FORM 8-K

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GENIUS PRODUCTS INC

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

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (date of earliest event reported): January 1, 2009

GENIUS PRODUCTS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**0-27915**	**33-0852923**
(State or Other Jurisdiction of Incorporation or Organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

3301 Exposition Boulevard, Suite 100
Santa Monica, California 90404
(Address of Principal Executive Offices) (Zip Code)

(310) 401-2200
(Registrant's telephone number, including area code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

Purchase and Sale Agreement

On January 1, 2009 (the "Closing Date"), Genius Products, Inc. (the "Company"), Genius Products, LLC (the "Distributor"), The Weinstein Company Holdings LLC ("TWC Holdings"), Weinstein GP Holdings LLC ("Weinstein GP Holdings"), W-G Holding Corp. ("W-G Holding" and, collectively with TWC Holdings and Weinstein GP Holdings, the "TWC Parties"), Quadrant Management, Inc. ("Quadrant") and GNPR Investments LLC, an affiliate of Quadrant ("GNPR Investments"), entered into a Purchase and Sale Agreement (the "Purchase Agreement") in connection with the restructuring of the Distributor's distribution relationship with The Weinstein Company LLC ("TWC") and the sale by the TWC Parties of substantially all of their respective shares and ownership interests in the Company and the Distributor (the "Quadrant Transaction").

Pursuant to the Purchase Agreement and effective as of the Closing Date, the Distributor and TWC agreed to settle all monetary obligations owing to TWC by Genius on an accrued basis for all distribution activity through September 30, 2008 pursuant to the Distribution Agreement between the Distributor and TWC (as amended, the "TWC Distribution Agreement"). In connection with such settlement, (i) the Distributor issued to TWC a promissory note in the principal amount of $20 million (the "TWC Note"), which is payable on January 1, 2011 and accrues interest at a rate of 5% per annum, (ii) the Distributor agreed to pay to TWC up to an additional $43.3 million, from the Closing Date through February 2010, subject to the satisfaction by TWC of certain conditions set forth in the Purchase Agreement and (iii) the Distributor agreed to pay to TWC a further amount to the extent the estimate of amounts payable from October through and including December 2008 is less than the actual amounts determined to be payable for such period, based on the monthly accounting statements for such periods and subject to audit by TWC (to the extent such estimate exceeds the actual amounts determined to be payable for such period, such excess may be offset by the Distributor against future amounts owed to TWC) Subject to the Distributor's satisfaction of the aforementioned payment obligations, all remaining amounts owed by the Distributor to TWC through December 31, 2008 shall be reduced to zero and shall be extinguished.

Also pursuant to the Purchase Agreement and effective as of the Closing Date, (i) the TWC Parties sold to GNPR Investments an aggregate of 122,010,252 Class W Units of the Distributor (representing a 60% ownership interest in the Distributor) and the TWC Note for $20 million, and (ii) the TWC Parties sold to the Company an aggregate of 100 shares of the Company's Series W Preferred Stock (representing 100% of the issued and outstanding shares of such Series W Preferred Stock). Immediately following the Closing Date, the TWC Parties collectively retained 20,335,042 Class W Units of the Distributor, representing a 10% ownership interest in the Distributor; provided that in connection with such sale, the TWC Parties transferred to the applicable purchaser all of its rights to assert any management, control or voting rights over the Distributor.

In consideration for the sale of the Series W Preferred Stock, the Company issued to TWC Holdings two warrants (the "TWC Warrants") entitling TWC Holdings to purchase in the aggregate 27,043,636 shares of the Company's common stock (representing 10% of the fully-diluted shares of the Company immediately following the Closing Date). The first of the TWC Warrants has a term of six (6) years, entitles TWC Holdings to purchase, for an exercise price of $0.0001 per share, up to 13,521,818 shares of the Company's common stock and becomes exercisable in twelve (12) equal monthly installments commencing on January 1, 2010. The second of the TWC Warrants has a term of seven (7) years, entitles TWC Holdings to purchase, for an exercise price of $0.0001 per share, up to 13,521,818 shares of the Company's common stock and becomes exercisable in twelve (12) equal monthly installments commencing on January 1, 2011. The vesting of shares under each of the TWC Warrants is conditioned on the effectiveness of the amended and restated TWC Distribution Agreement and TWC continuing to be in the principal business of producing, distributing, licensing and acquiring theatrical motion pictures, with unvested shares subject to forfeiture in the event that TWC terminates such agreement or ceases to engage in such business activities.

Amended TWC Distribution Agreement

Pursuant to the Purchase Agreement and effective as of the Closing Date, the Distributor and TWC entered into an Amended and Restated Distribution Agreement (the "Amended TWC Distribution Agreement"), amending and restating the TWC Distribution Agreement. The Amended TWC Distribution Agreement provides for, among other things, (i) the grant to the Distributor of the exclusive right, in the United States and its territories, to distribute, design, manufacture, advertise, publicize, promote and market TWC-owned or controlled motion picture titles, with TWC retaining digital distribution rights to such titles; (ii) a term expiring on December 31, 2010, subject to extension by mutual consent until December 31, 2011; (iii) an increase in the distribution fee payable to the Distributor for theatrical titles released on home video after January 1, 2009; (iv) the elimination of all performance-based adjustment to the distribution fee payable to the Distributor (i.e., adjustments based on the level of home video sales of a title as compared to theatrical box office performance); (v) the addition of provisions requiring that all Distributor home video inventory created on or after October 1, 2008 and unsold at the end of the term be purchased by TWC at Distributor's cost, with all inventory created prior to such date and unsold at the end of the term to be delivered to TWC at no cost; (vi) the pre-approval by TWC of the outsourcing (and the Distributor's right to recoup outsourced costs) of certain distribution services; (vii) an increase in the Distributor's permissible returns reserve; (viii) the elimination of provisions requiring the Distributor to maintain dedicated staff for the distribution of TWC product; (ix) the elimination of provisions requiring the Distributor to present content acquisition opportunities to TWC before the Distributor engages in such opportunities; (x) additional rights of the Distributor to recoup the costs of all approved third party manufacturing, distribution and marketing expenses, including all supply-chain expenses; (xi) the addition of potential incentive payments to TWC if certain distribution fees are earned by the Distributor from January 1, 2009 through December 31, 2010, subject to certain terms and conditions; (xii) the ability of the Distributor to cross-collateralize and recoup up to $7.5 million of unrecouped distribution and marketing expenses each month (up to $10 million for the period from October 1, 2009 through March 31, 2010), subject to certain terms and conditions; (xiii) the requirement to deliver to TWC monthly accounting statements within forty (40) days after the end of each month; (xiv) the elimination of provisions allowing TWC to terminate the agreement based on performance levels of the Distributor, such that TWC retains the right to terminate the Amended TWC Distribution Agreement only upon material default, an insolvency event or certain change of control events; (xv) the elimination of TWC's right and/or obligation to "buy back" the distribution rights granted to the Distributor, with all such distribution rights terminating on expiration or termination of the term; (xvi) the elimination of "most favored nation" clauses in favor of TWC, except with respect only to distribution fees payable to the Distributor.

Exchange Agreement and Other Transaction Documents

Exchange Agreement

Pursuant to the Purchase Agreement, the Company, GNPR Investments and the TWC Parties entered into an Exchange Agreement (the "Exchange Agreement"), pursuant to which GNPR Investments and the TWC Parties agreed, subject to obtaining all necessary approvals from the Company's Board of Directors and stockholders, to transfer to the Company all of their respective Class W Units of the Distributor in exchange for shares of a newly created Series A Interim Convertible Preferred Stock of the Company, which Series A Convertible Preferred Stock would entitle (i) GNPR Investments to convert their preferred shares into shares of the Company's common stock representing 60% of all issued and outstanding common shares and (ii) the TWC Parties to convert their preferred shares into shares of the Company's common stock representing 10% of all issued and outstanding common shares. The transactions contemplated by the Exchange Agreement were consummated effective as of January 15, 2009, and, as a result, effective as of such date, the Distributor became a wholly-owned subsidiary of the Company.

Amendment to Distributor LLC Agreement

Pursuant to the Purchase Agreement, the parties agreed to amend and restate the Distributor's Amended and Restated Limited Liability Company Agreement upon the consummation of, and to reflect, the transactions contemplated in the Exchange Agreement, subject to obtaining any necessary Company Board of Directors and/or stockholder approvals in connection with such amendments.

Amendment to Credit Agreement

In connection with the Quadrant Transaction and effective as of December 31, 2008, the Distributor entered into a Limited Consent and Amendment No. 3 to Amended and Restated Credit Agreement (the "Credit Agreement Amendment") with Société Générale, as administrative agent, collateral agent and L/C Issuer, the lenders party thereto, and Alliance & Leicester Commercial Finance plc (collectively, the "Lenders"). The Credit Agreement Amendment amends the existing Amended and Restated Credit Agreement, dated as of November 1, 2007 (as amended, the "Credit Agreement"), previously disclosed in the Company's Current Reports on Form 8-K filed on November 6, 2007 and December 3, 2008.

Pursuant to the Credit Agreement Amendment, among other things, (i) the Lenders consented to the Quadrant Transaction, (ii) the maturity date of the credit facility was set at August 31, 2009; (iii) the total commitment of the revolving credit facility is subject to reduction from $37.5 million to $30 million on March 31, 2009, and to $25 million on June 30, 2009; (iv) the percentage of receivables that count towards establishing the Distributor's borrowing base is reduced over time from 80% currently to 65% as of June 30, 2009 and thereafter; (v) the interest rate for each LIBOR Loan and Base Rate Loan (each as defined in the Credit Agreement Amendment) are increased to set amounts of 4% and 3%, respectively; and (vi) additional financial covenants of the Distributor are added, requiring the Distributor to maintain certain minimum Borrowing Base Percentages and OIBDA (each as defined in the Credit Agreement Amendment).

Other Transaction Agreements

Pursuant to the Purchase Agreement, the Company also entered into a Stockholder Rights Agreement with TWC Holdings and GNPR Investments, pursuant to which (i) GNPR Investments granted to TWC Holdings the right to participate, on a pro rata basis, in a proposed bona fide sale or transfer by GNPR Investments of any equity securities of the Company; (ii) TWC Holdings and GNPR Investments agreed to vote for any proposed acquisition of the Company approved by the Company's Board of Directors and a majority of its common stockholders; and (iii) TWC Holdings granted to the Company a right of first refusal with respect to any proposed sale by TWC Holdings of any of its equity securities of the Company (with such right of first refusal transferring to GNPR Investments if the Company declines to exercise such right), in each case subject to limited exceptions.

In addition, the Company also entered into a Registration Rights Agreement with TWC Holdings and GNPR Investments, pursuant to which the Company agreed to register for resale the shares of Company common stock issuable (i) upon conversion of the Series A Interim Convertible Preferred Stock that was issued to TWC Holdings and GNPR Investments upon the consummation of the transactions contemplated by the Exchange Agreement and/or (ii) upon the exercise of the TWC Warrants. Pursuant to the Registration Rights Agreement, the Company agreed to file an initial registration statement with the Securities and Exchange Commission no later than the forty-fifth (45^{th}) day after the Closing Date.

The preceding descriptions of the Purchase Agreement and the other agreements described in this Item 1.01 are summary in nature and do not purport to be complete.

Quadrant Services Agreement

On January 2, 2009, the Special Committee of the Board of Directors of the Company, on behalf of the Company, entered into a letter agreement (the "Restructuring Services Agreement") with Quadrant, pursuant to which the Company agreed to pay to Quadrant $4 million in cash (by no later than January 2, 2009) in consideration for restructuring services provided by Quadrant since September 2008, including, among other services, securing $20 million in debt financing for the Company and the Distributor, negotiating the restructuring of the Distributor's payment obligations to TWC and negotiating and obtaining Société Générale's consent to the Quadrant Transaction.

Note and Warrant Purchase Agreement

On February 17, 2009, the Company and the Distributor entered into a Note and Warrant Purchase Agreement (the "Note and Warrant Purchase Agreement") with certain institutional investors (the "Investors"), pursuant to which, among other things, (i) the Distributor issued to the Investors promissory notes with an aggregate principal balance of $5 million (the "Investor Notes") and (ii) the Company issued to the Investors five-year warrants to purchase an aggregate of up to 1,109,073,910 shares of the Company's Common Stock at an exercise price of $0.0001 per share (the "Investor Warrants"). Pursuant to the terms of the Note and Warrant Purchase Agreement, the Company and the Distributor may engage in subsequent closings and issue an aggregate of up to $9.5 million of Investor Notes and an aggregate of up to 1,984,587,356 Investor Warrants.

The principal amounts of the Investor Notes are due and payable on December 31, 2010 and accrue interest at a rate of 5% per annum as of February 17, 2009. At the Distributor's option and provided that the expiration date of the Amended TWC Distribution Agreement is extended to no earlier than December 31, 2011, the maturity date of the Investor Notes may be extended until December 31, 2011, in which case the Investor Notes shall accrue interest at a rate of 10% per annum for such extension period. Repayment of all of the Investor Notes is subordinated to amounts owed by the Distributor to Société Générale.

The Investor Warrants are mandatorily exercisable at such time that the Company has sufficient authorized Common Stock to allow for the exercise of the Investor Warrants and the conversion of the Company's Series A Interim Convertible Preferred Stock.

The Company is obligated to register for resale the shares of Common Stock issuable upon exercise of the Investor Warrants on a registration statement to be filed within forty-five (45) days after the closing of the Note and Warrant Purchase Agreement; provided that if the Company takes material steps toward terminating the registration of its Common Stock under the Exchange Act by May 30, 2009, the obligation to file the registration statement will be delayed for one year.
The Company intends to use the proceeds of the Investor Notes to repay existing indebtedness or for other general corporate purposes.

Item 1.02 Termination of a Material Definitive Agreement.

Pursuant to the Purchase Agreement and effective as of the Closing Date, each of (i) that certain Master Contribution Agreement, dated as of December 5, 2005, by and among the Company, TWC Holdings and TWC and (ii) that certain Registration Rights Agreement, dated on or about July 21, 2006, between the Company and TWC, were terminated in their entirety.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The disclosure requirement of this Item 2.03 is included in Item 1.01 above under the captions "*Purchase and Sale Agreement*" and "*Note and Warrant Purchase Agreement*" and is incorporated herein by reference.

Item 3.02 Unregistered Sale of Equity Securities.

The sale of securities referenced in Item 1.01 under the headings "*Purchase and Sale Agreement*" and "*Note and Warrant Purchase Agreement*" (i.e., the issuance of the TWC Warrants and the Investor Warrants) have not been registered under the Securities Act of 1933, as amended (the "Act"), or any state securities laws, and were sold in a transaction exempt from registration pursuant to Section 4(2) of the Act and Regulation D promulgated thereunder. The aforementioned disclosures under Item 1.01 are hereby incorporated into this Item 3.02 by reference.

Item 5.01 Changes in Control of Registrant.

As disclosed in Item 1.01, effective as of the Closing Date and in connection with the Quadrant Transaction, the TWC Parties sold to GNPR Investments a controlling interest in the Distributor and, upon consummation of the transactions contemplated in the Exchange Agreement, the Company. The disclosure under Item 1.01 is hereby incorporated into this Item 5.01 by reference.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(a) Resignation of Directors

Effective as of the Closing Date and in connection with the Quadrant Transaction, Richard Koenigsberg, Larry Madden and Irwin Reiter resigned from the Board of Directors of the Company (the "Board"), and all committees thereof.

(b) Resignation of Christine Martinez

On February 2, 2009, the Company and the Distributor entered into a Severance Agreement (the "Severance Agreement") with Christine Martinez pursuant to which Ms. Martinez resigned as Executive Vice President of Corporate Strategy of the Distributor, effective February 1, 2009. Pursuant to the Severance Agreement, the Distributor agreed to pay Ms. Martinez a lump sum severance payment equal to six (6) months of Ms. Martinez's base salary. In addition, the Distributor agreed to pay Ms. Martinez's and her dependants' COBRA health insurance premiums for a period of six (6) months. In exchange for the above-described payments and benefits, Ms. Martinez released the Company and the Distributor from any and all claims relating to her employment with the Company and the Distributor or the termination thereof.

(d) *Election of Replacement Directors*

On February 23, 2009 and effective as of February 27, 2009, the Board appointed Alan Quasha, Bruce Bunner and John Hecker to the Board, to fill the three vacancies on the Board resulting from the resignation of Messrs. Koenigsberg, Madden and Reiter, as described in paragraph (a) of this Item 5.02. Effective as of his appointment to the Board, Mr. Quasha will become Chairman of the Board and a member of the Board's Audit Committee, Compensation Committee and Nominating Committee. Messrs. Bunner and Hecker will become members of the Board's Audit Committee, Compensation Committee and Nominating Committee. Mr. Quasha is the President of Quadrant and Mr. Bunner is a Managing Director of Quadrant, which is a party to the Restructuring Services Agreement described in Item 1.01 under the heading "*Quadrant Services Agreement*." Mr. Hecker is the Chairman and Chief Executive Officer of Music Publishing Company of America.

(e) *Executive Employment Agreements*

On January 22, 2009, the Distributor entered into a letter agreement with Trevor Drinkwater (the "Drinkwater Employment Agreement"), pursuant to which Mr. Drinkwater was retained as the Distributor's Chief Executive Officer for a term of three years, effective January 1, 2009. On January 29, 2009, the Distributor entered into a letter agreement with Mitch Budin (the "Budin Employment Agreement"), pursuant to which Mr. Budin was retained as the Distributor's Executive Vice President and General Manager for a term of three years, effective January 1, 2009.

On February 2, 2009, the Distributor entered into a letter agreement with Matthew Smith (the "Smith Employment Agreement"), pursuant to which Mr. Smith was retained as the Distributor's President for a term of three years, effective January 1, 2009.

Item 5.03 Amendment to Articles of Incorporation or Bylaws; Change in Fiscal Year.

(a) On January 14, 2009, the Company filed with the Delaware Secretary of State a Certificate of Designation of Series A Interim Convertible Preferred Stock of Genius Products, Inc. (the "Certificate of Designation"). The Certificate of Designation was filed pursuant to the Exchange Agreement and, among other things, authorized 1,000,000 shares of a new series of Company Preferred Stock (the "Series A Interim Convertible Preferred Stock"). Such Series A Interim Convertible Preferred Stock was issued to GNPR Investments and the TWC Parties pursuant to the Exchange Agreement and, pursuant to the Certificate of Designation, such Series A Interim Convertible Preferred Stock is subject to mandatory conversion at such time that the Company has a sufficient number of authorized and unreserved shares of Common Stock to permit the conversion of all Series A Interim Convertible Preferred Stock.

On February 13, 2009, the Company filed with the Delaware Secretary of State a First Amendment to Certificate of Designation of Series A Interim Convertible Preferred Stock of Genius Products, Inc. (the "Amendment"), eliminating a 10-day notice period for the automatic conversion of the Series A Interim Convertible Preferred Stock into Common Stock.

The foregoing does not constitute a complete summary of the terms of the Certificate of Designation or the Amendment, copies of which are attached as Exhibit 3.1 and Exhibit 3.2, respectively. The description of the terms of the Certificate of Designation and the Amendment are qualified in their entirety by reference to such exhibits.

Item 7.01 Regulation FD Disclosure.

On January 20, 2009, the Board and the Company's majority stockholder authorized a reverse stock split of the Company's Common Stock with an exchange ratio of 1-for-500. The Board retains the discretion to implement the Reverse Split until January 20, 2010, following mailing of a definitive Information Statement to stockholders in accordance with SEC rules.

On February 23, 2009, the Company issued a press release announcing the restructuring transactions described in this Current Report. A copy of the press release is attached as Exhibit 99.1 to this report and is deemed to be furnished, not filed, pursuant to Item 7.01 of Form 8-K.

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits.*

3.1 Certificate of Designation of Series A Interim Convertible Preferred Stock of Genius Products, Inc., filed with the Delaware Secretary of State on January 14, 2009.

3.2 First Amendment to Certificate of Designation of Series A Interim Convertible Preferred Stock of Genius Products, Inc., filed with the Delaware Secretary of State on February 13, 2009.

4.01 Form of 5% Subordinated Unsecured Promissory Note by Genius Products, LLC.

10.01 Note and Warrant Purchase Agreement, dated as of February 17, 2009, among Genius Products, Inc., Genius Products, LLC, and each of the parties whose names appear from time to time on the signature pages thereto.

10.02 Registration Rights Agreement, dated as of February 17, 2009, among Genius Products, Inc. and each of the other parties whose names appear from time to time on the signature pages thereto.

10.03 Form of Warrant dated as of February 17, 2009 to purchase shares of Common Stock of Genius Products, Inc.

99.1 Press Release of Genius Products, Inc., dated February 23, 2009*

* Exhibit 99.1 is being furnished to the Securities and Exchange Commission (the "SEC") and shall not be deemed filed with the SEC, nor shall it be deemed incorporated by reference in any filing with the SEC under the Securities Exchange Act of 1934 or the Securities Act of 1933, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

GENIUS PRODUCTS, INC.

