited proforma condensed consolidated statements of earnings for the nine months ended May 31, 2007
-

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September 1, 2005 for purposes of the unaudited proforma condensed consolidated statements of earnings for the year ended August 31, 2006;

The statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles.

The statements have been prepared using the following information:

- Audited consolidated financial statements of Peace Arch Entertainment Group Inc. as at and for the year ended August 31, 2006
- Unaudited interim consolidated financial statements of Peace Arch Entertainment Group Inc. as at and for the nine months ended May 31, 2007
- Unaudited financial statements of Trinity Home Entertainment, LLC. for the period October 1, 2006 - June 30, 2007
- Unaudited financial statements of Trinity Home Entertainment, LLC. for the period October 1, 2005 - September 30, 2006

The statements are not necessarily indicative of the results of operations or financial position that would have resulted had the acquisition been effected on the dates indicated, or the results that may be obtained in the future.

2 Accounting for the Acquisition

The acquisition will be accounted for by the purchase method of accounting.

	\$ Cdn (000)
Capitalized transaction costs	100
Consideration paid	8,444
Contingent consideration paid	1,850
Total purchase consideration (at 100%)	10,394
Fair value of assets acquired	
Cash and cash equivalents	779
Accounts receivable	4,453
Investment in film	2,260
Other assets	1,261
	8,753
Less: liabilities assumed	
Accounts payable and accrued liabilities	6,208
	6,208
Net assets acquired	2,545
Goodwill	7,849

The unaudited proforma condensed consolidated balance sheet incorporates the following adjustments:

(i)	Cash has been increased by	779
(ii)	Accounts receivable have been increased by	4,453
(iii)	Investment in film and television programming has been increased by	2,260
(iv)	Other assets has been increased by	1,261
(v)	Goodwill has been increased by	7,849
(vi)	Accounts payable and accrued liabilities has been increased by	6,208
(vii)	The elimination of members equity on consolidation	2,545

In preparation of these statements, the purchase consideration has been allocated on a preliminary basis to the fair value of the assets acquired and liabilities assumed based on management's best estimates and taking into account all the relevant information

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available at the time these statements were prepared. Management expects that the actual amounts for each of the assets and liabilities will vary from the pro forma amounts and the variation may be material.

Notes to Unaudited Proforma Condensed Consolidated Financial Statements

(expressed in thousands of Canadian dollars)

3 The acquisition was financed as follows:	\$ Cdn	(000)
Capitalized transaction costs		100
Consideration paid (cash & shares)		8,444
Contingent consideration paid		1,850
Total purchase consideration (at 100%)		10,394
Issuance of 229,358 common shares of the Company @ US\$2.18		530
Portion of net proceeds of private placement June 8, 2007 (a)		9,864

(a) On June 8, 2007 the Company completed a private placement of 13,200,000 common shares for \$2.50 for gross proceeds of \$33,000,000 (net proceeds \$29,843,000).

A portion of these net proceeds in the amount of \$9,864,000 were used to finance the acquisition of Trinity, as per above.

The unaudited proforma condensed consolidated balance sheet incorporates the following adjustments:

(i) Capital stock has been increased as a result of the issuance of 229,358 common shares at US\$2.18		530
(ii) Capital stock has been increased by the portion of the net proceeds of the private placement used to finance the Trinity acquisition (assume 4,363,000 shares at net proceeds after issuance costs of \$2.26 per share, or \$9,864,000)		9,864 10,394
(iii) Cash has been increased by the portion of the net proceeds of private placement		9,864
(iv) Cash has been decreased by payment of cash portion for Trinity as follows:		
(v) Capitalized transaction costs		\$ (100)
(vi) Cash portion of purchase price		\$ (7,914)
(vii) Contingent consideration paid in cash		\$ (1,850)
		0

4 The unaudited proforma condensed consolidated statement of earnings incorporates the following adjustments:

Adjustments have been made to provision for income taxes to reflect changes to the tax structure as a result of the acquisition described in note 2 to the financial statements. The tax rate used to calculate the adjustment to the tax provision is 40% for US based taxes.

5 Trinity financial statements for the period October 1, 2006 - June 30, 2007

The unaudited proforma condensed consolidated statements of earnings has been prepared using the nine month period from October 1, 2006 - June 30, 2007 for Trinity. The accounting policies are in accordance with those used in the preparation of the consolidated financial statements of PAE. Some reclassifications have been made to the Trinity statements of earnings in order to conform to the presentation adopted by PAE. The statements are in US dollars and have been converted to Cdn dollars using an average rate of 1.1363 for the statement of income and 1.0654 for the balance sheet. These financial statements were prepared for the purpose of preparing the proforma financial statements and do not conform with the financial statements for the business included elsewhere in this report.

6 Trinity financial statements for the period October 1, 2005 - September 30, 2006

The unaudited proforma condensed consolidated statements of earnings has been prepared using the twelve month period from October 1, 2005 - September 30, 2006 for Trinity. The accounting policies are in accordance with those used in the preparation of the consolidated financial statements of PAE. Some reclassifications have been made to the Trinity statements of earnings in order to conform to the presentation adopted by PAE. The statements are in US dollars and have been converted to Cdn dollars using an

average rate of 1.1428. These financial statements were prepared for the purpose of preparing the proforma financial statements and do not conform with the financial statements for the business included elsewhere in this report.