By: /s/ Trevor Drinkwater
Trevor Drinkwater
Chief Financial Officer

Date: February 23, 2009

EXHIBIT 3.1

CERTIFICATE OF DESIGNATION OF
SERIES A INTERIM CONVERTIBLE PREFERRED STOCK OF
GENIUS PRODUCTS, INC.

Genius Products, Inc., a Delaware corporation (the "Company"), acting pursuant to § 151 of the General Corporation Law of Delaware, does hereby submit the following Certificate of Designation of Series A Interim Convertible Preferred Stock.

FIRST: The name of the Company is Genius Products, Inc.

SECOND: By unanimous vote of the Board of Directors of the Company dated January 6, 2009, the following resolutions were duly adopted:

WHEREAS the Certificate of Incorporation of the Company authorizes up to Ten Million (10,000,000) shares of Preferred Stock, par value $0.0001 per share, issuable from time to time in one or more series;

WHEREAS the Board of Directors of the Company is authorized, subject to limitations prescribed by law and by the provisions of Article IV of the Company's Amended and Restated Certificate of Incorporation, to establish and fix the number of shares to be included in any series of Preferred Stock and the designation, rights, preferences, powers, restrictions and limitations of the shares of such series; and

WHEREAS it is the desire of the Board of Directors to establish and fix the number of shares to be included in a new series of Preferred Stock and the designation, rights, preferences, powers, restrictions and limitations of the shares of such new series.

NOW, THEREFORE, BE IT RESOLVED that pursuant to Article IV of the Company's Certificate of Incorporation, as amended, there is hereby established a new series of One Million (1,000,000) shares of Series A Interim Convertible Preferred Stock of the Company (the "Series A Preferred Stock") to have the designation, rights, preferences, powers, restrictions and limitations set forth in a supplement of Article IV as follows:

1. Dividends.

The holders of the Series A Preferred Stock shall be entitled to receive, out of funds legally available, dividends on an as-converted basis when, as and if declared and paid by the Board of Directors of the Company on the Common Stock (subject to appropriate adjustments in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares).

2. Liquidation, Dissolution or Winding Up.

(a) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of shares of Series A Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders, after and subject to the payment in full of all amounts required to be distributed to the holders of any other class or series of stock of the Company ranking on liquidation prior and in preference to the Series A Preferred Stock (collectively referred to as "Senior Preferred Stock"), an amount that would be receivable if the shares of Series A Preferred Stock held by such holder were converted into Common Stock immediately prior to such liquidation, dissolution or winding up of the Company.

(b) After the payment of all preferential amounts required to be paid to the holders of Senior Preferred Stock upon the dissolution, liquidation, or winding up of the Company, all of the remaining assets and funds of the Company available for distribution to its stockholders shall be distributed ratably among the holders of the Series A Preferred Stock, such other series of Preferred Stock as are constituted as similarly participating, and the Common Stock, with each share of Series A Preferred Stock being deemed, for such purpose, to be equal to the number of shares of Common Stock, including fractions of a share, into which such share of Series A Preferred Stock is convertible immediately prior to the close of business on the business day fixed for such distribution.

(c) The merger or consolidation of the Company into or with another corporation which results in the exchange of outstanding shares of the Company for securities or other consideration issued or paid or caused to be issued or paid by such other corporation or an affiliate thereof (except if such merger or consolidation does not result in the transfer of more than fifty percent (50%) of the voting securities of the Company), or the sale of all or substantially all the assets of the Company, shall be deemed to be a liquidation, dissolution or winding up of the Company for purposes of this Section, unless the holders of sixty-six and two-thirds percent (66-2/3%) of the Series A Preferred Stock then outstanding vote otherwise. The amount deemed distributed to the holders of Series A Preferred Stock upon any such merger or consolidation shall be the cash or the value of the property, rights and/or securities distributed to such holders by the acquiring person, firm or other entity. The value of such property, rights or other securities shall be determined in good faith by the Board of Directors of the Company.

3. Voting.

(a) Each holder of outstanding shares of Series A Preferred Stock shall be entitled to the number of votes equal to the number of whole shares of Common Stock into which the shares of Series A Preferred Stock held by such holder are convertible (as adjusted from time to time pursuant to Section 4 hereof) at each meeting of stockholders of the Company (and written actions of stockholders in lieu of meetings) with respect to any and all matters presented to the stockholders of the Company for their action or consideration. Except as provided by law, by the provisions of Subsections 3(b) or 3(c) below, or by the provisions establishing any other series of Preferred Stock, holders of Series A Preferred Stock and of any other outstanding series of Preferred Stock shall vote together with the holders of Common Stock as a single class.

(b) The Company shall not amend, alter or repeal preferences, rights, powers or other terms of the Series A Preferred Stock so as to affect adversely the Series A Preferred Stock, without the written consent or affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the then outstanding shares of Series A Preferred Stock, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class. For this purpose, without limiting the generality of the foregoing, the authorization or issuance of any series of Preferred Stock which is on a parity with or has preference or priority over the Series A Preferred Stock as to the right to receive either dividends or amounts distributable upon liquidation, dissolution or winding up of the Company shall be deemed to affect adversely the Series A Preferred Stock.

(c) The consent of the holders of not less than sixty-six and two-thirds (66-2/3%) of the outstanding Series A Preferred Stock, voting separately as a single class, in person or by proxy, either in writing without a meeting or at a special or annual meeting of shareholders called for the purpose, shall be necessary for the Company to sell all or substantially all of the Company's assets or effect a merger or consolidation or any other transaction resulting in the acquisition of a majority of the then outstanding voting stock of the Company by another corporation or entity.

4. Mandatory Conversion; Adjustments.

(a) Mandatory Conversion. At the earliest time that the Company has a sufficient number of authorized and unreserved shares of Common Stock to permit the conversion of all (and not less than all) outstanding shares of Series A Preferred Stock into shares of Common Stock, the Company shall give the notice required by Section 4(b) and upon the date specified in the notice, each outstanding share of Series A Preferred Stock shall be mandatorily converted into 189.305464 shares of Common Stock (the "Conversion Rate"), subject to adjustment as set forth herein. No fractional shares shall be issued in such mandatory conversion and, in lieu thereof, any holder of less than one share of Common Stock immediately after such mandatory conversion (after aggregating all fractional shares of Common Stock issuable to such holder) shall be entitled to receive cash for such holder's fractional share based upon the fair market value of the Common Stock as of the date that such mandatory conversion is effective.

(b) Notice and Surrender of Certificates. All holders of record of shares of Series A Preferred Stock will be given at least ten (10) days' prior written notice (the "Notice") of the date fixed and the place designated for mandatory conversion of all such shares of Series A Preferred Stock pursuant to Section 4(a). The Notice will be sent by first class or registered mail, postage prepaid, to each record holder of Series A Preferred Stock at such holder's address last shown on the records of the transfer agent for the Series A Preferred Stock (or the records of the Company, if it serves as its own transfer agent for such securities). Upon receipt of the Notice, each holder shall surrender all certificates for shares of Series A Preferred Stock at the principal office of the Company. The Company shall, as soon as practicable thereafter, issue and deliver to such holder a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled.

(c) Adjustments to Conversion Rate for Certain Issuances. If the Company shall, between December 31, 2008 and June 30, 2009, issue Additional Shares of Common Stock to the Company's directors, officers, employees or consultants pursuant to an employee benefit plan or similar arrangement (which shall in any event exclude shares issued so such individuals as a dividend or distribution or stock split or combination in which all holders of Common Stock participate) (the "Management Retention Shares"), then and in such event, the Conversion Rate shall be adjusted to equal such amount that would result in each holder of Series A Preferred Stock receiving the same percentage of the aggregate issued and outstanding shares of Common Stock of the Company upon conversion into Common Stock, taking into account the Management Retention Shares, that each such holder would have received prior to the issuance of the Management Retention Shares. For purposes of this Subsection 4(d), "Additional Shares of Common Stock" shall mean all shares of Common Stock issued or issuable by the Company pursuant to (i) restricted stock grants, or (ii) the exercise of rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock.

(d) Adjustment for Stock Splits and Combinations. If the Company shall at any time or from time to time after the issuance of shares of Series A Preferred Stock effect a subdivision of the outstanding Common Stock, the Conversion Rate then in effect immediately before that subdivision shall be proportionately decreased. If the Company shall at any time or from time to time after the after the issuance of shares of Series A Preferred Stock combine the outstanding shares of Common Stock, the Conversion Rate then in effect immediately before the combination shall be proportionately increased. Any adjustment under this paragraph shall become effective at the close of business on the date the subdivision or combination becomes effective.

(e) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Rate pursuant to this Section 4, the Company at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder, if any, of Series A Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based and shall file a copy of such certificate with its corporate records. The Company shall, upon the written request at any time of any holder of Series A Preferred Stock, furnish or cause to be furnished to such holder a similar certificate setting forth (1) such adjustments and readjustments, (2) the Conversion Rate then in effect, and (3) the number of shares of Common Stock and the amount, if any, of other property which then would be received upon the conversion of Series A Preferred Stock. Despite such adjustment or readjustment, the form of each or all Series A Preferred Stock Certificates, if the same shall reflect the initial or any subsequent Conversion Rate, need not be changed in order for the adjustments or readjustments to be valued in accordance with the provisions of this Certificate of Designation, which shall control.

5. Amendment.

This Certificate of Designation constitutes an agreement between the Company and the holders of the Series A Preferred Stock. It may be amended by vote of the Board of Directors of the Company and the holders of two-thirds (2/3) of the outstanding shares of Series A Preferred Stock.

EXHIBIT 3.1

IN WITNESS WHEREOF, the Company has caused this Certificate to be executed by its Chief Executive Officer as of January 14, 2009.

By: /s/ Trevor Drinkwater
Name: Trevor Drinkwater
Title: Chief Executive Officer

EXHIBIT 3.2

FIRST AMENDMENT TO CERTIFICATE OF DESIGNATION OF SERIES A INTERIM CONVERTIBLE PREFERRED STOCK OF GENIUS PRODUCTS, INC.

The First Amendment to Certificate of Designation of Series A Interim Convertible Preferred Stock of Genius Products, Inc. (the "First Amendment"), dated as of February 12, 2009, is made by Genius Products, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Company").

WHEREAS, the Company caused the Certificate of Designation of Series A Interim Convertible Preferred Stock of Genius Products, Inc. (the "Certificate of Designation"), which established and fixed the number of shares to be included in the series of Preferred Stock and the designation, rights, preferences, powers, restrictions and limitations of the shares of such series to be filed with the Delaware Secretary of State on January 14, 2009;

WHEREAS, the Board of Directors of the Company approved the First Amendment to the Certificate of Designation and found it to be in the best interests of the Company and its shareholders;

WHEREAS, this First Amendment to the Certificate of Designation has been authorized by holders of at least two-thirds (2/3) of the outstanding shares of the Series A Preferred Stock;

NOW, THEREFORE, the Company hereby amends the Certificate of Designation as follows:

1. Section 4(a) is deleted and replaced in its entirety with:

4(a) Mandatory Conversion. At the earliest time that the Company has a sufficient number of authorized and unreserved shares of Common Stock to permit the conversion of all (and not less than all) outstanding shares of Series A Preferred Stock into shares of Common Stock, each outstanding share of Series A Preferred Stock shall be mandatorily and automatically converted into 189.305464 shares of Common Stock (the "Conversion Rate") immediately without any further action of the holders of the Series A Preferred Stock, subject to adjustment as set forth herein.

2. Section 4(b) is deleted and replaced in its entirety with:

4(b) Surrender of Certificates. Each holder of record will be given notice within ten (10) days after date of the mandatory conversion of all Series A Preferred Stock to surrender all certificates for shares of Series A Preferred Stock at the principal office of the Company in exchange for certificates representing Common Stock. The notice will be sent by first class or registered mail, postage prepaid, to each record holder of Series A Preferred Stock at such holder's address last shown on the records of the transfer agent for the Series A Preferred Stock (or the records of the Company, if it serves as its own transfer agent for such securities). The Company shall, as soon as practicable thereafter, issue and deliver to such holder a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled.

EXHIBIT 3.2

IN WITNESS WHEREOF, the Company has caused this First Amendment to be executed by its Chief Executive Officer as of February 12, 2009.

By: /s/ Trevor Drinkwater
Name: Trevor Drinkwater
Title: Chief Executive Officer

THIS NOTE HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY.

THIS NOTE AND THE INDEBTEDNESS EVIDENCED HEREBY ARE AND SHALL AT ALL TIMES BE AND REMAIN SUBORDINATED IN RIGHT OF PAYMENT TO THE PRIOR PAYMENT IN FULL OF THE SENIOR SECURED OBLIGATIONS OWING TO THE SG LENDERS (AS DEFINED HEREIN).

5% SUBORDINATED UNSECURED PROMISSORY NOTE

$_____ February 17, 2009

FOR VALUE RECEIVED, **GENIUS PRODUCTS, LLC** (together with its successors and, if permitted, assigns, hereinafter called the "Obligor"), does hereby promise to pay in accordance with the terms of this instrument, to the order of _____ (together with its successors and permitted assigns, the "Holder") at _____, or at such other address designated in writing by notice to the Obligor by the Holder, the principal sum of _____ Dollars ($_____) (the "Principal Amount"), plus interest, payable in accordance with the terms and conditions hereof.

This Note is one of several notes aggregating up to Nine Million Five Hundred Thousand Dollars ($9,500,000) in principal amount that may be issued pursuant to the Note and Warrant Purchase Agreement, dated as of February 17, 2009 (as amended, modified or supplemented, the "Purchase Agreement"), by and among the Obligor, Genius Products, Inc., a Delaware corporation (the "Company"), the Holder and certain other parties (collectively, as the same may be amended or modified from time to time, the "Notes").

1. Payment, Prepayment.

(a) Subject to the terms and conditions of this Note, including the Extension (as defined below) and the subordination provisions under the Senior Secured Obligations owing to the SG Lenders, and subject to this Note being earlier accelerated pursuant to the terms hereof, the Principal Amount of this Note shall be due and payable in full to the Holder on December 31, 2010 (the "Maturity Date").

(b) The Principal Amount of this Note and accrued interest may be prepaid at the election of the Obligor at any time in whole or in part, without penalty or premium, provided, however, Obligor shall not make any Distribution with respect to this Note until and unless the Senior Secured Obligations owing to the SG Lenders have been Paid in Full or consent to such Distribution is received in writing from the SG Lenders. Any such prepayment will be applied first to interest accrued on this Note and second, if the amount of prepayment exceeds the amount of all such accrued interest, to the payment of the Principal Amount.

(c) Subject to clause (b) above, the Obligor agrees that it shall not make any payments (including, without limitation, prepayments) of principal and interest, fees or other charges (or redemption, purchase, retirement, defeasance, sinking fund or similar payment) under that certain 5% Subordinated Unsecured Promissory Note, dated December 31, 2008, issued by the obligor in favor of The Weinstein Company Holdings LLC (or its assigns) in the principal amount of $20,000,000 (as the same may be amended or modified from time to time, the "TWC Note") unless the Obligor makes concurrent pro rata payments or prepayments under the Notes; provided, however, that this clause (c) shall not apply to (i) payments made under the TWC Note with the proceeds from the sale of the Notes, and (ii) payments made upon maturity of the TWC Note if, and only if, the Maturity Date of this Note has been extended in accordance with clause (d) below. For so long as this Note is outstanding, the Obligor shall not amend or modify the TWC Note in a manner adverse to the holders of the Notes, including, without limitation, any change to the principal amount, interest rate or maturity date of the TWC Note, or exchange the TWC Note for (or replace the TWC Note with) other debt of the Obligor, without the prior written consent of a Majority in Interest.

(d) The Obligor may at its option and in its sole discretion extend the Maturity Date until December 31, 2011 (the "Extension") provided, that, no later than December 31, 2010, the Obligor or its subsidiaries have entered into a distribution agreement (including any extension of a distribution agreement) with The Weinstein Company LLC or its affiliates (collectively, "TWC"), relating to the distribution of feature film and direct-to-video releases owned or controlled by TWC, on substantially similar terms (or terms more favorable to the Obligor) as the current distribution agreement between the Obligor and TWC, which by its terms does not expire prior to December 31, 2011 (as the same may be amended or modified from time to time, the "TWC Distribution Agreement"), and such agreement is effective at the time of such extension.

(e) Payments under this Note shall be made in U.S. dollars in immediately available funds.

(f) If any payment on this Note becomes due and payable on a Saturday, Sunday or other date on which commercial banks are authorized or required by law to close, the maturity thereof shall be extended to the next succeeding business day, and with respect to payments of principal, interest thereon shall be payable at the applicable rate during such extension.

(g) The Obligor agrees to pay all costs and expenses incurred by the Holder in connection with the collection of any amounts due under this Note, including reasonable attorneys' fees.

(h) Except with respect to the Senior Secured Obligations, this Note ranks pari passu with all other Notes and other unsecured notes now or hereafter issued. In addition, Obligor agrees that it shall not make any payments or prepayments of principal and interest under any Note unless the Obligor makes concurrent pro rata payments or prepayments under all of the Notes.

2. Interest.

(a) Except as set forth in clause (b) below, any amount due and outstanding hereunder (including, without limitation, the Principal Amount) shall accrue interest at a rate of five percent (5%) per annum, which accrual shall commence as of the date hereof and continue until the Principal Amount is paid. Accrued interest shall be payable in full on the Maturity Date.

(b) During the period of the Extension, if any, any amount due and outstanding hereunder (including, without limitation, the Principal Amount) shall accrue interest at a rate of ten percent (10%) per annum.

(c) Interest shall be calculated on the basis of the actual number of days elapsed over a year of 360 days and shall accrue daily. Presentment for payment, notice of dishonor, protest and notice of protest are hereby waived.

3. Events of Default. Upon the occurrence of any of the following events:

(a) default shall be made in the payment of any principal of or interest on this Note, on a date which such payment shall be payable;

(b) (i) the Obligor shall commence (or petition to commence) any lawsuit, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debtors, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the Obligor shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Obligor a proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment, or (B) remains undismissed, undischarged or unbonded for a period of 30 days; or (iii) there shall be commenced against the Obligor a proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) the Obligor shall authorize or take any action in furtherance of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) the Obligor shall generally be unable to, or shall admit in writing its inability to, pay its debts as they become due; or (vi) the business of the Obligor shall cease; or (vii) the TWC Distribution Agreement is terminated during the term of the Extension; or (viii) the Obligor fails to make any payment of principal, interest or any other amount payable under the TWC Note or the SG Credit Agreement as it falls due or any such debt is accelerated; or (ix) the Obligor or the Company materially breaches any representation, warranty, covenant or other term or condition of any Transaction Document, except in the case of a breach of a covenant of any Transaction Document which is curable, only if such breach remains uncured for a period of at least five (5) Business Days; then, and in any such event set forth in clauses (a) and (b) of this Section 3, Holder may, at its option (A) declare all amounts of the Principal Amount outstanding under this Note to be forthwith due and payable, together with any accrued interest hereunder, whereupon this Note shall become forthwith due and payable, without presentment, diligence, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein to the contrary notwithstanding; provided, that with respect to Events of Default under this Section 3(b)(i) through and including (iv), this Note shall automatically become immediately due and payable with respect to the Principal Amount outstanding under this Note, together with any accrued interest hereunder, and (B) exercise any and all other remedies provided hereunder or available at law or in equity upon the occurrence and continuation of an Event of Default. The Obligor shall pay all out-of-pocket expenses incurred by the Holder (or its successors and assigns) after a Default, including the fees, charges, and disbursements of any counsel or consultants engaged by Holder to enforce the terms of this Note.

Each event specified in this Section 3 is an "Event of Default," provided there has been satisfied any requirement in connection with such event for the giving of notice, or the lapse of time, or the happening of any further condition, event or act, and such event, whether or not any such requirement has been satisfied, is a "Default."

4. Unconditional Obligations. The Obligor agrees that its obligations to make payments of principal and interest as provided for herein are independent obligations and shall be absolute and unconditional, and shall not be subject to any defense, counterclaim, setoff or other right, existing or future, which the Obligor may have against the Holder, any other holder hereof or any other person or entity.

5. Subordination.

(a) Obligor covenants and agrees, and the Holder by its acceptance of this Note (whether upon original issue or upon transfer or assignment), likewise covenants and agrees, notwithstanding anything to the contrary contained herein, that the payment of any and all of the obligations of the Obligor to the Holder evidenced by this Note (the "Subordinated Debt") shall be subordinate and subject in right and time of payment, to the extent and in the manner hereinafter set forth, to the Payment in Full of the Senior Secured Obligations owing to the SG Lenders.

(b) The Obligor agrees that during any time that any Proceeding (defined below) involving the Obligor or any of its Significant Subsidiaries is pending:

(i) All Senior Secured Obligations shall first be Paid in Full before any Distribution, whether in cash, securities or other property, shall be made to the Holder on account of Subordinated Debt.

(ii) Any Distribution, whether in cash, securities or other property which would otherwise, but for the terms of this clause (b), be payable or deliverable in respect of the Subordinated Debt shall be paid or delivered to the SG Lenders until Payment in Full of the Senior Secured Obligations. The Holder irrevocably authorizes, empowers and directs any debtor, debtor in possession, receiver, trustee, liquidator, custodian, conservator or other Person having authority, to pay or otherwise deliver all such Distributions, until the Senior Secured Obligations are Paid in Full, to the SG Lenders. The Holder also irrevocably authorizes and empowers the SG Lenders until Payment in Full of the Senior Secured Obligations, in the name of the Holder, to demand, sue for, collect and receive any and all such Distributions.

(iii) The Holder agrees not to initiate, prosecute or participate in any claim, action or other proceeding challenging the enforceability, validity, perfection or priority of the Senior Secured Obligations or any liens and security interests securing the Senior Secured Obligations.

(iv) The Holder agrees to execute, verify, deliver and file any proofs of claim in respect of the Subordinated Debt requested by the SG Lenders that are consistent with the terms of this Note until the Senior Secured Obligations are Paid in Full in connection with any such Proceeding and hereby irrevocably authorizes, empowers and appoints the SG Lenders, its agent and attorney-in-fact to (i) execute, verify, deliver and file such proofs of claim and (ii) vote such claim in any Proceeding; provided, the SG Lenders shall not have any obligation to execute, verify, deliver and/or file any such proof of claim or to vote any such claim.

(v) The Senior Secured Obligations shall continue to be treated as Senior Secured Obligations and the provisions of this Note shall continue to govern the relative rights and priorities of the SG Lenders and the Holder even if all or part of the Senior Secured Obligations or the security interests securing the Senior Secured Obligations are subordinated, set aside, avoided, invalidated or disallowed in connection with any such Proceeding, and the applicable provisions of this Note shall be reinstated if at any time any payment of any of the Senior Secured Obligations is rescinded or must otherwise be returned by a SG Lender or any representative of such SG Lender;

(c) Notwithstanding anything to the contrary contained herein, the Obligor shall not make, and the Holder agrees that it will not accept, any Distribution with respect to the Subordinated Debt until the Senior Secured Obligations owing to the SG Lenders are Paid in Full or consent to such Distribution is received in writing from the SG Lenders. The failure of the Obligor to make any Distribution with respect to the Subordinated Debt by reason of the operation of this clause (c) shall be construed as preventing the occurrence of an Event of Default under this Note.

(d) The Holder agrees that it shall not, without the prior written consent of the SG Lenders until Payment in Full of all the SG Obligations, take any Enforcement Action (defined below) with respect to the Subordinated Debt; provided, that, after the passage of 180 days from receipt by the SG Lenders of written notice from Holder that the Obligor has failed to make a payment on any Maturity Date, Holder shall have the right to commence and pursue judicial proceedings against the Obligor in order to collect such unpaid principal (together with accrued and unpaid interest) of this Note. Notwithstanding the foregoing, but subject to the provisions of clause (b) above, the Holder may file proofs of claim against the Obligor, and may vote such claims in accordance with this Note, in any Proceeding involving the Obligor. Any Distributions or other proceeds of any Enforcement Action obtained by the Holder shall in any event be held in trust by it for the benefit of the SG Lenders and promptly paid or delivered to the SG Lenders in the form received until all Senior Secured Obligations owing to the SG Lenders are Paid in Full.

(e) The Holder agrees that if any Distribution on account of the Subordinated Debt not permitted to be made by the Obligor or accepted by the Obligor under this Note is made and received by the Holder, such Distribution shall not be effective and shall not be commingled with any of the assets of the Holder, shall be held in trust by the Holder for the benefit of the SG Lenders and shall be promptly paid over to the SG Lenders until the Payment in Full of the Senior Secured Obligations owing to the SG Lenders, with any necessary endorsement, for application to the payment of the Senior Secured Obligations owing to the SG Lenders then remaining unpaid, until all of the Senior Secured Obligations owing to the SG Lenders are Paid in Full.

(f) Until the Senior Secured Obligations owing to the SG Lenders have been Paid in Full, any liens and security interests of the Holder in any property or assets of the Obligor which may exist in breach of the agreement pursuant to Section 6(b)(vi) hereof shall be and hereby are subordinated for all purposes and in all respects to the liens and security interests of SG Lenders in such assets and property, regardless of the time, manner or order of perfection of any such liens and security interests. The Holder agrees that it will not at any time, including without limitation in connection with any Proceeding, contest the validity, perfection, priority or enforceability of the Senior Secured Obligations owing to the SG Lenders, or the liens and security interests of SG Lenders in the collateral securing the Senior Secured Obligations owing to the SG Lenders (the "Collateral"). In the event that the Holder shall at any time have any liens or security interests in any such Collateral, the SG Lenders shall be deemed authorized by the Holder to file UCC termination statements sufficient to terminate the liens and security interests in favor of the Holder with respect to such Collateral, and the Holder shall promptly execute and deliver to SG Lenders such releases and terminations as SG Lenders shall reasonably request to effect the release of the liens and security interests of the Holder in such Collateral. In furtherance of the foregoing, the Holder hereby irrevocably appoints the SG Lenders until the Payment in Full of the Senior Secured Obligations to the SG Lenders, its attorney-in-fact, with full authority in the place and stead of the Holder and in the name of the Holder or otherwise, to execute and deliver any document or instrument which the Holder may be required to deliver pursuant to this clause (f).

(g) The Holder agrees that it shall not sell, assign, pledge, dispose of or otherwise transfer all or any portion of the Subordinated Debt unless such transferee executes a joinder to this Agreement. Any purported sale, assignment, pledge, disposition or other transfer without the execution of such a joinder shall be null and void

(h) In the event of any sale, transfer or other disposition (including a casualty loss or taking through eminent domain or expropriation) of any Collateral, the proceeds resulting therefrom (including insurance proceeds) shall be applied first to the Senior Secured Obligations owing to the SG Lenders, in accordance with the terms of the documents evidencing the Senior Secured Obligations owing to the SG Lenders or as otherwise consented to by SG Lenders until such time as the Senior Secured Obligations owing to the SG Lenders are Paid in Full.

(i) Modifications to Senior Secured Obligations Owing to the SG Lenders. The SG Lenders may at any time and from time to time without the consent of or notice to the Holder, without incurring liability to the Holder and without impairing or releasing the obligations of the Holder under this Note, change the manner or place of payment or extend the time of payment of or renew or alter any of the terms of the Senior Secured Obligations owing to the SG Lenders, or amend or otherwise modify in any manner any agreement, note, guaranty or other instrument evidencing or securing or otherwise relating to the Senior Secured Obligations owing to the SG Lenders. The terms of this Agreement, the subordination effected hereby, and the rights of the SG Lenders and obligations of the parties hereto shall not be affected, modified or impaired in any manner by any such change, extention, renewal, alteration, amendment or other modification.

(j) Reinstatement. To the extent that any SG Lender receives payments (whether in cash, property or securities) on the Senior Secured Obligations owing to the SG Lenders that are subsequently invalidated, declared to be preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause the, to the extent of such payment or proceeds received, the Senior Secured Obligations owing to the SG Lenders, or part thereof, intended to be satisfied shall be revived and continue in full force and effect as if such payments or proceeds had not been received by such SG Lender.

6. Amendment; Waiver.

(a) None of the provisions hereof may be waived, altered or amended, except by an instrument in writing executed by a Majority in Interest and the Obligor. In the case of any waiver, the Obligor and the Holder shall be restored to their former respective positions and rights hereunder, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon except to the extent expressly provided in such waiver. No failure to exercise and no delay in exercising, on the part of the Holder or any other holder hereof, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof of the exercise of any other right, remedy, power or privilege.

(b) Notwithstanding the foregoing, and notwithstanding anything to the contrary contained in this Note, the Holder shall not, without notice to and the prior written consent of the SG Lenders, until the SG Obligations have been Paid in Full, agree to any amendment, modification or supplement to this Note the effect of which is to (i) increase the principal amount of the Subordinated Debt (it being agreed that capitalization of interest shall not be deemed an amendment, modification or supplement) or rate of interest on any of the Subordinated Debt, (ii) shorten the dates upon which payments of Principal or Interest on the Subordinated Debt are due (it being agreed that any prepayment of Principal or Interest shall be governed by Section 1 hereof), (iii) change or add any event of default or any covenant with respect to the Subordinated Debt, (iv) change any redemption or prepayment provisions of the Subordinated Debt, (v) agree to subordinate the Subordinated Debt to any debt of the Obligor other than the Senior Secured Obligations owing to the SG Lenders, (vi) take any liens or security interests in any assets of the Obligor, (vii) change or amend Section 5 or 6, or (viii) change or amend any other term of this Note if such change or amendment would result in an event of default under any of the Senior Secured Obligations, increase the obligations of the Obligor, confer additional material rights on the Holder or any other holder of the Subordinated Debt in a manner adverse to the Obligor or any SG Lender.

7. Notices. All notices, requests and demands to or upon the Obligor or the Holder shall, to be effective hereunder, be in writing or by electronic mail or facsimile and, unless otherwise expressly provided herein, be deemed to have been given or made when delivered by hand, or three (3) days after the same is deposited in the mail, first class postage prepaid, or, in the case of notice by facsimile, when properly transmitted, addressed as follows or to such other address as such party may have hereafter notified to the other and any future holders of this Note:

the Obligor:	Genius Products, LLC 3301 Exposition Blvd., Suite 100 Santa Monica, CA 90404 Attention: Trevor Drinkwater Facsimile: (310) 401-2865 E-Mail: trevor.drinkwater@geniusproducts.com
with a copy (which shall not constitute notice) to:	Reed Smith, LLP 355 South Grand Ave., Suite 2900 Los Angeles, CA 90071 Attention: Allen Z. Sussman, Esq. Facsimile: (213) 457-8080 E-Mail: asussman@reedsmith.com
the Holder:	_____ _____
with a copy (which shall	_____ _____

8. Transfer of this Note. This Note and all rights hereunder may be transferred or assigned by the Holder in whole or in part without the prior written consent of the Obligor. Each certificate representing this Note transferred in accordance with this Section 8 shall bear a legend as to the applicable restrictions on transferability in order to ensure compliance with the applicable securities laws, unless in the opinion of counsel for the Obligor, such legend is not required in order to ensure compliance with such laws. The Obligor may issue stop transfer instructions to its transfer agent in connection with such restrictions. Transfers of this Note shall be registered upon registration books maintained for such purpose by or on behalf of the Obligor. Prior to presentation of this Note for registration of transfer, the Obligor shall treat the registered holder hereof as the owner and holder of this Note for the purpose of receiving all payments of principal and for all other purposes whatsoever, whether or not this Note shall be overdue and the Obligor shall not be affected by notice to the contrary. Within three (3) Business Days of delivery to the Obligor of evidence of transfer of this Note in part and delivery of the original Note, the Obligor shall issue replacement Notes in the new amounts.

9. Waiver of Jury Trial. The Obligor and the Holder hereby irrevocably waive all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Note or the actions of the Holder in the negotiation, administration, performance or enforcement thereof.

10. Jurisdiction, Etc. Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York state court or United States federal court sitting in New York, New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Note, or for recognition or enforcement of any judgment, and the Obligor hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, any New York federal court. The Obligor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Note shall affect any right that the Holder may otherwise have to bring any action or proceeding relating to this Note in the courts of any jurisdiction. The Obligor irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Note in any New York state court or New York federal court. The Obligor hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such suit, action or proceeding in any such court.

11. Successors and Assigns; Third Party Beneficiaries. Subject to the exceptions specifically set forth in this Note, the terms and conditions of this Note shall inure to the benefit of and be binding upon the respective executors, administrators, heirs, successors and assigns of the Holder and the Obligor. Neither this Note nor any of the rights, interests or obligations hereunder may be assigned, in whole or in part, by the Obligor without the prior written consent of a Majority in Interest. A merger, consolidation or other business combination of the Obligor with or into Genius Products, Inc. shall not be deemed an assignment of this Note so long as this Note shall remain outstanding and owing to the entity surviving such merger, consolidation or other business combination and all the assets and liabilities of the Obligor and Genius Products, Inc. shall be owned by such entity. The SG Lenders are intended third party beneficiaries of this Note and may enforce their rights with respect hereto and payments hereon as if they were a party to this Note and without regard to an assignment of this Note.

12. Replacement of Note. Upon receipt by the Obligor of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note and (a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it; or (b) in the case of mutilation, upon surrender thereof, the Obligor, at its expense, will execute and deliver in lieu thereof a new Note executed in the same manner as the Note being replaced, in the same principal amount as the unpaid principal amount of such Note.

13. Limitation on Interest. No provision of this Note shall require the payment or permit the collection of interest in excess of the maximum rate of interest that may be charged or collected by the Holder permitted by applicable law.

14. Governing Law. This Note shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

15. Interpretation, Headings, etc., Words used herein, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine, or neuter, as the context requires. Whenever the words "include," "includes" or "including" are used in this Note, they shall be deemed followed by the words "without limitation. Neither this Note nor any uncertainty or ambiguity herein shall be construed or resolved against Obligor or Holder, whether under any rule of construction or otherwise. No Party to this Note shall be considered the draftsman. On the contrary, this Note has been reviewed, negotiated and accepted by all parties and their attorneys and shall be construed and interpreted according to the ordinary meaning of the words so as fairly to accomplish the purposes and intentions of all the parties. The section headings contained in this Note are for convenience of reference only, do not form a part of this Note and shall not affect in any way the meaning or interpretation of this Note. All references in this Note to "Section" or "Article" shall be deemed to be references to a Section or Article of this Note. All references to "herein" or "hereof" or "hereunder" and similar phrases shall be broadly construed to refer to the entire Note and not merely to the specific clause, section, or article.

16. No Recourse Against Others. A past, present or future director, officer, employee or stockholder, as such, of the Obligor shall not have any liability for any obligations of the Obligor under this Note. By accepting this Note, each holder shall waive and release all such liability. The waiver and release shall be part of the consideration for the issue of the Note.

17. Definitions:

(a) "Distribution" shall mean, with respect to any indebtedness, obligation or security owing by any Person: (i) any payment or distribution by such Person of cash, securities or other property, by set-off or otherwise, on account of such indebtedness, obligation or security, (ii) any redemption, purchase or other acquisition of such indebtedness, obligation or security by such Person or (iii) the granting of any lien or security interest to or for the benefit of the holders of such indebtedness, obligation or security in or upon any property or interests in property of such Person.

(b) "Enforcement Action" shall mean (i) to take from or for the account of the Obligor or any other Person, by set-off or in any other manner, the whole or any part of any moneys which may now or hereafter be owing by the Obligor with respect to the Subordinated Debt, (ii) to sue for payment of, or to initiate or participate with others in any suit, action or proceeding against the Obligor or any other Person to (x) enforce payment of or to collect the whole or any part of the Subordinated Debt or (y) commence judicial enforcement of any of the rights and remedies under this Note or applicable law with respect to the Subordinated Debt, (iii) to accelerate the Subordinated Debt, (iv) to exercise any put option or to cause the Obligor to honor any redemption or mandatory prepayment obligation under this Note or (v) to take any action under the provisions of any state or federal law, including, without limitation, the Uniform Commercial Code, or under any contract or agreement, to enforce, foreclose upon, take possession of or sell any property or assets of the Obligor or any other Person.

(c) "Majority in Interest" means, as of any relevant date, the holders of Notes representing more than 50% of the aggregate principal amount of the Notes outstanding as of such date.

(d) "Paid in Full" or "Payment in Full" shall mean the indefeasible payment in full in cash of all Senior Secured Obligations (except contingent indemnification obligations).

(e) "Person" shall mean any individual, partnership, joint venture, firm, corporation, association, trust or other enterprise or any government or political subdivision or any agency, department or instrumentality thereof.

(f) "Proceeding" shall mean any voluntary or involuntary insolvency, bankruptcy, receivership, custodianship, liquidation, dissolution, reorganization, assignment for the benefit of creditors, appointment of a custodian, receiver, trustee or other officer with similar powers or any other proceeding for the liquidation, dissolution or other winding up of a Person.

(g) "Purchase Agreement" has the meaning given in the introductory paragraph hereof.

(h) "Senior Secured Obligations" shall mean all present and future obligations of Obligor to the SG Lenders under or pursuant to the Credit Agreement (the "SG Credit Agreement") dated as of August 10, 2007 by and among the Obligor, the Lenders party thereto, Société Générale and SG Americas Securities, LLC, as the same has been or may hereafter be amended (such present and future obligations to include, but not be limited to, all loans, advances, debts, liabilities and obligations, howsoever arising, owed or owing by the Obligor to any SG Lender (or in the case of any Lender Rate Contract, any Affiliate of an SG Lender, as applicable) of every kind and description (whether or not evidenced by any note or instrument and whether or not for the payment of money), direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising pursuant to the terms of the SG Credit Agreement or any of the other Credit Documents referred to therein, including without limitation all principal, interest (including interest that accrues after the commencement of any bankruptcy or other insolvency proceeding by or against the Obligor, whether or not allowed or allowable), fees, charges, expenses, attorneys' fees and accountants' fees chargeable to and payable by the Obligor thereunder (collectively, the "SG Obligations"); provided, however, that any obligations owing under the TWC Note (or any debt issued in exchange for, or as a replacement for, any such obligations) shall never constitute part of the Senior Secured Obligations hereunder.

(i) "SG Lenders" shall mean collectively, Société Générale, in its capacity as Administrative Agent and Collateral Agent for the lenders party to the SG Credit Agreement and the lenders from time to time party to the SG Credit Agreement (each, a "SG Lender").

(j) "Significant Subsidiary" shall mean one or more subsidiaries of the Company which would be a "significant subsidiary" as defined in Rule 1-02 of Regulation S-X under the Securities Exchange Act of 1934, as amended.

[Signature page follows]

IN WITNESS WHEREOF, the Obligor has executed this 5% Subordinated Unsecured Promissory Note as of February 17, 2009.

THE OBLIGOR:
GENIUS PRODUCTS, LLC

By: Genius Products, Inc., Managing Member
Name: Trevor Drinkwater
Title: Chief Executive Officer

PURCHASER:

By:_____
Name:_____
Title:_____

EXHIBIT 10.1

NOTE AND WARRANT PURCHASE AGREEMENT

This Note and Warrant Purchase Agreement (this "Agreement"), dated as of February 17, 2009, is made by and among Genius Products, Inc., a Delaware corporation ("Genius Inc."), Genius Products, LLC, a Delaware limited liability company ("Genius LLC" and, collectively with Genius Inc., "Genius"), and each of the other parties whose name appears from time to time on the signature pages hereto (each an "Investor" and collectively, the "Investors").

WHEREAS, on the terms and subject to the conditions set forth herein, each Investor is willing to purchase from Genius LLC, and the Genius LLC is willing to issue and sell to such Investor, a promissory note in the principal amount set forth opposite such Investor's name on Annex A hereto;

WHEREAS, on the terms and subject to the conditions set forth herein, each Investor is willing to purchase from Genius Inc., and Genius Inc. is willing to issue and sell to such Investor, a Warrant for the number of shares of Genius Inc.'s Common Stock set forth opposite such Investor's name on Annex A hereto; and

WHEREAS, the Board of Directors of Genius Inc. has authorized, and the stockholders of Genius Inc. have approved, a 500-for-1 reverse split of the Common Stock (the "Reverse Split") so that Genius Inc. will have sufficient authorized shares of Common Stock to issue the Warrant Shares upon exercise of the Warrant. The Reverse Split will be effected immediately upon the filing with the Commission of a definitive Information Statement on Schedule 14C, the mailing to stockholders of Genius Inc. of such Schedule 14C and the expiration of the 20-day waiting period specified by the Commission in Rule 14c-2 under the Exchange Act (the "Reverse Split Procedure").

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

ARTICLE 1.
DEFINITIONS

Article 1.1. In addition to the terms defined elsewhere in this Agreement, for all purposes of this Agreement, the following terms shall have the meanings indicated in this Definitions section:

"Action" means any action, suit, inquiry, notice of violation, proceeding (including any partial proceeding such as a deposition) or investigation pending or threatened in writing against or affecting Genius Inc., any Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency, regulatory authority (federal, state, county, local or foreign), stock market, stock exchange or trading facility.

"Affiliate" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 144.

"Business Day" means any day except Saturday, Sunday and any day which is a federal legal holiday or a day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

"Closing" means the closing of the transactions contemplated under Section 2.1.

"Closing Date" means the date hereof.

"Commission" means the Securities and Exchange Commission.

"Common Stock" means the common stock of Genius Inc., par value $0.0001 per share, and any securities into which such common stock may hereafter be reclassified.

"Company Counsel" means Reed Smith LLP.

"Disclosure Materials" has the meaning set forth in Section 4.8.

"Evaluation Date" has the meaning set forth in Section 4.19.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"GAAP" means U.S. generally accepted accounting principles.

"Intellectual Property Rights" has the meaning set forth in Section 4.16.

"Lien" means any lien, charge, encumbrance, security interest, right of first refusal or other restrictions of any kind.

"Material Adverse Effect" means any of (i) a material and adverse effect on the legality, validity or enforceability of any Transaction Document, (ii) a material and adverse effect on the results of operations, assets, prospects, business or condition (financial or otherwise) of Genius Inc. and the Subsidiaries, taken as a whole, or (iii) an adverse impairment to Genius Inc.'s or Genius LLC's ability to perform on a timely basis its obligations under any Transaction Document.

"New York Courts" means the state and federal courts sitting in the City of New York, Borough of Manhattan.