TRINITY HOME ENTERTAINMENT, LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

TRINITY HOME ENTERTAINMENT, LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of

Trinity Home Entertainment, LLC

We have audited the accompanying balance sheets of Trinity Home Entertainment, LLC

(the Company) as of December 31, 2006 and 2005 and the related statements of income, members' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

/s/ Farber Hass Hurley & McEwen LLP

July 15, 2007

Camarillo, California

TRINITY HOME ENTERTAINMENT, LLC**BALANCE SHEETS****DECEMBER 31, 2006 AND 2005****ASSETS**

	2006	2005
Cash	\$425,112	\$238,234
Accounts receivable, net	6,132,340	2,272,655
Related party accounts receivable	25,063	529,090
Related party advance receivable	651,328	
Due from related party	40,000	
Employee advance		1,000
DVD inventories	1,522,520	1,369,057
Total Current Assets	8,796,363	4,410,036
FILM COSTS, net of accumulated amortization of \$1,818,817 and \$824,906, respectively	2,150,223	2,586,303
EQUIPMENT, net of accumulated depreciation of \$24,577 and \$12,999, respectively	12,429	20,199
OTHER ASSETS	2,518	649,162
Total Assets	\$10,961,533	\$7,665,700

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES:

Accounts payable	\$3,998,972	\$1,951,054
Related party accounts payable	395,511	1,444,556
Accrued expenses	1,565,207	266,414
Distributions payable - related parties	800,000	-
Interest payable	102,375	68,250
Income tax payable	11,790	11,790
Notes payable - related parties	617,452	617,452
Deferred revenue	-	9,189
Total Current Liabilities	7,491,307	4,368,705

COMMITMENTS AND CONTINGENCIES

MEMBERS' EQUITY	3,470,226	3,296,995
Total Liabilities and Members' Equity	\$10,961,533	\$7,665,700

*See Accompanying Independent Auditors Report
and Notes to Financial Statements*

TRINITY HOME ENTERTAINMENT, LLC
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
REVENUES	\$19,236,724	\$12,616,128
COST OF REVENUES	14,897,765	8,830,016
Gross Profit	4,338,959	3,786,112
OPERATING EXPENSES		
General and administrative expenses	1,570,430	1,500,162
Operating Profit	2,768,529	2,285,950
OTHER EXPENSES:		
Interest	34,125	34,125
Other Income	583	348,654
Total Other Expenses	34,708	382,779

INCOME BEFORE PROVISION FOR INCOME TAXES	2,733,821	1,903,171
PROVISION FOR INCOME TAXES	12,590	12,590
Net Income	\$2,721,231	\$1,890,581

*See Accompanying Independent Auditors Report
and Notes to Financial Statements*

TRINITY HOME ENTERTAINMENT, LLC
STATEMENTS OF CHANGES IN MEMBERS EQUITY
YEARS ENDED DECEMBER 31, 2006 AND 2005

Balance - December 31, 2004	\$ 1,520,836
Contributions	13,578
Distributions	(128,000)
Net Income	1,890,581
Balance - December 31, 2005	3,296,995
Distributions	(2,548,000)
Net Income	2,721,231
Balance - December 31, 2006	\$ 3,470,226

See Accompanying Independent Auditors Report

and Notes to Financial Statements

TRINITY HOME ENTERTAINMENT, LLC

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$2,721,231	\$1,890,581
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of film costs	993,911	363,342
Depreciation of property and equipment	11,578	-
(Increase) decrease in:		
Accounts receivable	(3,859,685)	1,105,255
Related party accounts receivable	504,027	(529,090)
Related Party advance receivable	(651,328)	
Due from related party	(40,000)	
Employee advance	1,000	(1,000)
DVD inventories	(153,463)	892,848
Other assets	646,644	
Increase (decrease) in:		
Accounts payable	2,047,918	(3,944,289)
Related party accounts payable	(1,049,045)	1,085,319
Accrued expenses	1,298,793	266,414
Interest payable	34,125	34,125
Income tax payable		(800)
Deferred revenue	(9,189)	(477,024)
Net Cash Provided by Operating Activities	2,496,517	685,681
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of film rights	(557,831)	(977,786)
Acquisition of equipment	(3,808)	(1,724)
Advances regarding distribution contract	-	(299,212)

	Net Cash Used by Investing Activities	(561,639)	(1,278,722)
CASH FLOWS FROM FINANCING ACTIVITIES:			
	Cash contribution by Members	-	13,578
	Distributions to Members	(1,748,000)	(128,000)
	Net Cash Used by Financing Activities	(1,748,000)	(114,422)
	Net Increase (Decrease) in Cash	186,878	(707,463)
CASH - Beginning of Year		238,234	945,697
CASH - End of Year		\$425,112	\$238,234
SUPPLEMENTAL DISCLOSURES:			
	Cash paid during the years ended December 31, 2006 and 2005:		
	Interest	\$-	\$-
	Income taxes	\$12,590	\$12,590

*See Accompanying Independent Auditors Report
and Notes to Financial Statements*

TRINITY HOME ENTERTAINMENT, LLC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2006 AND 2005

1.

DESCRIPTION OF BUSINESS AND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Trinity Home Entertainment, LLC (the Company) is a California limited liability company (LLC) that was converted to an LLC on January 4, 2004. The Company's operations are conducted through its administrative offices located in Westlake Village, California. In addition, the Company maintains its inventory at various outside warehouses in the United States of America and Canada. The Company distributes movie titles on predominantly digital video disc (DVD) to retail companies for ultimate sale to end-users. The rights to distribute the titles are acquired through