"Note" has the meaning set forth in Section 2.1.

"Person" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

"Proceeding" means an action, claim, suit, investigation or proceeding (including, without limitation, an investigation or partial proceeding, such as a deposition), whether commenced or threatened.

"Registration Statement" means a registration statement meeting the requirements set forth in the Warrant Shares Registration Rights Agreement and covering the resale by the Investors of the Common Stock.

"Required Approvals" has the meaning set forth in Section 4.5.

"Rule 144" means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"SEC Reports" has the meaning set forth in Section 4.8.

"Securities" means the Notes, the Warrants and the Common Stock issuable upon the exercise of the Warrants.

"Securities Act" means the Securities Act of 1933, as amended.

"Subsidiary" means any "significant subsidiary" as defined in Rule 1-02(w) of the Regulation S-X promulgated by the Commission under the Exchange Act, and, for the avoidance of doubt, includes Genius LLC.

"Trading Day" means (i) a day on which the Common Stock is traded on a Trading Market (other than the OTC Bulletin Board), or (ii) if the Common Stock is not listed on a Trading Market (other than the OTC Bulletin Board), a day on which the Common Stock is traded in the over-the-counter market, as reported by the OTC Bulletin Board, or (iii) if the Common Stock is not quoted on any Trading Market, a day on which the Common Stock is quoted in the over-the-counter market as reported by the Pink Sheets, LLC (or any similar organization or agency succeeding to its functions of reporting prices); provided, that in the event that the Common Stock is not listed or quoted as set forth in (i), (ii) and (iii) hereof, then Trading Day shall mean a Business Day.

"Trading Market" means whichever of the New York Stock Exchange, the American Stock Exchange, the NASDAQ National Market, the NASDAQ SmallCap Market or OTC Bulletin Board on which the Common Stock is listed or quoted for trading on the date in question.

"Transaction" has the meaning set forth in Section 2.1.

"Transaction Documents" means this Agreement, the Notes, the Warrants, the Warrant Shares Registration Rights Agreement, and any other documents or agreements executed in connection with the transactions contemplated hereunder.

"Warrant or Warrants" means the warrants, dated February 17, 2009, issued by Genius Inc. to the Investors exercisable for shares of Common Stock in the amounts set forth on Annex A hereto.

"Warrant Shares" means the shares of Common Stock received upon exercise of a Warrant.

"Warrant Shares Registration Rights Agreement" means the Registration Rights Agreement, dated as of the date of this Agreement, among Genius Inc. and the Investors pursuant to which Genius Inc. will agree to register for resale the Warrant Shares with the Commission.

ARTICLE 2.
PURCHASE AND SALE

Section 2.1 Purchase and Sale. On the terms and subject to the conditions set forth in this Agreement, at the Closing on the Closing Date: (a) Genius LLC shall issue and sell to each of the Investors, and, subject to all of the terms and conditions hereof, each of the Investors severally shall purchase, a promissory note in the form of Exhibit A hereto (each, a "Note" and, collectively, the "Notes") in the principal amount set forth opposite the respective Investor's name on Annex A hereto, (b) each Investor agrees that each of the warrants set forth opposite its name on Annex B hereto are canceled and of no further force or effect, and (c) Genius Inc. shall issue and sell to each of the Investors, and, subject to all of the terms and conditions hereof, each of the Investors severally shall purchase, a Warrant in the form of Exhibit B hereto exercisable for the number of shares of Common Stock set forth opposite the respective Investor's name on Annex A hereto. The obligations of the Investors to purchase the Notes and the Warrants are several and not joint. The transactions contemplated in clauses (a) and (b) of this Section 2.1 are referred to collectively herein as the "Transaction".

Section 2.2 Closing Deliveries.

(a) At the Closing, Genius will deliver or cause to be delivered to each Investor the following:

(i) the Notes described in Section 2.1;

(ii) the Warrants described in Section 2.1;

(iii) the Registration Rights Agreement, duly executed by Genius Inc.;

(iv) the legal opinion of Company Counsel, in agreed form, addressed to the Investors; and,

(v) evidence from the Secretary of State of Delaware that the Certificate of Designation of Series A Interim Convertible Preferred Stock (the "Series A Preferred Stock") of Genius Inc. has been amended such that the Series A Preferred Stock will be automatically converted into Common Stock, without notice or delay or any action required on the part of the holders of the Series A Preferred Stock, at the earliest time that Genius Inc. has a sufficient number of authorized and unreserved shares of Common Stock to permit the conversion of all (and not less than all) outstanding shares of Series A Preferred Stock into shares of Common Stock.

(b) At the Closing, each Investor shall deliver or cause to be delivered to Genius LLC the following:

(i) the amount set forth for such Investor on Annex A hereto in United States dollars and in immediately available funds, by wire transfer to the following account designated by Genius LLC for such purpose:

Account Name: Genius Products, LLC
Account No.: 202304853
Bank Name: Citibank, NA
Bank Address: Los Angeles, CA
ABA Routing No.: 322271724; and

(ii) the Registration Rights Agreement, duly executed by such Investor.

Section 2.3 Supplemental Action. If, at any time after the Closing Date, the Investors or Genius shall determine that any further conveyances, agreements, documents, instruments, and assurances or any further action is necessary or desirable to carry out the provisions of this Article 2, the Investors or Genius, as the case may be, shall execute and deliver any and all proper conveyances, agreements, documents, instruments, and assurances and perform all necessary or proper acts to carry out the provisions of this Article 2.

Section 2.4 Subsequent Closings. Additional investors may become Investors under this agreement by executing the signature page hereto and shall have all of the rights and obligations of an Investor hereunder; provided, however, that (i) upon the ascension of any additional investors as Investors under this agreement, Section 2.1 shall only apply to such additional investors, (ii) the representations of Genius in Sections 4.7 shall only be accurate as of the Closing Date; and (iii) no subsequent closings shall occur under this Agreement after June 30, 2009. Genius may amend Annex A and Annex B hereto to reflect information relating to such additional investors. The maximum aggregate principal amount of Notes that may be issued under this Agreement is $9.5 million and the maximum number of Warrant Shares underlying Warrants that may be issued under this Agreement is 1,984,587,356 (subject to adjustment for stock splits, stock dividends, stock combinations and similar transactions occurring after the date hereof) (the "Total Warrant Shares"). The ratio of Warrant Shares to principal amount of Notes issued at subsequent closings shall be no higher than the ratio of Warrant Shares to principal amount of Notes issued on the Closing Date (excluding from the calculation of the number of Warrant Shares in each instance the number of shares of Common Stock underlying warrants listed on Annex B and cancelled on the Closing Date or at subsequent closings).

ARTICLE 3.
REPRESENTATIONS AND WARRANTIES OF THE INVESTORS

The following representations and warranties are made severally and not jointly by each of the Investors, for itself and no other Investor, to Genius:

Section 3.1 Authorization, Validity and Effect of Agreements. Such Investor has the requisite power and authority to execute and deliver this Agreement and to consummate the Transaction. This Agreement constitutes the valid and legally binding obligation of such Investor, enforceable against such Investor in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium or other similar laws relating to creditors' rights or by other equitable principles of general application.

Section 3.2 Litigation. There are (i) no continuing orders, injunctions or decrees of any court, arbitrator or governmental authority to which such Investor, in its capacity as an Investor, is a party or by which any of their properties or assets are bound or likely to be affected and (ii) no actions, suits or proceedings pending against such Investor, in its capacity as an Investor, or to which any of its properties or assets are subject or, to the knowledge of such Investor, threatened against such Investor, in its capacity as an Investor, or to which any of its properties or assets are subject, at law or in equity, that in each such case could, individually or in the aggregate, have a Material Adverse Effect.

Section 3.3 No Violation. The execution, delivery and performance by such Investor of this Agreement and the consummation of the Transaction does not and will not (i) contravene or conflict with or constitute a violation of any provision of any law, judgment, injunction, order or decree binding upon or applicable to the Investor; (ii) require the consent or other action of any person under, constitute a default under, or give rise to any right of termination, cancellation or acceleration of any right or obligation of the Investor or to a loss of any benefit to which the Investor is entitled under any provision of any material agreement or other instrument binding upon the Investor; or (iii) result in the creation or imposition of any material lien on any asset of the Investor, except in each case, such as could not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect.

Section 3.4 Investment Representations.

(a) Each Investor understands that the Securities issued pursuant to Section 2 of this Agreement have not been registered under the Securities Act by reason of a specific exemption from the registration provisions of the Securities Act, the availability of which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of such Investor's representations as expressed herein or otherwise made pursuant hereto. Each Investor is acquiring the Securities for his/her/its own account, not as a nominee or agent, for investment and not with a view to, or for resale in connection with, any distribution or public offering thereof within the meaning of the Securities Act; provided, however, that by making the representations herein, such Investor does not agree to hold any of the Securities for any minimum period of time and reserves the right, subject to the provisions of this Agreement and the Warrant Shares Registration Rights Agreement, at all times to sell or otherwise dispose of all or any part of such Securities pursuant to an effective registration statement under the Securities Act or under an exemption from such registration and in compliance with applicable federal and state securities laws.

(b) Each Investor understands that the Securities issued pursuant to this Agreement will be "restricted securities" under the federal securities laws, inasmuch as the Securities are being acquired from Genius in a transaction not involving a public offering and that under such laws such Securities may not be resold without registration under the Securities Act or an exemption therefrom. Each of the Securities issued pursuant to this Agreement will be endorsed with a legend to such effect. Each Investor has been informed and understands that (i) there are substantial restrictions on the transferability of the, and (ii) no federal or state agency has made any finding or determination as to the fairness for public investment, nor any recommendation nor endorsement, of the Securities.

(c) Each Investor has substantial experience in evaluating and investing in private placement transactions of securities in companies similar to Genius and acknowledges that such Investor can protect his/her/its own interests. Each Investor has such knowledge and experience in financial and business matters so that such Investor is capable of evaluating the merits and risks of his/her/its investment in Genius.

(d) Each Investor is an "accredited investor" within the meaning of Rule 501 of Regulation D promulgated under the Securities Act.

(e) Each Investor understands that all books, records, and documents of Genius relating to this investment have been and remain available for inspection by such Investor upon reasonable notice. Each Investor confirms that all documents requested have been made available, and that such Investor has been supplied with all of the information concerning this investment that has been requested. Each Investor confirms that he/she/it has obtained sufficient information, in his/her/its judgment or that of his/her/its' independent purchaser representative, if any, to evaluate the merits and risks of this investment. Each Investor confirms that he/she/it has had the opportunity to obtain such independent legal and tax advice and financial planning services as such Investor has deemed appropriate prior to making a decision to subscribe for the Securities. In making a decision to purchase the Securities, each Investor has relied exclusively upon his/her/its' experience and judgment, or that of his/her/its' purchaser representative, if any, upon such independent investigations as he/she/it, or they, deemed appropriate, and upon information provided by Genius in writing or found in the books, records, or documents of Genius.

(f) Each Investor is aware that an investment in the Securities is speculative and subject to substantial risks. Each Investor is capable of bearing the high degree of economic risk and burdens of this venture, including, but not limited to, the possibility of a complete loss, the lack of a sustained and orderly public market, and limited transferability of the Securities, which may make the liquidation of this investment impossible for the indefinite future.

(g) The offer to sell the Securities was directly communicated to each Investor by such a manner that such Investor, or his/her/its purchaser representative, if any, was able to ask questions of and receive answers from Genius or a person acting on its behalf concerning the terms and conditions of this Transaction. At no time, except in connection and concurrently with such communicated offer, was such Investor presented with or solicited by or through any leaflet, public promotional meeting, television advertisement, or any other form of general advertising.

(h) None of the following information has ever been represented, guaranteed, or warranted to the undersigned, expressly or by implication by any broker, Genius, or agent or employee of the foregoing, or by any other person:

(i) The approximate or exact length of time prior to maturity that the undersigned will be required to remain as a holder of the Securities;

(ii) The amount of consideration, profit, or loss to be realized, if any, as a result of an investment in Genius; or

(iii) That the past performance or experience of Genius, its officers, directors, associates, agents, affiliates, or employees or any other person will in any way indicate or predict economic results in connection with the plan of operations of Genius or the return on the investment.

(i) No Investor has distributed any information relating to this investment to anyone other than his/her/its' purchaser representative, if any, and such Investor's legal and investment advisers and no other person except such personal representative, advisers and such Investor has used this information.

(j) Each Investor hereby agrees to indemnify Genius and its affiliates and to hold them harmless from and against any and all liability, damage, cost, or expense, including their respective reasonable attorneys' fees and costs for a period of four (4) years from the Closing Date, incurred on account of or arising out of:

(i) Any material inaccuracy in the declarations, representations, and warranties hereinabove set forth; and

(ii) The disposition of the Securities or any part thereof by such Investor, contrary to the foregoing declarations, representations, and warranties.

(k) Each Investor acknowledges that no market exists or is expected to develop for the Notes or the Warrants.

Section 3.5 Short Sales and Confidentiality Prior To the Date Hereof. Other than the Transaction, such Investor has not directly or indirectly, nor has any Person acting on behalf of or pursuant to any understanding with such Investor, executed any disposition, including short sales (but not including the location and/or reservation of borrowable shares of Common Stock), in the Securities during the period commencing from the time that such Investor first received a term sheet from Genius or any other Person setting forth the material terms of the Transaction until the date hereof ("Discussion Time"). Notwithstanding the foregoing, in the case of an Investor that is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of such Investor's assets and the portfolio managers have no direct knowledge of the investment decisions made by the portfolio managers managing other portions of such Investor's assets, the representation set forth above shall only apply with respect to the portion of assets managed by the portfolio manager that made the investment decision to purchase the Securities covered by this Agreement. Other than to other Persons party to this Agreement and to its legal and investment advisers, such Investor has maintained the confidentiality of all disclosures made to it in connection with the Transaction (including the existence and terms of the Transaction).

ARTICLE 4.
REPRESENTATIONS AND WARRANTIES OF GENIUS

Each of Genius Inc. and Genius LLC hereby makes the following representations and warranties to each Investor:

Section 4.1 Subsidiaries. Genius Inc. has no direct or indirect Subsidiaries other than Genius LLC and as otherwise specifically disclosed in the SEC Reports. Except as otherwise disclosed in the SEC Reports, Genius Inc. owns, directly or indirectly, all of the capital stock or other equity interests of each Subsidiary free and clear of any and all Liens, and all the issued and outstanding shares of capital stock or other equity interests of each Subsidiary are validly issued, fully paid and non-assessable.

Section 4.2 Organization and Qualification. Genius Inc. and each Subsidiary are duly incorporated or otherwise organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization (as applicable), with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Except as disclosed in Schedule 4.2, neither Genius Inc. nor any Subsidiary is in violation of any of the provisions of its respective certificate or articles of incorporation, bylaws or other organizational or charter documents. Genius Inc. and each Subsidiary are duly qualified to conduct its respective businesses and are in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, could not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect.

Section 4.3 Authorization; Enforcement. Each of Genius Inc. and Genius LLC has the requisite corporate or limited liability company power and authority to enter into and to consummate the transactions contemplated by each of the Transaction Documents and otherwise to carry out its obligations thereunder. Except for the Required Approvals, the execution and delivery of each of the Transaction Documents by Genius and the consummation by each of them of the transactions contemplated thereby have been duly authorized by all necessary action on the part of each of Genius Inc. and Genius LLC and no further action is required by them in connection therewith. Each Transaction Document has been (or upon delivery will have been) duly executed by each of Genius Inc. and Genius LLC and, when delivered in accordance with the terms hereof, will constitute the valid and binding obligation of Genius enforceable against them in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies or by other equitable principles of general application.

Section 4.4 No Conflicts. The execution, delivery and performance of the Transaction Documents by each of Genius Inc. and Genius LLC and the consummation by them of the transactions contemplated thereby do not and will not (i) conflict with or violate any provision of Genius Inc.'s or any Subsidiary's certificate or articles of incorporation, bylaws or other organizational or charter documents, or (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing a debt of Genius Inc. or Genius LLC or otherwise) or other understanding to which Genius Inc. or any Subsidiary is a party or by which any property or asset of Genius Inc. or any Subsidiary is bound or affected, or (iii) subject to the filing contemplated by Section 4.5(iii), result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which Genius Inc. or a Subsidiary is subject (including federal and state securities laws and regulations), or by which any property or asset of Genius Inc. or a Subsidiary is bound or affected; except in the case of each of clauses (ii) and (iii), such as could not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect.

Section 4.5 Filings, Consents and Approvals. Genius Inc. and Genius LLC are not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by either of them of the Transaction Documents, other than (i) the filing with the Commission of one or more Registration Statements in accordance with the requirements of the Warrant Shares Registration Rights Agreement, (ii) filings required by state securities laws, (iii) the filing of a Notice of Sale of Securities on Form D with the Commission under Regulation D of the Securities Act, (iv) applications to the Trading Market for the listing of the Common Stock for trading thereon and (v) filings required by Section 5.4 hereof and, (vi) those that have been made or obtained prior to the date of this Agreement (collectively, the "Required Approvals").

Section 4.6 Issuance of the Securities. The Securities have been duly authorized (other than the Warrant Shares which will be duly authorized upon consummation of the Reverse Split) and, when issued and paid for in accordance with the Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens other than restrictions on transfer provided for in the Transaction Documents. Upon consummation of the Reverse Split, Genius Inc. will have reserved from its duly authorized capital stock the shares of Common Stock issuable upon exercise of the Warrant.

Section 4.7 Capitalization. Schedule 4.7 discloses the number of shares and type of all authorized, issued and outstanding capital stock of Genius Inc. and all shares of Common Stock reserved for issuance under Genius Inc.'s option and incentive plans and arrangements and provides the vesting conditions for the grant of options to management to purchase up to 1,014,136,410 shares of Common Stock or the grant of the same number of shares of restricted stock (in either case prior to any Reverse Split), subject to customary adjustments. Schedule 4.7 discloses the post-Closing capitalization of Genius Inc., giving effect to the options to management to purchase up to 1,014,136,410 shares of Common Stock or the grant of the same number of shares of restricted stock. Except as disclosed in Schedule 4.7, no securities of Genius Inc. are entitled to preemptive or similar rights, and no Person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by the Transaction Documents. Except as disclosed in Schedule 4.7 and in connection with Genius Inc.'s agreements under the Transaction, there are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exchangeable for, or giving any Person any right to subscribe for or acquire, any shares of Common Stock, or contracts, commitments, understandings or arrangements by which Genius Inc. or any Subsidiary is or may become bound to issue additional shares of Common Stock, or securities or rights convertible or exchangeable into shares of Common Stock. Except as contemplated under the Transaction, the issue and sale of the Securities will not, immediately or with the passage of time, obligate Genius Inc. to issue shares of Common Stock or other securities to any Person (other than the Investors) and will not result in a right of any holder of Common Stock to adjust the exercise, conversion, exchange or reset price under such securities.

Section 4.8 SEC Reports; Financial Statements. Except as disclosed in Schedule 4.8, Genius Inc. has filed all reports required to be filed by it under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the twelve months preceding the date hereof (or such shorter period as Genius Inc. was required by law to file such reports) (the foregoing materials being collectively referred to herein as the "SEC Reports" and, together with the Transaction Documents and the Schedules to this Agreement, the "Disclosure Materials") on a timely basis or has timely filed a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. Except as disclosed in Schedule 4.8, as of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act and the rules and regulations of the Commission promulgated thereunder, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Except as disclosed in Schedule 4.8, the financial statements of Genius Inc. included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Except as disclosed in Schedule 4.8, such financial statements have been prepared in accordance with GAAP applied on a consistent basis during the periods involved, except as may be otherwise specified in such financial statements or the notes thereto, and fairly present in all material respects the financial position of Genius Inc. and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

Section 4.9 Press Releases. The press releases disseminated by Genius Inc. during the twelve months preceding the date of this Agreement taken do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made and when made, not misleading.

Section 4.10 Material Changes. Except as disclosed on Schedule 4.10, since the date of the latest audited financial statements included within the SEC Reports, except as specifically disclosed in the SEC Reports, (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect, (ii) except in connection with the Transaction, Genius has not incurred any liabilities (contingent or otherwise) other than (A) trade payables, accrued expenses and other liabilities incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in Genius Inc.'s financial statements pursuant to GAAP or required to be disclosed in filings made with the Commission, (iii) Genius Inc. has not altered its method of accounting (except as may be required by GAAP) or the identity of its auditors, (iv) Genius Inc. has not declared or made any dividend or distribution of cash or other property to its stockholders or, except in connection with the Transaction, purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock, and (v) Genius Inc. has not issued any equity securities to any officer, director or Affiliate, except pursuant to existing stock option or incentive plans or arrangements specifically approved by the Board of Directors of Genius Inc. Genius Inc. does not have pending before the Commission any request for confidential treatment of information. Except for the transactions contemplated by this Agreement or as disclosed on Schedule 4.10, no event, liability or development has occurred or exists with respect to Genius or its Subsidiaries or their respective business, properties, operations or financial condition that would be required to be disclosed by Genius under applicable securities laws at the time this representation is made that has not been publicly disclosed at least one Trading Day prior to the date that this representation is made.

Section 4.11 Litigation. There is no Action which (i) adversely affects or challenges the legality, validity or enforceability of any of the Transaction Documents or the Securities or (ii) except as specifically disclosed in the SEC Reports, could, if there were an unfavorable decision, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect. Neither Genius Inc. nor any Subsidiary, nor any director or officer thereof (in his or her capacity as such), is or has been the subject of any Action involving a claim of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty, except as specifically disclosed in the SEC Reports. There has not been, and to the knowledge of Genius Inc., there is not pending any investigation by the Commission involving Genius Inc. or any current or former director or officer of Genius Inc. (in his or her capacity as such). The Commission has not issued any stop order or other order suspending the effectiveness of any registration statement filed by Genius Inc. or any Subsidiary under the Exchange Act or the Securities Act.

Section 4.12 Labor Relations. Except as disclosed on Schedule 4.12, no material labor dispute exists or, to the knowledge of Genius, is imminent with respect to any of the employees of Genius Inc. or any Subsidiary.

Section 4.13 Compliance. Except as disclosed in Schedule 4.13, neither Genius Inc. nor any Subsidiary (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by Genius Inc. or any Subsidiary under), nor has Genius Inc. or any Subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in violation of any order of any court, arbitrator or governmental body, or (iii) is or has been in violation of any statute, rule or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety, product quality and safety and employment and labor matters, except in each case as could not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect. Except as disclosed in Schedule 4.13, Genius Inc. is in compliance with all effective requirements of the Sarbanes-Oxley Act of 2002, as amended, and the rules and regulations thereunder, that are applicable to it, except where such noncompliance could not have or reasonably be expected to result in a Material Adverse Effect.

Section 4.14 Regulatory Permits. Genius Inc. and the Subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses as described in the SEC Reports, except where the failure to possess such permits could not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, and neither Genius Inc. nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any such permits.

Section 4.15 Title to Assets. No real property is owned by Genius. Genius Inc. and the Subsidiaries have good and marketable title in all personal property owned by them that is material to their respective businesses, in each case free and clear of all Liens, except for Liens as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by Genius Inc. and the Subsidiaries. Any real property and facilities held under lease by Genius Inc. and the Subsidiaries are held by them under valid, subsisting and enforceable leases of which Genius Inc. and the Subsidiaries are in compliance, except as could not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect.

Section 4.16 Patents and Trademarks.

(a) Genius Inc. or its Subsidiaries own or have valid rights to use all patent, copyright, trade secret, trademark or other proprietary rights that are used in the business of Genius and are material to Genius and its Subsidiaries taken as a whole (collectively, "Intellectual Property"), except where the failure to own or have such rights would not reasonably be expected to result in a Material Adverse Effect.

(b) All material licenses or other material agreements under which (i) Genius Inc. or any Subsidiary is granted rights in Intellectual Property and (ii) Genius Inc. or any Subsidiary has granted rights to others in Intellectual Property owned or licensed by Genius or any Subsidiary, are in full force and effect and there is no material default by Genius or any Subsidiary thereto, except where the failure to be in full force and effect or such default would not reasonably be expected to result in a Material Adverse Effect.

(c) No proceedings have been instituted or are pending which challenge in a material manner the rights of Genius Inc. or any Subsidiary in respect to Genius Inc. or any Subsidiary's right to the use of the Intellectual Property. Genius Inc. and each Subsidiary has the right to use, free and clear of material claims or rights of other persons, all of its customer lists, designs, computer software, systems, data compilations, and other information that are required for its products or its business as presently conducted.

(d) To the knowledge of Genius, the present business, activities and products of Genius Inc. and each Subsidiary do not infringe any intellectual property of any other person, except where such infringement would not have a Material Adverse Effect. No material proceeding charging Genius Inc. or any Subsidiary with infringement of any adversely held Intellectual Property has been filed. Genius has not received notice of or is not otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interests of Genius Inc. or any Subsidiary, and which infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, singly or in the aggregate, would reasonably be expected to result in a Material Adverse Effect. To Genius's knowledge, there exists no third party unexpired patent or patent application which includes claims that would be infringed by, or otherwise have a Material Adverse Effect on Genius. To the knowledge of Genius, Genius is not making unauthorized use of any material confidential information or trade secrets of any third party. To Genius' knowledge, the activities of Genius Inc. or any Subsidiary or any employee on behalf of Genius Inc. or any Subsidiary do not violate any material agreements or arrangements known to Genius which any such employees have with other persons, if any.

Section 4.17 Insurance. Genius Inc. and the Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which Genius Inc. and the Subsidiaries are engaged. Genius Inc. has no reason to believe that it will not be able to renew its and the Subsidiaries' existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business on terms consistent with market for Genius Inc.'s and such Subsidiaries' respective lines of business.

Section 4.18 Transactions With Affiliates and Employees. Except as set forth in the SEC Reports, none of the officers or directors of Genius Inc. and, to the knowledge of Genius Inc., none of the employees of Genius Inc. is presently a party to any transaction with Genius Inc. or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of Genius Inc., any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner, in each case in excess of $120,000 other than (i) for payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of Genius Inc. and (iii) for other employee benefits, including stock option agreements under any stock option plan of Genius Inc.

Section 4.19 Internal Accounting Controls. Genius Inc. and the Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Genius Inc. has established disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for Genius Inc. and designed such disclosure controls and procedures to ensure that material information relating to Genius Inc., including its Subsidiaries, is made known to the certifying officers by others within those entities, particularly during the period in which Genius Inc.'s Form 10-K or 10-Q, as the case may be, is being prepared. Genius Inc.'s certifying officers have evaluated the effectiveness of Genius Inc.'s disclosure controls and procedures in accordance with Item 307 of Regulation S-K under the Exchange Act for Genius Inc.'s most recently ended fiscal quarter or fiscal year-end (such date, the "Evaluation Date"). Genius Inc. presented in its most recently filed Form 10-K or Form 10-Q the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Except as disclosed in Schedule 4.19, since the Evaluation Date, there have been no significant changes in Genius Inc.'s internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) or, to Genius's knowledge, in other factors that could significantly affect Genius's internal controls. Except as disclosed in Schedule 4.19, during the past 12 months prior to the date hereof neither Genius Inc. nor any Subsidiary has received any notice of correspondence from any accountant relating to any potential material weakness in any part of the system of internal accounting controls of either Genius Inc. or any Subsidiary.

Section 4.20 Solvency. Based on the financial condition of Genius Inc. and the Subsidiaries taken as a whole and the on the financial condition of Genius LLC on its own, as of the Closing Date (and assuming that the Transaction and other transactions contemplated by Genius Inc. and Genius LLC shall have occurred), each of Genius Inc. and Genius LLC hereby represent with respect to itself that (i) such entity's fair saleable value of its assets exceeds the amount that will be required to be paid on or in respect of such entity's existing debts and other liabilities (including known contingent liabilities) as they mature, (ii) such entity's assets do not constitute unreasonably small capital to carry on its business for the current fiscal year as now conducted and as proposed to be conducted including its capital needs taking into account the particular capital requirements of the business conducted by such entity, and projected capital requirements and capital availability thereof, and (iii) the current cash flow of such entity, together with the proceeds such entity would receive, were it to liquidate all of its assets, after taking into account all anticipated uses of the cash, would be sufficient to pay all amounts on or in respect of its debt when such amounts are required to be paid. Each of Genius Inc. and Genius LLC does not intend to incur debts beyond its ability to pay such debts as they mature (taking into account the timing and amounts of cash to be payable on or in respect of its debt).

Section 4.21 Certain Fees. No brokerage or finder's fees or commissions are or will be payable by Genius to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by this Agreement. The Investors shall have no obligation with respect to any fees or with respect to any claims (other than such fees or commissions owed by a Investor pursuant to written agreements executed by such Investor which fees or commissions shall be the sole responsibility of such Investor) made by or on behalf of other Persons for fees of a type contemplated in this Section that may be due in connection with the transactions contemplated by this Agreement.

Section 4.22 Certain Registration Matters. Assuming the accuracy of the Investors' representations and warranties set forth in Section 3.4, no registration under the Securities Act is required for the offer and sale of the Securities by either Genius Inc. or Genius LLC to the Investors under the Transaction Documents. Genius Inc. is eligible to register the resale of its Common Stock for resale by the Investors under Form S-1 promulgated under the Securities Act. Except as disclosed in Schedule 4.22, Genius Inc. has not granted or agreed to grant to any Person any rights (including "piggy-back" registration rights) to have any of its securities registered with the Commission or any other governmental authority that have not been satisfied; provided, that the Investors acknowledge that Genius Inc. has granted registration rights to all Investors in connection with the Transaction.

Section 4.23 Listing and Maintenance Requirements. Except as specified in the SEC Reports or as disclosed in Schedule 4.23, Genius Inc. has not, in the two years preceding the date hereof, received notice from any Trading Market to the effect that Genius Inc. is not in compliance with the listing or maintenance requirements thereof. Except as disclosed on Schedule 4.23, Genius Inc. is, and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with the listing and maintenance requirements for continued listing of the Common Stock on the Trading Market on which the Common Stock is currently listed or quoted. The issuance and sale of the Securities under the Transaction Documents does not contravene the rules and regulations of the Trading Market on which the Common Stock is currently listed or quoted, and no approval of the stockholders of Genius Inc. thereunder is required for Genius to issue and deliver to the Investors the Securities contemplated by Transaction Documents.

Section 4.24 Investment Company. Genius Inc. is not, and is not an Affiliate of, and immediately following the Closing will not have become, an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Section 4.25 Use of Proceeds. Genius intends to use all of the proceeds of the sale of the Notes and Warrants to repurchase a portion of a $20,000,000 promissory note issued by Genius LLC in favor of The Weinstein Company Holdings LLC and now held by GNPR Investments LLC.

Section 4.26 Application of Takeover Protections. Genius Inc. has taken all necessary action, if any, in order to render inapplicable any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or other similar anti-takeover provision under Genius Inc.'s Certificate of Incorporation (or similar charter documents) or the laws of its state of incorporation that is or could become applicable to the Investors as a result of the Investors and Genius Inc. fulfilling their obligations or exercising their rights under the Transaction Documents, including without limitation each of Genius Inc. and Genius LLC's issuance of the Securities and the Investors' ownership of the Securities.

Section 4.27 No Additional Agreements. Genius does not have any agreement or understanding with any Investor with respect to the transactions contemplated by the Transaction Documents other than as specified in the Transaction Documents.

Section 4.28 Disclosure. The Disclosure Materials, taken as a whole, are true and correct and do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Section 4.29 No Integrated Offering. Assuming the accuracy of the Investors' representations and warranties set forth in this Agreement, neither Genius, nor any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause this offering of the Securities to be integrated with prior offerings by Genius for purposes of the Securities Act and would therefore require registration of the offer or sale of the Securities under the Securities Act or any applicable shareholder approval provisions of any Trading Market on which any of the securities of Genius are listed or designated.

Section 4.30 Acknowledgement Regarding Investors' Purchase of Securities. Genius acknowledges and agrees that each of the Investors is acting solely in the capacity of an arm's length purchaser with respect to the Transaction Documents and the transactions contemplated hereby and thereby. Genius further acknowledges that no Investor is acting as a financial advisor or fiduciary of Genius (or in any similar capacity) with respect to the Transaction Documents and the transactions contemplated thereby and any advice given by any Investor or any of their respective representatives or agents in connection with the Transaction Documents and the transactions contemplated thereby is merely incidental to the Investors' purchase of the Securities.

Section 4.31 Non-Public Information. Genius represents and warrants that neither it nor any other person acting on its behalf has provided any Investor or its agents or counsel with any information that Genius believes constitutes material non-public information except for (i) information relating to the Transaction and the Transaction Documents, (ii) information covered by a written agreement regarding the confidentiality and use of such information, or (iii) information disclosed on Schedule 4.31.

Section 4.32 Tax Matters. Genius (i) has prepared and filed all foreign, federal and state income and all other tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith, with respect to which adequate reserves have been set aside on the books of Genius and (iii) has set aside on its books provisions reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply, except, in the case of clauses (i) and (ii) above, where the failure to so pay or file any such tax, assessment, charge or return would not have or reasonably be expected to have a Material Adverse Effect.

Section 4.33 No General Solicitation or General Advertising. Neither Genius nor any person acting on its behalf has engaged or will engage in any form of general solicitation or general advertising (within the meaning of Regulation D under the Securities Act) in connection with any offer or sale of the Securities.

Section 4.34 Shell Company Status. Genius Inc. is not an issuer identified in Rule 144(i)(1).

ARTICLE 5.

OTHER AGREEMENTS OF THE PARTIES

Section 5.1 (a) Securities may only be disposed of in compliance with state and federal securities laws. In connection with any transfer of the Securities other than pursuant to an effective registration statement, pursuant to Rule 144, to Genius, to an Affiliate of an Investor, to an entity that shares a common discretionary investment adviser with such Investor or in connection with a pledge as contemplated in Section 5.1(b), Genius may require (x) the transferor thereof to provide to Genius an opinion of counsel selected by the transferor, the form and substance of which opinion shall be reasonably satisfactory to Genius, to the effect that such transfer does not require registration of such transferred Securities under the Securities Act and (y) any transferee to agree in writing to be bound by the terms of this Agreement.

(b) Certificates evidencing the Securities will contain the following legend substantially in the form following, until such time as they are not required under Section 5.1(c):

> [NEITHER THESE SECURITIES NOR THE SECURITIES ISSUABLE UPON EXERCISE OF THESE SECURITIES HAVE BEEN REGISTERED] [THESE SECURITIES HAVE NOT BEEN REGISTERED] WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. [THESE SECURITIES AND THE SECURITIES ISSUABLE UPON EXERCISE OF THESE SECURITIES] [THESE SECURITIES] MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT SECURED BY SUCH SECURITIES.

Genius acknowledges and agrees that an Investor may from time to time pledge, and/or grant a security interest in some or all of the Securities pursuant to a bona fide margin agreement in connection with a bona fide margin account and, if required under the terms of such agreement or account, such Investor may transfer pledged or secured Securities to the pledgees or secured parties. Such a pledge or transfer would not be subject to approval or consent of Genius and no legal opinion of legal counsel to the pledgee, secured party or pledgor shall be required in connection with the pledge, but such legal opinion may be required in connection with a subsequent transfer following default by the Investor transferee of the pledge. No notice shall be required of such pledge. At the appropriate Investor’s expense, Genius will execute and deliver such reasonable documentation as a pledgee or secured party of Securities may reasonably request in connection with a pledge or transfer of the Securities including the preparation and filing of any required prospectus supplement under Rule 424(b)(3) of the Securities Act or other applicable provision of the Securities Act to appropriately amend the list of Selling Stockholders thereunder.

(c) Certificates evidencing the Securities shall not contain any legend (including the legend set forth in Section 5.1(b)), (i) while a registration statement (including the Registration Statement) covering the resale of such Security is effective under the Securities Act, or (ii) following any sale of such Securities pursuant to Rule 144, or (iii) if such Securities are eligible for sale under Rule 144, or (iv) except relating to state securities laws, if such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the Staff of the Commission). Genius shall cause its counsel to issue a legal opinion to Genius's transfer agent promptly after the Effective Date if required by Genius Inc.'s transfer agent to effect the removal of the legend hereunder. If all or any portion of a Warrant is exercised at a time when there is an effective registration statement to cover the resale of the Warrant Shares, such Warrant Shares shall be issued free of all legends. Genius may not make any notation on its records or give instructions to any transfer agent of Genius that enlarge the restrictions on transfer set forth in this Section. Certificates for Securities subject to legend removal hereunder shall be transmitted by the transfer agent of Genius to the Investors by crediting the account of the Investor's prime broker with the Depository Trust Company System.

(d) Each Investor, severally and not jointly with the other Investors, agrees that the removal of the restrictive legend from certificates representing Securities as set forth in this Section 4.1 is predicated upon Genius's reliance that the Investor will sell any Securities pursuant to either the registration requirements of the Securities Act, including any applicable prospectus delivery requirements, or an exemption therefrom..

Section 5.2 Furnishing of Information. As long as any Investor owns the Securities, Genius Inc. covenants to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by Genius Inc. after the date hereof pursuant to the Exchange Act. As long as any Investor owns Securities, if Genius Inc. is not required to file reports pursuant to such laws, Genius will (i) prepare and furnish to the Investors and make publicly available in accordance with Rule 144(c) such information as is required for the Investors to sell the Securities under Rule 144, and (ii) provide audited annual financial statements to such Investor. Genius Inc. further covenants that it will take such further action as any holder of Securities may reasonably request, all to the extent required from time to time to enable such Person to sell the Securities without registration under the Securities Act within the limitation of the exemptions provided by Rule 144.

Section 5.3 Integration. Genius shall not, and shall use its best efforts to ensure that no Affiliate of Genius shall, sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the offer or sale of the Securities in a manner that would require the registration under the Securities Act of the sale of the Securities to the Investors, or that would be integrated with the offer or sale of the Securities for purposes of the rules and regulations of any Trading Market in a manner that would require stockholder approval of the sale of the securities to the Investors.

Section 5.4 Securities Laws Disclosure; Publicity. Not later than 9:00 a.m. (New York time) on the Trading Day following the Closing Date, Genius Inc. shall issue a press release disclosing the material terms of the transactions contemplated hereby and the execution of this Agreement, and the Closing. On or before 9:00 a.m., New York City time, on the fourth Trading Day immediately following the execution of this Agreement, the Company will file a Current Report on Form 8-K with the Commission describing (i) the terms of the Transaction Documents (and including as exhibits to such Current Report on Form 8-K the material Transaction Documents (including, without limitation, this Agreement and the Warrant Shares Registration Rights Agreement)) and (ii) the terms of the documents entered into in connection with the Quadrant Transaction (as defined on Schedule 4.10 to this Agreement), including the Purchase Agreement, the Amended TWC Distribution Agreement, the Exchange Agreement, the TWC Note, the TWC Warrants, the Credit Agreement Amendment, the Stockholders Rights Agreement and the Registration Rights Agreement (each as defined on Schedule 4.10 to this Agreement). In addition, Genius Inc. will make such other filings and notices in the manner and time required by the Commission and the Trading Market on which the Common Stock is listed. Notwithstanding the foregoing, neither Genius nor any of its Subsidiaries shall publicly disclose the name of any Investor or any Affiliate or investment adviser of any Investor, or include the name of any Investor or any Affiliate or investment adviser of any Investor in any filing with the Commission (other than the Registration Statement and any exhibits to filings made in respect of this transaction in accordance with periodic filing requirements under the Exchange Act) or any regulatory agency or Trading Market, without the prior written consent of such Investor, except to the extent such disclosure is required by law or Trading Market regulations.

Section 5.5 Non-Public Information. Except as disclosed on Schedule 5.15, Genius covenants and agrees that neither it nor any other Person acting on its behalf will provide any Investor or its agents or counsel with any information that Genius believes constitutes material non-public information, unless prior thereto such Investor shall have executed a written agreement regarding the confidentiality and use of such information. Genius understands and confirms that each Investor shall be relying on the foregoing representations in effecting transactions in the Securities.

Section 5.6 Listing of Securities. Genius Inc. agrees that (i) if it applies to have the Common Stock traded on any other Trading Market, it will include in such application the Warrant Shares, and will take such other action as is necessary or desirable to cause the Warrant Shares to be listed on such other Trading Market as promptly as possible, and (ii) it will take all action reasonably necessary to continue the listing and trading of its Common Stock on a Trading Market and will comply in all material respects with Genius Inc.'s reporting, filing and other obligations under the bylaws or rules of the Trading Market.

Section 5.7 Completion of Reverse Split. Genius Inc. represents and warrant to each Investor that its Board of Directors has authorized, and its stockholders have duly approved, the Reverse Split. Genius Inc. agrees to use its best efforts to diligently and promptly complete the Reverse Split Procedure following the Closing.

Section 5.8 Form D and Blue Sky. Genius agrees to timely file a Form D with respect to the Securities as required under Regulation D. Genius, on or before the Closing Date, shall take such action as Genius shall reasonably determine is necessary in order to obtain an exemption for or to qualify the Securities for sale to the Investors at the Closing pursuant to this Agreement under applicable securities or "Blue Sky" laws of the states of the United States (or to obtain an exemption from such qualification). Genius shall make all filings and reports relating to the offer and sale of the Securities required under applicable securities or "Blue Sky" laws of the states of the United States following the Closing Date.

Section 5.9 Cancellation of Warrants. Each of the Investors listed on Annex B hereto, hereby separately and not jointly, cancels, forfeits and surrenders each of the warrants set forth opposite its name on Annex B and further agrees that such warrant shall have no further force or effect.

Section 5.10 No Dilution Upon Subsequent Closing.

(a) If, during the period beginning on the date of the mandatory exercise of the Warrants and ending at the close of business on June 30, 2009, Genius Inc. and Genius LLC shall, at any time and from time to time, participate in a subsequent closing in accordance with Section 2.4 hereof whereby Genius LLC issues additional Notes and Genius Inc. issues additional shares of common stock (the "Additional Shares of Common Stock"), then and in such event, Genius Inc. shall issue to each Investor a number of shares of Common Stock equal to the product of (i) the quotient of the aggregate number of Warrant Shares held by such Investor immediately prior to the issuance of Additional Shares of Common Stock divided by the aggregate number of issued and outstanding shares of Common Stock immediately prior to the issuance of such Additional Shares of Common Stock and (ii) the aggregate number of such Additional Shares of Common Stock. No issuance of Common Stock to the Investors shall be made pursuant to this Section 5.10(a) upon the issuance of any Additional Shares of Common Stock which are issued pursuant to the exercise of any warrants or other subscription or purchase rights or pursuant to the exercise of any conversion or exchange rights in any Common Stock Equivalents (as defined below), if any such issuance of Common Stock to the Investors shall previously have been made upon the issuance of such warrants or other rights or upon the issuance of such Common Stock Equivalents (or upon the issuance of any warrant or other rights therefore) pursuant to Section 5.10(b).

(b) If, during the period beginning on the date of the mandatory exercise of the Warrants and ending at the close of business on June 30, 2009, Genius Inc. and Genius LLC shall, at any time and from time to time, participate in a subsequent closing in accordance with Section 2.4 hereof whereby Genius LLC issues additional Notes and Genius Inc. issues any securities convertible into or exchangeable for, directly or indirectly, Common Stock ("Convertible Securities"), or any rights or warrants or options to purchase any such Common Stock or Convertible Securities, shall be issued or sold (collectively, the "Common Stock Equivalents"), then Genius Inc. shall issue shares of Common Stock to the Investors pursuant to Section 5.10(a) above assuming that all Additional Shares of Common Stock have been issued pursuant to the Convertible Securities or Common Stock Equivalents.

(c) If, during the period beginning on the date of the mandatory exercise of the Warrants and ending at the close of business on June 30, 2009, Genius Inc. issues Additional Management Shares to the Company's directors, officers, employees or consultants pursuant to an employee benefit plan or similar arrangement (which shall in any event exclude shares issued to such individuals as a dividend or distribution or stock split or combination in which all holders of Common Stock participate) (the "Management Retention Shares"), then and in such event, Genius Inc. shall issue to each Investor a number of shares of Common Stock equal to the product of (i) the quotient of the aggregate number of Warrant Shares held by such Investor immediately prior to the issuance of Additional Management Shares divided by the aggregate number of issued and outstanding shares of Common Stock immediately prior to the issuance of such Additional Management Shares and (ii) the aggregate number of such Additional Management Shares. For purposes of this Section 5.10(c), "Additional Management Shares" shall mean all shares of Common Stock issued or issuable by Genius Inc. pursuant to (i) restricted stock grants, (ii) the exercise of rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock, or (iii) the conversion or exchange of equity securities of the Company, but shall exclude the options to purchase or grants of restricted stock in the amount of 1,014,136,410 shares of Common Stock contemplated by Section 4.7 (and Schedule 4.7) of this Agreement.

Section 5.11 Preemptive Rights. For so long as any Note remains outstanding, Genius Inc. offers to sell equity securities or securities exercisable for or convertible into equity securities to any third-party, it must offer to sell to each of the Investors an amount of such securities sufficient to enable such Investor to maintain its pre-offering percentage of ownership of Genius Inc. (calculated assuming the full conversion or exercise of any securities held by such Investor) after giving effect to the sale to the third party (assuming the exercise or conversion of any such securities). The offer to each Investor must be on the same terms as the most favorable offer to any purchasing third-party. Each Investor shall have not less than 10 business days notice before being required to either purchase such securities or forfeit its rights pursuant to this Section. Each Investor shall have the right, in its sole discretion, to elect to purchase less than the full allotment of securities such Investor would be entitled to purchase pursuant to this Section.

ARTICLE 6
INDEMNIFICATION

Section 6.1 Indemnification. In addition to any other indemnity provided in the Transaction Documents, Genius will indemnify and hold the Investors and their directors, officers, shareholders, partners, employees, advisers, affiliates and agents (each, an "Investor Party") harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation (collectively, "Losses") that any such Investor Party may suffer or incur as a result of or relating to (i) any misrepresentation, breach or inaccuracy of any representation, warranty, covenant or agreement made by Genius in any Transaction Document and (ii) any action instituted against an Investor Party in any capacity, or any of them or their respective affiliates, by any stockholder of Genius Inc. who is not an affiliate of such Investor Party, with respect to any of the transactions contemplated by this Agreement. In addition to the indemnity contained herein, Genius will reimburse each Investor Party for its reasonable legal and other expenses (including the cost of any investigation, preparation and travel in connection therewith) incurred in connection therewith, as such expenses are incurred.

Section 6.2 Conduct of Indemnification Proceedings. Promptly after receipt by any Person (the "Indemnified Person") of notice of any demand, claim or circumstances which would or might give rise to a claim or the commencement of any action, proceeding or investigation in respect of which indemnity may be sought pursuant to Section 6.1, such Indemnified Person shall promptly notify Genius in writing and Genius shall assume the defense thereof, including the employment of counsel reasonably satisfactory to such Indemnified Person, and shall assume the payment of all fees and expenses; *provided, however*, that the failure of any Indemnified Person so to notify Genius shall not relieve Genius of its obligations hereunder except to the extent that Genius is actually and materially and adversely prejudiced by such failure to notify. In any such proceeding, any Indemnified Person shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Person unless: (i) Genius and the Indemnified Person shall have mutually agreed to the retention of such counsel; (ii) Genius shall have failed promptly to assume the defense of such proceeding and to employ counsel reasonably satisfactory to such Indemnified Person in such proceeding; or (iii) in the reasonable judgment of counsel to such Indemnified Person, representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them; provided, however, that in each such case Genius shall not be responsible for the reasonable fees and expenses of more than one such counsel plus local counsel. Genius shall not be liable for any settlement of any proceeding effected without its written consent, which consent shall not be unreasonably withheld, delayed or conditioned. Without the prior written consent of the Indemnified Person, which consent shall not be unreasonably withheld, delayed or conditioned, Genius shall not effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Person is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement includes an unconditional release of such Indemnified Person from all liability arising out of such proceeding.

ARTICLE 7
MISCELLANEOUS

Section 7.1 Fees and Expenses. Each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of the Transaction Documents; provided, however, that at Closing Genius shall pay legal fees of Greenberg Traurig LLP, counsel on behalf of certain Investors, up to a maximum of $20,000. Genius shall pay all stamp and other taxes and duties levied in connection with the sale of the Securities.

Section 7.2 Entire Agreement. The Transaction Documents, together with the Exhibits and Schedules thereto, contain the entire understanding of the parties with respect to the subject matter hereof and supersede all prior agreements, understandings, discussions and representations, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.

Section 7.3 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of (a) the date of transmission, if such notice or communication is delivered via facsimile (provided the sender receives a machine-generated confirmation of successful transmission) at the facsimile number specified in this Section prior to 6:30 p.m. (EST) on a Trading Day, (b) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in this Section on a day that is not a Trading Day or later than 6:30 p.m. (EST) on any Trading Day, (c) the Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service, or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as follows:

If to Genius : Genius Products, Inc.
3301 Exposition Blvd., Suite 100
Santa Monica, CA 90404
Facsimile: (310) 401-2865
Attention: Chief Executive Officer

With a copy to: Reed Smith LLP
355 South Grand Avenue, Suite 2900
Los Angeles, CA 90071
Facsimile: (213) 457-8080
Attention: Allen Z. Sussman, Esq.

If to an Investor: To the address set forth under such Investor's name on the signature pages hereof;

or such other address as may be designated in writing hereafter, in the same manner, by such Person.

Section 7.4 Amendments; Waivers; No Additional Consideration. No provision of this Agreement may be waived or amended except in a written instrument signed by Genius and the Investors holding Notes representing more than 50% of the aggregate principal amount of the Notes held by Investors as of such date. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of either party to exercise any right hereunder in any manner impair the exercise of any such right. No consideration shall be offered or paid to any Investor to amend or consent to a waiver or modification of any provision of any Transaction Document unless the same consideration is also offered to all Investors who then hold Securities.

Section 7.5 Construction. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party. This Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement or any of the Transaction Documents.

Section 7.6 Successors and Assigns; No Third-Party Beneficiaries. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person. This Agreement may not be assigned by Genius without the prior written consent of the Investors.

Section 7.7 Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all Proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and any other Transaction Documents (whether brought against a party hereto or its respective Affiliates, employees or agents) shall be commenced exclusively in the New York Courts. Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of the any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any Proceeding, any claim that it is not personally subject to the jurisdiction of any such New York Court, or that such Proceeding has been commenced in an improper or inconvenient forum. Each party hereto hereby irrevocably waives personal service of process and consents to process being served in any such Proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby. If either party shall commence a Proceeding to enforce any provisions of a Transaction Document, then the prevailing party in such Proceeding shall be reimbursed by the other party for its reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such Proceeding.

Section 7.8 Survival. The representations, warranties, agreements and covenants contained herein shall survive the Closing and the delivery of the Securities.

Section 7.9 Execution. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile signature page were an original thereof.

Section 7.10 Severability. If any provision of this Agreement is held to be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Agreement shall not in any way be affected or impaired thereby and the parties will attempt to agree upon a valid and enforceable provision that is a reasonable substitute therefor, and upon so agreeing, shall incorporate such substitute provision in this Agreement.

Section 7.11 Rescission and Withdrawal Right. Notwithstanding anything to the contrary contained in (and without limiting any similar provisions of) the Transaction Documents, whenever any Investor exercises a right, election, demand or option under a Transaction Document and Genius does not timely perform its related obligations within the periods therein provided, then such Investor may rescind or withdraw, in its sole discretion from time to time upon written notice to Genius, any relevant notice, demand or election in whole or in part without prejudice to its future actions and rights.

Section 7.12 Replacement of Securities. If any certificate or instrument evidencing any Securities is mutilated, lost, stolen or destroyed, Genius Inc. or Genius LLC, as appropriate, shall issue or cause to be issued in exchange and substitution for and upon cancellation thereof, or in lieu of and substitution therefor, a new certificate or instrument, but only upon receipt of evidence reasonably satisfactory to them of such loss, theft or destruction and customary and reasonable indemnity, if requested. The applicants for a new certificate or instrument under such circumstances shall also pay any reasonable third-party costs associated with the issuance of such replacement Securities. If a replacement certificate or instrument evidencing any Securities is requested due to a mutilation thereof, Genius Inc. or Genius LLC, as appropriate, may require delivery of such mutilated certificate or instrument as a condition precedent to any issuance of a replacement.

Section 7.13 Remedies. In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, each of the Investors and Genius will be entitled to specific performance under the Transaction Documents. The parties agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations described in the foregoing sentence and hereby agrees to waive in any action for specific performance of any such obligation the defense that a remedy at law would be adequate.

Section 7.14 Payment Set Aside. To the extent that Genius Inc. or Genius LLC, as appropriate, makes a payment or payments to any Investor pursuant to any Transaction Document or an Investor enforces or exercises its rights thereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to Genius Inc. or Genius LLC, a trustee, receiver or any other person under any law (including, without limitation, any bankruptcy law, state or federal law, common law or equitable cause of action), then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

Section 7.15 Independent Nature of Investors' Obligations and Rights. The obligations of each Investor under any Transaction Document are several and not joint with the obligations of any other Investor, and no Investor shall be responsible in any way for the performance of the obligations of any other Investor under any Transaction Document. The decision of each Investor to purchase Securities pursuant to the Transaction Documents has been made by such Investor independently of any other Investor. Nothing contained herein or in any Transaction Document, and no action taken by any Investor pursuant thereto, shall be deemed to constitute the Investors as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Investors are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by the Transaction Documents. Each Investor acknowledges that no other Investor has acted as agent for such Investor in connection with making its investment hereunder and that no Investor will be acting as agent of such Investor in connection with monitoring its investment in the Securities or enforcing its rights under the Transaction Documents. Each Investor shall be entitled to independently protect and enforce its rights, including without limitation the rights arising out of this Agreement or out of the other Transaction Documents, and it shall not be necessary for any other Investor to be joined as an additional party in any proceeding for such purpose. Each of Genius Inc. and Genius LLC acknowledges that each of the Investors has been provided with the same Transaction Documents for the purpose of closing a transaction with multiple Investors and not because it was required or requested to do so by any Investor.

Section 7.16 Limitation of Liability. Notwithstanding anything herein to the contrary, each of Genius Inc. and Genius LLC acknowledges and agrees that the liability of an Investor arising directly or indirectly, under any Transaction Document of any and every nature whatsoever shall be satisfied solely out of the assets of such Investor, and that no trustee, officer, other investment vehicle or any other Affiliate of such Investor or any Investor, shareholder or holder of shares of beneficial interest of such an Investor shall be personally liable for any liabilities of such Investor.

[Signature page to follow]

IN WITNESS WHEREOF, the parties hereto have caused this Note and Warrant Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

GENIUS PRODUCTS, INC.

/s/ Trevor Drinkwater
Name: Trevor Drinkwater
Title: Chief Executive Officer

GENIUS PRODUCTS, LLC

By: Genius Products, Inc., Managing Member

/s/ Trevor Drinkwater
Name: Trevor Drinkwater
Title: Chief Executive Officer

IN WITNESS WHEREOF, the parties hereto have caused this Note and Warrant Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

By: /s/ George Bolton
Name: George Bolton
Title:

ADDRESS FOR NOTICE

c/o:_____

Street: 2440 Pacific Ave

City/State/Zip: San Francisco, CA 94115

Attention: George Bolton

Tel: _____

Fax: _____

Email:_____

IN WITNESS WHEREOF, the parties hereto have caused this Note and Warrant Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

J. CAIRD PARTNERS, L.P.
By: Wellington Management Company, LLP,
as investment adviser

By: /s/ Steven Hoffman
Name: Steven Hoffman
Title: Vice President and Counsel

ADDRESS FOR NOTICE

c/o: Wellington Management Company, LLP

Street: 75 State Street

City/State/Zip: Boston MA, 02109

Attention: Legal Services – Steven M. Hoffman

Tel: (617) 790-7429

Fax: (617) 289-5699

Email: seclaw@wellington.com

IN WITNESS WHEREOF, the parties hereto have caused this Note and Warrant Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

J. CAIRD INVESTORS (BERMUDA), L.P.
By: Wellington Management Company, LLP,
as investment adviser

By: /s/ Steven Hoffman
Name: Steven Hoffman
Title: Vice President and Counsel

ADDRESS FOR NOTICE

c/o: Wellington Management Company, LLP

Street: 75 State Street

City/State/Zip: Boston MA, 02109

Attention: Legal Services – Steven M. Hoffman

Tel: (617) 790-7429

Fax: (617) 289-5699

Email: seclaw@wellington.com

IN WITNESS WHEREOF, the parties hereto have caused this Note and Warrant Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

JANUS INVESTMENT FUND
On Behalf of its Participating Series

By: /s/ William Bales
Name: William Bales
Title: Portfolio Manager

ADDRESS FOR NOTICE

c/o: Janus Capital Management LLC

Street: 151 Detroit Street

City/State/Zip: Denver, CO 80206

Attention: Angela Morton

Tel: (303) 336-4358

Fax: (303) 316-5728

Email: angela.morton@janus.com

EXHIBIT 10.2

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this **"Agreement"**) is made and entered into as of February 17, 2009, by and among **Genius Products, Inc.**, a Delaware corporation (the **"Company"**), and the investors from time to time signatory hereto (each an **"Investor"** and collectively, the **"Investors"**).

Recitals

WHEREAS, pursuant to the terms of that certain Note and Warrant Purchase Agreement, dated as of the date hereof, among the Company, Genius Products, LLC (**"**Genius LLC**"**) and the Investors (the **"Purchase Agreement"**), the Company and Genius have agreed to sell to the Investors and the Investors have agreed to purchase Notes in an aggregate principal amount of up to $9,500,000 and Warrants exercisable for that number of shares of Common Stock of the Company (the **"Warrant Shares"**) set forth opposite each Investor's name on Schedule I hereto; and

WHEREAS, in order to induce the Investors to consummate the transactions contemplated by the Purchase Agreement, the Company has agreed to grant to the Investors the registration rights set forth in this Agreement.

NOW, THEREFORE, the parties hereto, in consideration of the foregoing, the mutual covenants and agreements hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, hereby agree as follows:

1. Definitions. Capitalized terms used and not otherwise defined herein that are defined in the Purchase Agreement will have the meanings given such terms in the Purchase Agreement. As used in this Agreement, the following terms have the respective meanings set forth in this Section 1:

"Advice" has the meaning set forth in Section 6(c).

"Commission" means the Securities and Exchange Commission.

"Common Stock" shall mean the common stock of the Company, par value $0.0001 per share, and any securities into which such common stock may hereafter be reclassified.

"Effective Date" means, as to a Registration Statement, the date on which such Registration Statement is first declared effective by the Commission.

"Effectiveness Date" means, subject in each instance to Section 2(f):

(a) with respect to the initial Registration Statement required to be filed under Section 2(a), the earlier of (i) the 120th day following the Closing Date (the 150th day if the Commission reviews and has written comments to the initial Registration Statement that would require the filing of a pre-effective amendment thereto with the Commission) and (ii) the fifth Trading Day following the date on which the Company is notified by the Commission that such initial Registration Statement will not be reviewed or is no longer subject to further review and comments;

(b) with respect to any additional Registration Statements that may be required pursuant to Section 2(b), the earlier of (i) the 90th day following (x) if such Registration Statement is required because the Commission shall have notified the Company in writing that certain Registrable Securities were not eligible for inclusion on a previously filed Registration Statement, the date or time on which the Commission shall indicate as being the first date or time that such Registrable Securities may then be included in a Registration Statement, or (y) if such Registration Statement is required for a reason other than as described in (x) above, the date on which the Company first knows, or reasonably should have known, that such additional Registration Statement(s) is required; provided, that, if the Commission reviews and has written comments to a Registration Statement filed under Section 2(b) that would require the filing of a pre-effective amendment thereto with the Commission, then the Effectiveness Date under this clause (b)(i) for such Registration Statement shall be the earlier of the 120th day following the date that the Company first knows, or reasonably should have known, that such additional Registration Statement is required under such Section, and (ii) the fifth Trading Day following the date on which the Company is notified by the Commission that such additional Registration Statement will not be reviewed or is no longer subject to further review and comments; and

(c) with respect to a Registration Statement required to be filed under Section 2(c), the earlier of: (c)(i) the 90th day following the date on which the Company becomes eligible to utilize Form S-3 to register the resale of Common Stock; provided, that, if the Commission reviews and has written comments to such filed Registration Statement that would require the filing of a pre-effective amendment thereto with the Commission, then the Effectiveness Date under this clause (c)(i) shall be the earlier of the 120th day following the date on which the Company becomes eligible to utilize Form S-3 to register the resale of Common Stock, and (ii) the fifth Trading Day following the date on which the Company is notified by the Commission that the initial Registration Statement will not be reviewed or is no longer subject to further review and comments.

"Effectiveness Period" has the meaning set forth in Section 2(a).

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Filing Date" means, subject in each instance to Section 2(f), (a) with respect to the initial Registration Statement required to be filed under Section 2(a), the 45th day following the Closing Date; (b) with respect to any additional Registration Statements that may be required pursuant to Section 2(b), the 30th day following (x) if such Registration Statement is required because the Commission shall have notified the Company in writing that certain Registrable Securities were not eligible for inclusion on a previously filed Registration Statement, the date or time on which the Commission shall indicate as being the first date or time that such Registrable Securities may then be included in a Registration Statement, or (y) if such Registration Statement is required for a reason other than as described in (x) above, the date on which the Company first knows, or reasonably should have known, that such additional Registration Statement(s) is required, but in any event no earlier than the initial Filing Date; and (c) with respect to a Registration Statement required to be filed under Section 2(c), the 30th day following the date on which the Company becomes eligible to utilize Form S-3 to register the resale of Common Stock, but in any event no earlier than the initial Filing Date.

"Holder" or **"Holders"** means the holder or holders, as the case may be, from time to time of Registrable Securities.

"Indemnified Party" has the meaning set forth in Section 5(c).

"Indemnifying Party" has the meaning set forth in Section 5(c).

"Losses" has the meaning set forth in Section 5(a).

"New York Courts" means the state and federal courts sitting in the City of New York, Borough of Manhattan.

"Proceeding" means an action, claim, suit, investigation or proceeding (including, without limitation, an investigation or partial proceeding, such as a deposition), whether commenced or threatened.

"Prospectus" means the prospectus included in a Registration Statement (including, without limitation, a prospectus that includes any information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A promulgated under the Securities Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by a Registration Statement, and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

"Registrable Securities" means: (i) the Warrant Shares, and (ii) any securities issued or issuable upon any stock split, dividend or other distribution, recapitalization or similar event, or any price adjustment with respect to any of the securities referenced in (i) above.

"Registration Statement" means the initial registration statement required to be filed in accordance with Section 2(a) and any additional registration statement(s) required to be filed under Section 2(b) and 2(c), including (in each case) the Prospectus, amendments and supplements to such registration statements or Prospectus, including pre- and post-effective amendments, all exhibits thereto, and all material incorporated by reference or deemed to be incorporated by reference therein.

"Rule 144" means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"Rule 415" means Rule 415 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"Rule 424" means Rule 424 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"Securities Act" means the Securities Act of 1933, as amended.

2. Registration.

(a) On or prior to each Filing Date, the Company shall prepare and file with the Commission a Registration Statement covering the resale of all Registrable Securities not already covered by an existing and effective Registration Statement for an offering to be made on a continuous basis pursuant to Rule 415, on Form S-1 or if eligible, Form S-3 (or on such other form appropriate for such purpose), which Registration Statement will contemplate the ability of such Holder to do an underwritten offering. Such Registration Statement shall contain (except if otherwise required pursuant to written comments received from the Commission upon a review of such Registration Statement) the "Plan of Distribution" attached hereto as Annex A. The Company shall use its reasonable best efforts to cause such Registration Statement to be declared effective under the Securities Act as soon as possible but, in any event, no later than its Effectiveness Date, and shall use its reasonable best efforts to keep the Registration Statement continuously effective under the Securities Act until the date which is the earlier of (i) such time as all of the Registrable Securities covered by such Registration Statement have been publicly sold by the Holders, or (ii) such time as all of the Registrable Securities covered by such Registration Statement may be sold by the Holders pursuant to Rule 144 as determined by the counsel to the Company pursuant to a written opinion letter to such effect, addressed and acceptable to the Company's transfer agent and the affected Holders (the **"Effectiveness Period"**). By 5:00 p.m. (New York City time) on the Business Day immediately following the Effective Date of each Registration Statement, the Company shall file with the Commission in accordance with Rule 424 under the Securities Act the final prospectus to be used in connection with sales pursuant to such Registration Statement (whether or not such filing is technically required under such Rule). If for any reason other than due solely to Commission restrictions, a Registration Statement is effective but not all outstanding Registrable Securities are registered for resale pursuant thereto, then the Company shall prepare and file by the applicable Filing Date an additional Registration Statement to register the resale of all such unregistered Registrable Securities for an offering to be made on a continuous basis pursuant to Rule 415.

(b) If for any reason the Commission does not permit all of the Registrable Securities to be included in the Registration Statement filed pursuant to Section 2(a), or for any other reason any outstanding Registrable Securities are not then covered by an effective Registration Statement, then the Company shall prepare and file by the Filing Date for such Registration Statement, an additional Registration Statement covering the resale of all Registrable Securities not already covered by an existing and effective Registration Statement for an offering to be made on a continuous basis pursuant to Rule 415, on Form S-1 or if eligible, Form S-3 (or on such other form appropriate for such purpose); provided, however, that the Company shall not be required to file such additional Registration Statement, or may exclude shares from such additional Registration Statement, if it believes in good faith, based upon advice from the Commission's Staff, that application of Rule 415 would not permit registration of all or the excluded portion of such Registrable Securities; provided further that the Company shall be obligated to use reasonable best efforts to advocate with the Commission for the registration of all of the Registrable Securities in accordance with Commission guidance. If the Commission does require a reduction in the number of Registrable Securities or other shares of Common Stock that may be included in a Registration Statement, the number of Registrable Securities or other shares of Common Stock to be registered on such Registration Statement will be reduced on a pro rata basis based on the total number of unregistered shares held by the holders thereof, subject to a determination by the Commission that certain holders must be reduced before other holders based on the number of shares held by such holders. Each such additional Registration Statement shall contain (except if otherwise required pursuant to written comments received from the Commission upon a review of such additional Registration Statement) the "Plan of Distribution" attached hereto as Annex A. The Company shall use its reasonable best efforts to cause each such additional Registration Statement to be declared effective under the Securities Act as soon as possible but, in any event, by its Effectiveness Date, and shall use its reasonable best efforts to keep such additional Registration Statement continuously effective under the Securities Act during the entire Effectiveness Period.

(c) Promptly following any date on which the Company becomes eligible to use a registration statement on Form S-3 to register the Registrable Securities for resale, the Company shall file a registration statement on Form S-3 covering the Registrable Securities (or a post-effective amendment on Form S-3 to the then effective Registration Statement) and shall use its reasonable best efforts to cause such Registration Statement to be declared effective as soon as possible thereafter, but in any event prior to the Effectiveness Date therefor. Such Registration Statement shall contain (except if otherwise required pursuant to written comments received from the Commission upon a review of such Registration Statement) the "Plan of Distribution" attached hereto as Annex A. The Company shall use its reasonable best efforts to cause such Registration Statement to be declared effective under the Securities Act as soon as possible but, in any event, by its Effectiveness Date, and shall use its reasonable best efforts to keep such additional Registration Statement continuously effective under the Securities Act during the entire Effectiveness Period.

(d) Subject to Section 2(f), if: (i) a Registration Statement is not filed on or prior to its Filing Date (if the Company files a Registration Statement, except in the case of an amendment that does not concern a Holder, without affording the Holders the opportunity to review and comment on the same as required by Section 3(a) hereof, the Company shall not be deemed to have satisfied this clause (i)), or (ii) a Registration Statement is not declared effective by the Commission on or prior to its required Effectiveness Date, or (iii) after its Effective Date, without regard for the reason thereunder or efforts therefore, such Registration Statement ceases for any reason to be effective and available to the Holders as to all Registrable Securities to which it is required to cover at any time prior to the expiration of its Effectiveness Period for more than an aggregate of 15 calendar days (which need not be consecutive) in any 12-month period (any such failure or breach being referred to as an **"Event,"** and for purposes of clauses (i) or (ii) the date on which such Event occurs, or for purposes of clause (iii) the date which such 15 calendar day-period is exceeded, being referred to as **"Event Date"**), then in addition to any other rights the Holders may have hereunder or under applicable law, on each monthly anniversary of each such Event Date (if the applicable Event shall not have been cured by such date) until the applicable Event is cured, the Company shall pay to each Holder an amount in cash, as partial liquidated damages and not as a penalty, equal to 1% of the fair market value as determined in good faith by the Company's board of directors of the Registrable Securities held by such Holder. If the Company fails to pay any partial liquidated damages pursuant to this Section in full within seven days after the date payable, the Company will pay interest thereon at a rate of 10% per annum (or such lesser maximum amount that is permitted to be paid by applicable law) to the Holder, accruing daily from the date such partial liquidated damages are due until such amounts, plus all such interest thereon, are paid in full. The partial liquidated damages pursuant to the terms hereof shall apply on a daily pro-rata basis for any portion of a month prior to the cure of an Event, except in the case of the first Event Date.

(e) Each Holder agrees to furnish to the Company a completed Questionnaire in the form attached to this Agreement as Annex B (a **"Selling Holder Questionnaire"**). The Company shall not be required to include the Registrable Securities of a Holder in a Registration Statement and shall not be required to pay any liquidated or other damages under Section 2(d) to any Holder who fails to furnish to the Company a fully completed Selling Holder Questionnaire at least two Trading Days prior to the Filing Date (subject to the requirements set forth in Section 3(a)).

(f) Notwithstanding the defined terms set forth in Section 1, if on or prior to May 30, 2009 the Company has terminated, or taken material steps towards terminating (including filing of a Form 15 with the Commission), the registration of the Common Stock under the Exchange Act in compliance with applicable securities laws, then the term "Closing Date" used in the definitions of "Filing Date" and "Effectiveness Date" hereunder shall mean the date that is the one-year anniversary of the effectiveness of the termination of registration of the Common Stock, but no later than June 30, 2010. For example, if the registration of the Common Stock is terminated on March 31, 2009, the "Filing Date" for purposes of filing the initial Registration Statement under Section 2(a) shall be the 45th day following the one-year anniversary of such date, or May 15, 2010.

3. Registration Procedures.

In connection with the Company's registration obligations hereunder, the Company shall:

(a) Not less than four Trading Days prior to the filing of a Registration Statement or any related Prospectus or any amendment or supplement thereto, the Company shall furnish to each Holder copies of the "Selling Stockholders" section of such document, the "Plan of Distribution" and any risk factor contained in such document that addresses specifically this transaction or the Selling Stockholders, as proposed to be filed which documents will be subject to the review of such Holder. The Company shall not file a Registration Statement, any Prospectus or any amendments or supplements thereto in which the "Selling Stockholder" section thereof differs from the disclosure received from a Holder in its Selling Holder Questionnaire (as amended or supplemented). The Company shall not file a Registration Statement, any Prospectus or any amendments or supplements thereto in which it (i) characterizes any Holder as an underwriter, (ii) excludes a particular Holder due to such Holder refusing to be named as an underwriter (except as otherwise permitted in Section 2(b)), or (iii) reduces the number of Registrable Securities being registered on behalf of a Holder except pursuant to, in the case of subsection (iii), comments received from the Commission, without, in each case, such Holder's express written authorization.

(b) (i) Prepare and file with the Commission such amendments, including post-effective amendments, to each Registration Statement and the Prospectus used in connection therewith as may be necessary to keep such Registration Statement continuously effective as to the applicable Registrable Securities for its Effectiveness Period and prepare and file with the Commission such additional Registration Statements in order to register for resale under the Securities Act all of the Registrable Securities; (ii) cause the related Prospectus to be amended or supplemented by any required Prospectus supplement, and as so supplemented or amended to be filed pursuant to Rule 424; (iii) respond as promptly as reasonably possible to any comments received from the Commission with respect to each Registration Statement or any amendment thereto and, as promptly as reasonably possible provide the Holders true and complete copies of all correspondence from and to the Commission relating to such Registration Statement that would not result in the disclosure to the Holders of material and non-public information concerning the Company; and (iv) comply in all material respects with the provisions of the Securities Act and the Exchange Act with respect to the Registration Statements and the disposition of all Registrable Securities covered by each Registration Statement.

(c) Notify the Holders as promptly as reasonably possible (and, in the case of (i)(A) below, not less than three Trading Days prior to such filing and, in the case of (v) below, not less than three Trading Days prior to the financial statements in any Registration Statement becoming ineligible for inclusion therein) and (if requested by any such Person) confirm such notice in writing no later than one Trading Day following the day (i)(A) when a Prospectus or any Prospectus supplement or post-effective amendment to a Registration Statement is proposed to be filed; (B) when the Commission notifies the Company whether there will be a "review" of such Registration Statement and whenever the Commission comments in writing on such Registration Statement (the Company shall provide true and complete copies thereof and all written responses thereto to each of the Holders that pertain to the Holders as a Selling Stockholder or to the Plan of Distribution, but not information which the Company believes would constitute material and non-public information); and (C) with respect to each Registration Statement or any post-effective amendment, when the same has become effective; (ii) of any request by the Commission or any other Federal or state governmental authority for amendments or supplements to a Registration Statement or Prospectus or for additional information; (iii) of the issuance by the Commission of any stop order suspending the effectiveness of a Registration Statement covering any or all of the Registrable Securities or the initiation of any Proceedings for that purpose; (iv) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction, or the initiation or threatening of any Proceeding for such purpose; and (v) of the occurrence of any event or passage of time that makes the financial statements included in a Registration Statement ineligible for inclusion therein or any statement made in such Registration Statement or Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires any revisions to such Registration Statement, Prospectus or other documents so that, in the case of such Registration Statement or the Prospectus, as the case may be, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(d) Use its reasonable best efforts to avoid the issuance of, or, if issued, obtain the withdrawal of (i) any order suspending the effectiveness of a Registration Statement, or (ii) any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction, at the earliest practicable moment.

(e) Furnish to each Holder, without charge, at least one conformed copy of each Registration Statement and each amendment thereto and all exhibits to the extent requested by such Person (including those previously furnished) promptly after the filing of such documents with the Commission.

(f) Promptly deliver to each Holder, without charge, as many copies of each Prospectus or Prospectuses (including each form of prospectus) and each amendment or supplement thereto as such Persons may reasonably request. The Company hereby consents to the use of such Prospectus and each amendment or supplement thereto by each of the selling Holders in connection with the offering and sale of the Registrable Securities covered by such Prospectus and any amendment or supplement thereto.

(g) Prior to any public offering of Registrable Securities, register or qualify such Registrable Securities for offer and sale under the securities or Blue Sky laws of all jurisdictions within the United States, to keep each such registration or qualification (or exemption therefrom) effective during the Effectiveness Period and to do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Registrable Securities covered by the Registration Statements.

(h) Cooperate with the Holders to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be delivered to a transferee pursuant to the Registration Statements, which certificates shall be free, to the extent permitted by the Purchase Agreement, of all restrictive legends, and to enable such Registrable Securities to be in such denominations and registered in such names as any such Holders may request.

(i) Upon the occurrence of any event contemplated by Section 3(c)(v), as promptly as reasonably possible, prepare a supplement or amendment, including a post-effective amendment, to the affected Registration Statements or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated therein by reference, and file any other required document so that, as thereafter delivered, no Registration Statement nor any Prospectus will contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(j) Make available to any underwriter participating in such offering and the representatives of any underwriter (but not more than one firm of counsel to such Holders), all financial and other information as shall be reasonably requested by them, and provide the underwriter and the representatives of such underwriter the opportunity to discuss the business affairs of the Company with its principal executives and independent public accountants who have certified the audited financial statements included in such Registration Statement, in each case all as reasonably necessary to enable them to exercise their due diligence responsibility under the Securities Act; provided, however, that information that the Company determines, in good faith, to be confidential and which the Company advises such Person in writing is confidential shall not be disclosed unless such Person signs a confidentiality agreement reasonably satisfactory to the Company.

(k) In the event of any underwritten or agented offering, select an underwriter reasonably acceptable to Holders of a majority in interest of the Regsitrable Securities, enter into and perform its obligations under an underwriting agreement, in customary and usual form, with the managing underwriter of such underwritten offering, including, without limitation, to obtain a so-called "comfort letter" from the Company's independent public accountants, and legal opinions of counsel to the Company addressed to the underwriter participating in such offering, in customary form and covering such matters of the type customarily covered by such letters, and in a form that shall be reasonably satisfactory to the underwriters. Delivery of any such opinion or comfort letter shall be subject to the recipient furnishing such written representations or acknowledgements as are required or customarily provided by selling shareholders who receive such comfort letters or opinions.

(l) Otherwise use its reasonable efforts to comply with all applicable rules and regulations of the Commission, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months, beginning with the first fiscal quarter beginning after the effective date of the Registration Statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act;

(m) Use its reasonable efforts to list such Registrable Securities on any securities exchange or interdealer quotation system on which the Common Stock is then listed, if the listing or quotation of such Registrable Securities is then permitted under the rules of such exchange or interdealer quotation system;

(n) Upon the request of the Holders, take any and all other actions which may be reasonably necessary to complete the registration and thereafter to complete the distribution of the Registrable Securities so registered.

4. Registration Expenses. All fees and expenses incident to the performance of or compliance with this Agreement by the Company shall be borne by the Company whether or not any Registrable Securities are sold pursuant to a Registration Statement. The fees and expenses referred to in the foregoing sentence shall include, without limitation, (i) all registration and filing fees (including, without limitation, fees and expenses (A) with respect to filings required to be made with any Trading Market on which the Common Stock is then listed for trading, and (B) in compliance with applicable state securities or Blue Sky laws), (ii) printing expenses (including, without limitation, expenses of printing certificates for Registrable Securities and of printing prospectuses if the printing of prospectuses is reasonably requested by the holders of a majority of the Registrable Securities included in the Registration Statement), (iii) messenger, telephone and delivery expenses, (iv) fees and disbursements of counsel for the Company, (v) Securities Act liability insurance, if the Company so desires such insurance, and (vi) fees and expenses of all other Persons retained by the Company in connection with the consummation of the transactions contemplated by this Agreement. In addition, the Company shall be responsible for all of its internal expenses incurred in connection with the consummation of the transactions contemplated by this Agreement (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit and the fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange as required hereunder. The Company shall not be responsible for the payment of underwriting discounts or similar fees, discounts or commissions.

5. Indemnification.

(a) Indemnification by the Company. The Company shall, notwithstanding any termination of this Agreement, indemnify and hold harmless each Holder, the officers, directors, agents, investment advisors, partners, members and employees of each of them, each Person who controls any such Holder (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the officers, directors, agents and employees of each such controlling Person, to the fullest extent permitted by applicable law, from and against any and all losses, claims, damages, liabilities, costs (including, without limitation, reasonable costs of preparation and reasonable attorneys' fees) and expenses (collectively, **"Losses"**), as incurred, arising out of or relating to any violation by the Company of the Securities Act, Exchange Act, or any state securities law or any rule or regulation thereunder in connection with the performance of its obligations to register securities under this Agreement, or any untrue or alleged untrue statement of a material fact contained in any Registration Statement, any Prospectus or any form of prospectus or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any Prospectus or form of prospectus or supplement thereto, in light of the circumstances under which they were made) not misleading, except to the extent, but only to the extent, that (1) such untrue statements or omissions are based solely upon information regarding such Holder furnished in writing to the Company by such Holder expressly for use therein, or to the extent that such information relates to such Holder or such Holder's proposed method of distribution of Registrable Securities and was reviewed and expressly approved in writing by such Holder expressly for use in the Registration Statement, such Prospectus or such form of Prospectus or in any amendment or supplement thereto (it being understood that the Holder has approved Annex A hereto for this purpose) or (2) in the case of an occurrence of an event of the type specified in Section 3(c)(ii)-(v), the use by such Holder of an outdated or defective Prospectus after the Company has notified such Holder in writing that the Prospectus is outdated or defective and prior to the receipt by such Holder of an Advice or an amended or supplemented Prospectus, but only if and to the extent that following the receipt of the Advice or the amended or supplemented Prospectus the misstatement or omission giving rise to such Loss would have been corrected. The Company shall notify the Holders promptly of the institution, threat or assertion of any Proceeding of which the Company is aware in connection with the transactions contemplated by this Agreement.

(b) Indemnification by Holders. Each Holder shall, severally and not jointly, indemnify and hold harmless the Company, its directors, officers, agents and employees, each Person who controls the Company (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, agents or employees of such controlling Persons, to the fullest extent permitted by applicable law, from and against all Losses, as incurred, arising solely out of or based solely upon: (x) such Holder's failure to comply with the prospectus delivery requirements of the Securities Act (without regard to the content of such prospectus) or (y) any untrue statement of a material fact contained in any Registration Statement, any Prospectus, or any form of prospectus, or in any amendment or supplement thereto, or arising solely out of or based solely upon any omission of a material fact required to be stated therein or necessary to make the statements therein not misleading to the extent, but only to the extent that, (1) such untrue statements or omissions are based solely upon information regarding such Holder furnished in writing to the Company by such Holder expressly for use therein, or to the extent that such information relates to such Holder or such Holder's proposed method of distribution of Registrable Securities and was reviewed and expressly approved in writing by such Holder expressly for use in the Registration Statement (it being understood that the Holder has approved Annex A hereto for this purpose), such Prospectus or such form of Prospectus or in any amendment or supplement thereto or (2) in the case of an occurrence of an event of the type specified in Section 3(c)(ii)-(v), the use by such Holder of an outdated or defective Prospectus after the Company has notified such Holder in writing that the Prospectus is outdated or defective and prior to the receipt by such Holder of an Advice or an amended or supplemented Prospectus, but only if and to the extent that following the receipt of the Advice or the amended or supplemented Prospectus the misstatement or omission giving rise to such Loss would have been corrected. In no event shall the liability of any selling Holder hereunder be greater in amount than the dollar amount of the net proceeds received by such Holder upon the sale of the Registrable Securities giving rise to such indemnification obligation.

(c) Conduct of Indemnification Proceedings. If any Proceeding shall be brought or asserted against any Person entitled to indemnity hereunder (an **"Indemnified Party"**), such Indemnified Party shall promptly notify the Person from whom indemnity is sought (the **"Indemnifying Party"**) in writing, and the Indemnifying Party shall assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of all fees and expenses incurred in connection with defense thereof; provided, that the failure of any Indemnified Party to give such notice shall not relieve the Indemnifying Party of its obligations or liabilities pursuant to this Agreement, except (and only) to the extent that it shall be finally determined by a court of competent jurisdiction (which determination is not subject to appeal or further review) that such failure shall have proximately and materially adversely prejudiced the Indemnifying Party.

An Indemnified Party shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or Parties unless: (1) the Indemnifying Party has agreed in writing to pay such fees and expenses; (2) the Indemnifying Party shall have failed promptly to assume the defense of such Proceeding and to employ counsel reasonably satisfactory to such Indemnified Party in any such Proceeding; or (3) the named parties to any such Proceeding (including any impleaded parties) include both such Indemnified Party and the Indemnifying Party, and such Indemnified Party shall have been advised by counsel that a conflict of interest is likely to exist if the same counsel were to represent such Indemnified Party and the Indemnifying Party (in which case, if such Indemnified Party notifies the Indemnifying Party in writing that it elects to employ separate counsel at the expense of the Indemnifying Party, the Indemnifying Party shall not have the right to assume the defense thereof and such counsel shall be at the expense of the Indemnifying Party). The Indemnifying Party shall not be liable for any settlement of any such Proceeding effected without its written consent, which consent shall not be unreasonably withheld. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending Proceeding in respect of which any Indemnified Party is a party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such Proceeding.

All fees and expenses of the Indemnified Party (including reasonable fees and expenses to the extent incurred in connection with investigating or preparing to defend such Proceeding in a manner not inconsistent with this Section) shall be paid to the Indemnified Party, as incurred, within ten Trading Days of written notice thereof to the Indemnifying Party (regardless of whether it is ultimately determined that an Indemnified Party is not entitled to indemnification hereunder; provided, that the Indemnifying Party may require such Indemnified Party to undertake to reimburse all such fees and expenses to the extent it is finally judicially determined that such Indemnified Party is not entitled to indemnification hereunder).

(d) Contribution. If a claim for indemnification under Section 5(a) or 5(b) is unavailable to an Indemnified Party (by reason of public policy or otherwise), then each Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such Losses, in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and Indemnified Party in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission of a material fact, has been taken or made by, or relates to information supplied by, such Indemnifying Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include, subject to the limitations set forth in Section 5(c), any reasonable attorneys' or other reasonable fees or expenses incurred by such party in connection with any Proceeding to the extent such party would have been indemnified for such fees or expenses if the indemnification provided for in this Section was available to such party in accordance with its terms.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 5(d) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provisions of this Section 5(d), no Holder shall be required to contribute, in the aggregate, any amount in excess of the amount by which the net proceeds actually received by such Holder from the sale of the Registrable Securities subject to the Proceeding exceeds the amount of any damages that such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

The indemnity and contribution agreements contained in this Section are in addition to any liability that the Indemnifying Parties may have to the Indemnified Parties and are not in diminution or limitation of the indemnification provisions under the Purchase Agreement.

6. Miscellaneous.

(a) Remedies. In the event of a breach by the Company or by a Holder, of any of their obligations under this Agreement, each Holder or the Company, as the case may be, in addition to being entitled to exercise all rights granted by law and under this Agreement, including recovery of damages, will be entitled to specific performance of its rights under this Agreement. The Company and each Holder agree that monetary damages would not provide adequate compensation for any losses incurred by reason of a breach by it of any of the provisions of this Agreement and hereby further agrees that, in the event of any action for specific performance in respect of such breach, it shall waive the defense that a remedy at law would be adequate.

(b) Compliance. Each Holder covenants and agrees that it will comply with the prospectus delivery requirements of the Securities Act as applicable to it in connection with sales of Registrable Securities pursuant to the Registration Statement.

(c) Discontinued Disposition. Each Holder agrees by its acquisition of such Registrable Securities that, upon receipt of a notice from the Company of the occurrence of any event of the kind described in Section 3(c), such Holder will forthwith discontinue disposition of such Registrable Securities under the Registration Statement until such Holder's receipt of the copies of the supplemented Prospectus and/or amended Registration Statement or until it is advised in writing (the **"Advice"**) by the Company that the use of the applicable Prospectus may be resumed, and, in either case, has received copies of any additional or supplemental filings that are incorporated or deemed to be incorporated by reference in such Prospectus or Registration Statement. The Company may provide appropriate stop orders to enforce the provisions of this paragraph.

(d) Piggy-Back Registrations. If at any time during the Effectiveness Period there is not an effective Registration Statement covering all of the Registrable Securities and the Company shall determine to prepare and file with the Commission a registration statement relating to an offering for its own account or the account of others under the Securities Act of any of its equity securities, other than on Form S-4 or Form S-8 (each as promulgated under the Securities Act) or their then equivalents relating to equity securities to be issued solely in connection with any acquisition of any entity or business or equity securities issuable in connection with stock option or other employee benefit plans, then the Company shall send to each Holder written notice of such determination and, if within fifteen days after receipt of such notice, any such Holder shall so request in writing, the Company shall include in such registration statement all or any part of such Registrable Securities such holder requests to be registered, subject to customary underwriter cutbacks applicable to all holders of registration rights.

(e) Amendments and Waivers. The provisions of this Agreement, including the provisions of this Section 6(e), may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the same shall be in writing and signed by the Company and the Holders of no less than a majority in interest of the then outstanding Registrable Securities. Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of certain Holders and that does not directly or indirectly affect the rights of other Holders may be given by Holders of at least a majority of the Registrable Securities to which such waiver or consent relates.

(f) Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of (a) the date of transmission, if such notice or communication is delivered via facsimile (provided the sender receives a machine-generated confirmation of successful transmission) at the facsimile number specified in this Section prior to 6:30 p.m. (New York City time) on a Trading Day, (b) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in this Section on a day that is not a Trading Day or later than 6:30 p.m. (New York City time) on any Trading Day, (c) the Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service, or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as follows:

If to the Company:
Genius Products, Inc.
3301 Exposition Blvd., Suite 100
Santa Monica, CA 90404
Facsimile: (310) 401-2865
Attention: Chief Executive Officer

With a copy to:
Reed Smith LLP
355 Grand Avenue, Suite 2900
Los Angeles, CA 90071

Attention: Allen Z. Sussman, Esq.

If to a Investor: To the address set forth under such Holder's name on the signature pages hereto.

If to any other Person who is then the registered Holder:

To the address of such Holder as it appears in the stock transfer books of the Company

or such other address as may be designated in writing hereafter, in the same manner, by such Person.

(g) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties and shall inure to the benefit of each Holder. The Company may not assign its rights or obligations hereunder without the prior written consent of each Holder. Each Holder may assign their respective rights hereunder in the manner and to the Persons as permitted under the Purchase Agreement.

(h) Execution and Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and, all of which taken together shall constitute one and the same Agreement. In the event that any signature is delivered by facsimile transmission, such signature shall create a valid binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such facsimile signature were the original thereof.

(i) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all Proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement (whether brought against a party hereto or its respective Affiliates, employees or agents) will be commenced in the New York Courts. Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any Proceeding, any claim that it is not personally subject to the jurisdiction of any New York Court, or that such Proceeding has been commenced in an improper or inconvenient forum. Each party hereto hereby irrevocably waives personal service of process and consents to process being served in any such Proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any Proceeding arising out of or relating to this Agreement or the transactions contemplated hereby. If either party shall commence a Proceeding to enforce any provisions of this Agreement, then the prevailing party in such Proceeding shall be reimbursed by the other party for its attorney's fees and other costs and expenses incurred with the investigation, preparation and prosecution of such Proceeding.

(j) Cumulative Remedies. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

(k) Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(l) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(m) Independent Nature of Investors' Obligations and Rights. The obligations of each Investor under this Agreement are several and not joint with the obligations of each other Investor, and no Investor shall be responsible in any way for the performance of the obligations of any other Investor under this Agreement. Nothing contained herein or in any Transaction Document, and no action taken by any Investor pursuant thereto, shall be deemed to constitute the Investors as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Investors are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by this Agreement or any other Transaction Document. Each Investor acknowledges that no other Investor will be acting as agent of such Investor in enforcing its rights under this Agreement. Each Investor shall be entitled to independently protect and enforce its rights, including without limitation the rights arising out of this Agreement, and it shall not be necessary for any other Investor to be joined as an additional party in any Proceeding for such purpose. The Company acknowledges that each of the Investors has been provided with the same Registration Rights Agreement for the purpose of closing a transaction with multiple Investors and not because it was required or requested to do so by any Investor.

(n) Rights of Holders. Each Holder shall have the absolute right to exercise or refrain from exercising any right or rights which such Holder may have by reason of this Agreement or any Registrable Security, including, without limitation, the right to consent to the waiver of any obligation of the Company under this Agreement and to enter into an agreement with the Company for the purpose of modifying this Agreement or any agreement effecting any such modification, and such Holder shall not incur any liability to any other Holder with respect to exercising or refraining from exercising any such right or rights.

(o) Rule 144. To the extent that the Company is subject to the filing and reporting requirements of the Securities Act and the Exchange Act, and so long as there are Registrable Securities outstanding, the Company will file the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the Commission thereunder, make and keep public information available, as those terms are understood and defined in Rule 144 under the Securities Act, and will take such further action as any Holder may reasonably request, all to the extent required from time to time to enable such Holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (i) Rule 144 under the Securities Act, as such Rule may be amended from time to time, or (ii) any similar rule or regulation hereafter adopted by the Commission. Upon the request of any Holder, the Company will deliver to such Holder a written statement as to whether it has complied with such information and requirements and with a copy of the most recent annual or quarterly report of the Company, and such other reports and documents of the Company as a Holder may reasonably request in availing itself of any rule or regulation of the Commission allowing a Holder to sell any such securities without registration.

(p) Enforcement Costs. In the event of any dispute hereunder proceeding to litigation, the prevailing party shall be entitled to recover from the other party, all costs and expenses incurred, including attorneys' fees.

(q) Subsequent Closings. One or more Investors may become party to this agreement after the Closing Date and have all of the rights and obligations hereunder by executing a signature page hereto; provided, however, that the ascension of additional Investors to this Agreement shall not alter the definition of Closing Date.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK
SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties have executed this Registration Rights Agreement as of the date first written above.

GENIUS PRODUCTS, INC.

By: ___/s/ Trevor Drinkwater_____
Name: Trevor Drinkwater
Title: Chief Executive Officer

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK
SIGNATURE PAGES OF INVESTORS TO FOLLOW]

IN WITNESS WHEREOF, the parties have executed this Registration Rights Agreement as of the date first written above.

By: /s/ George Bolton

Name: George Bolton

Title: _____

ADDRESS FOR NOTICE

c/o: _____

Street: 2440 Pacific Ave

City/State/Zip: San Francisco, CA 94115

Attention: George Bolton

Tel: _____

Fax: _____

Email: _____

IN WITNESS WHEREOF, the parties have executed this Registration Rights Agreement as of the date first written above.

J. CAIRD INVESTORS (BERMUDA), L.P.
By: Wellington Management Company, LLP, as investment adviser

By: /s/ Steven M. Hoffman

Name: Steven M. Hoffman

Title: Vice President & Counsel

ADDRESS FOR NOTICE

c/o: Wellington Management Company, LLP

Street: 75 State Street

City/State/Zip: Boston MA, 02109

Attention: Legal Services – Steven M. Hoffman

Tel: (617) 790-7429

Fax: (617) 289-5699

Email: seclaw@wellington.com

IN WITNESS WHEREOF, the parties have executed this Registration Rights Agreement as of the date first written above.

J. CAIRD PARTNERS, L.P.
By: Wellington Management Company, LLP, as investment adviser

By: /s/ Steven M. Hoffman

Name: Steven M. Hoffman

Title: Vice President & Counsel

ADDRESS FOR NOTICE

c/o: Wellington Management Company, LLP

Street: 75 State Street

City/State/Zip: Boston MA, 02109

Attention: Legal Services – Steven M. Hoffman

Tel: (617) 790-7429

Fax: (617) 289-5699

Email: seclaw@wellington.com

IN WITNESS WHEREOF, the parties have executed this Registration Rights Agreement as of the date first written above.

JANUS INVESTMENT FUND
On Behalf of its Participating Series

By: /s/ William Bales

Name: William Bales

Title: Portfolio Manager

ADDRESS FOR NOTICE

c/o: Janus Capital Management LLC

Street: 151 Detroit Street

City/State/Zip: Denver, CO 80206

Attention: Angela Morton

Tel: (303) 336-4358

Fax: (303) 316-5728

Email: angela.morton@janus.com

Annex A

Plan of Distribution

The Selling Stockholders and any of their pledgees, donees, transferees, assignees and successors-in-interest may, from time to time, sell any or all of their shares of Common Stock on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. The Selling Stockholders may use any one or more of the following methods when selling shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits Investors;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- an underwritten offering;
- privately negotiated transactions;
- to cover short sales made after the date that this Registration Statement is declared effective by the Commission;
- broker-dealers may agree with the Selling Stockholders to sell a specified number of such shares at a stipulated price per share;
- a combination of any such methods of sale; and
- any other method permitted pursuant to applicable law.

The Selling Stockholders may also sell shares under Rule 144 under the Securities Act, if available, rather than under this prospectus.

Broker-dealers engaged by the Selling Stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the Selling Stockholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated. The Selling Stockholders do not expect these commissions and discounts to exceed what is customary in the types of transactions involved.

The Selling Stockholders may from time to time pledge or grant a security interest in some or all of the shares owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell shares of Common Stock from time to time under this prospectus, or under an amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act of 1933 amending the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus.

Upon the Company being notified in writing by a Selling Stockholder that any material arrangement has been entered into with a broker-dealer for the sale of Common Stock through a block trade, special offering, exchange distribution or secondary distribution or a purchase by a broker or dealer, a supplement to this prospectus will be filed, if required, pursuant to Rule 424(b) under the Securities Act, disclosing (i) the name of each such Selling Stockholder and of the participating broker-dealer(s), (ii) the number of shares involved, (iii) the price at which such the shares of Common Stock were sold, (iv)the commissions paid or discounts or concessions allowed to such broker-dealer(s), where applicable, (v) that such broker-dealer(s) did not conduct any investigation to verify the information set out or incorporated by reference in this prospectus, and (vi) other facts material to the transaction. In addition, upon the Company being notified in writing by a Selling Stockholder that a donee or pledgee intends to sell more than 500 shares of Common Stock, a supplement to this prospectus will be filed if then required in accordance with applicable securities law.

The Selling Stockholders also may transfer the shares of Common Stock in other circumstances, in which case the transferees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus.

The Selling Stockholders and any broker-dealers or agents that are involved in selling the shares may be deemed to be "underwriters" within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Discounts, concessions, commissions and similar selling expenses, if any, that can be attributed to the sale of Securities will be paid by the Selling Stockholder and/or the purchasers. Each Selling Stockholder has represented and warranted to the Company that it acquired the securities subject to this registration statement in the ordinary course of such Selling Stockholder's business and, at the time of its purchase of such securities such Selling Stockholder had no agreements or understandings, directly or indirectly, with any person to distribute any such securities.

The Company has advised each Selling Stockholder that it may not use shares registered on this Registration Statement to cover short sales of Common Stock made prior to the date on which this Registration Statement shall have been declared effective by the Commission. If a Selling Stockholder uses this prospectus for any sale of the Common Stock, it will be subject to the prospectus delivery requirements of the Securities Act. The Selling Stockholders will be responsible to comply with the applicable provisions of the Securities Act and Exchange Act, and the rules and regulations thereunder promulgated, including, without limitation, Regulation M, as applicable to such Selling Stockholders in connection with resales of their respective shares under this Registration Statement.

The Company is required to pay all fees and expenses incident to the registration of the shares, but the Company will not receive any proceeds from the sale of the Common Stock. The Company has agreed to indemnify the Selling Stockholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

EXHIBIT 10.2

Annex B

GENIUS PRODUCTS, INC.

Selling Securityholder Notice and Questionnaire

The undersigned beneficial owner of common stock (the **"Common Stock"**), of **GENIUS PRODUCTS, INC.** (the **"Company"**) understands that the Company has filed or intends to file with the Securities and Exchange Commission (the **"Commission"**) a Registration Statement for the registration and resale of the Registrable Securities, in accordance with the terms of the Registration Rights Agreement, dated as of February 17, 2009 (the **"Registration Rights Agreement"**), among the Company and the Investors named therein. A copy of the Registration Rights Agreement is available from the Company upon request at the address set forth below. All capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Registration Rights Agreement.

The undersigned hereby provides the following information to the Company and represents and warrants that such information is accurate:

QUESTIONNAIRE

1. Name.

(a) Full Legal Name of Selling Securityholder

_____

(b) Full Legal Name of Registered Holder (if not the same as (a) above) through which Registrable Securities Listed in Item 3 below are held:

_____

(c) Full Legal Name of Natural Control Person (which means a natural person who directly or indirectly alone or with others has power to vote or dispose of the securities covered by the questionnaire):

_____

2. Address for Notices to Selling Securityholder:

_____

_____

_____

Telephone: _____
Fax:_____
Contact Person:_____

3. Beneficial Ownership of Registrable Securities:

Type and Principal Amount of Registrable Securities beneficially owned:

_____

_____

_____

4. Broker-Dealer Status:

(a) Are you a broker-dealer?

Yes ☐ No ☐

Note: If yes, the Commission's staff has indicated that you should be identified as an underwriter in the Registration Statement.

(b) Are you an affiliate of a broker-dealer?

Yes ☐ No ☐

(c) If you are an affiliate of a broker-dealer, do you certify that you bought the Registrable Securities in the ordinary course of business, and at the time of the purchase of the Registrable Securities to be resold, you had no agreements or understandings, directly or indirectly, with any person to distribute the Registrable Securities?

Yes ☐ No ☐

Note: If no, the Commission's staff has indicated that you should be identified as an underwriter in the Registration Statement.

5. Beneficial Ownership of Other Securities of the Company Owned by the Selling Securityholder.

Except as set forth below in this Item 5, the undersigned is not the beneficial or registered owner of any securities of the Company other than the Registrable Securities listed above in Item 3.

Type and Amount of Other Securities beneficially owned by the Selling Securityholder:

_____

_____

6. Relationships with the Company:

Except as set forth below, neither the undersigned nor any of its affiliates, officers, directors or principal equity holders (owners of 5% of more of the equity securities of the undersigned) has held any position or office or has had any other material relationship with the Company (or its predecessors or affiliates) during the past three years.

State any exceptions here:

_____

_____

The undersigned agrees to promptly notify the Company of any inaccuracies or changes in the information provided herein that may occur subsequent to the date hereof and prior to the Effective Date for the Registration Statement.

By signing below, the undersigned consents to the disclosure of the information contained herein in its answers to Items 1 through 6 and the inclusion of such information in the Registration Statement and the related prospectus. The undersigned understands that such information will be relied upon by the Company in connection with the preparation or amendment of the Registration Statement and the related prospectus.

IN WITNESS WHEREOF the undersigned, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by its duly authorized agent.

Beneficial Owner: _____

Dated: _____

By: _____
Name:
Title:

PLEASE FAX A COPY OF THE COMPLETED AND EXECUTED NOTICE AND QUESTIONNAIRE, AND RETURN THE ORIGINAL BY OVERNIGHT MAIL, TO:

Reed Smith LLP
355 South Grand Ave., Suite 2900
Los Angeles, CA 90071
Attention: Allen Z. Sussman, Esq.
Facsimile: (213) 457-8080

NEITHER THESE SECURITIES NOR THE SECURITIES ISSUABLE UPON EXERCISE OF THESE SECURITIES HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THESE SECURITIES AND THE SECURITIES ISSUABLE UPON EXERCISE OF THESE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT SECURED BY SUCH SECURITIES.

GENIUS PRODUCTS, INC.

COMMON STOCK WARRANT

Warrant No. N-___ Original Issue Date: February 17, 2009

GENIUS PRODUCTS, INC., a Delaware corporation (the **"Company"**), hereby certifies that, for value received, _____ or his registered assigns (the **"Holder"**) is entitled to purchase from the Company up to a total of _____ shares of Common Stock (each such share, a **"Warrant Share"** and all such shares, the **"Warrant Shares"**) for the price of $0.0001 per share, at any time and from time to time from and after the earlier of (i) the Authorized Shares Date and (ii) the consummation of a Fundamental Transaction and through and including February 17, 2014 (the **"Expiration Date"**), and subject to the terms and conditions set forth below. This Warrant is one of several warrants aggregating up to 1,984,587,356 Warrant Shares (the **"Total Warrant Shares"**) issuable pursuant to the Purchase Agreement (as defined below).

1. Definitions. As used in this Warrant, the following terms shall have the respective definitions set forth in this Section 1. Capitalized terms that are used and not defined in this Warrant that are defined in the Purchase Agreement shall have the respective definitions set forth in the Purchase Agreement.

"Authorized Shares Date" shall have the meaning set forth in Section 4(b).

"Business Day" means any day except Saturday, Sunday and any day that is a federal legal holiday in the United States or a day on which banking institutions in the State of New York are authorized or required by law or other government action to close.

"Common Stock" means the common stock of the Company, par value $0.0001 per share, and any securities into which such common stock may hereafter be reclassified.

"Exercise Price" means $0.0001, subject to adjustment in accordance with Section 9.

"Fundamental Transaction" means any of the following: (1) the Company effects any merger or consolidation of the Company with or into another Person, (2) the Company effects any sale of all or substantially all of its assets in one or a series of related transactions, (3) any tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to tender or exchange their shares for other securities, cash or property, (4) the Company effects any reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, or (5) any liquidation, dissolution or winding up of the Company.

"New York Courts" means the state and federal courts sitting in the City of New York, Borough of Manhattan.

"Purchase Agreement" means that certain Note and Warrant Purchase Agreement, dated as of February 17, 2009, to which the Company and the original Holder are parties.

"Trading Day" means (i) a day on which the Common Stock is traded on a Trading Market (other than the OTC Bulletin Board), or (ii) if the Common Stock is not listed on a Trading Market (other than the OTC Bulletin Board), a day on which the Common Stock is traded in the over-the-counter market, as reported by the OTC Bulletin Board, or (iii) if the Common Stock is not quoted on any Trading Market, a day on which the Common Stock is quoted in the over-the-counter market as reported by the Pink Sheets, LLC (or any similar organization or agency succeeding to its functions of reporting prices); provided, that in the event that the Common Stock is not listed or quoted as set forth in (i), (ii) and (iii) hereof, then Trading Day shall mean a Business Day.

2. Registration of Warrant. The Company shall register this Warrant upon records to be maintained by the Company for that purpose (the **"Warrant Register"**), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

3. Registration of Transfers. The Company shall register the transfer of any portion of this Warrant in the Warrant Register, upon surrender of this Warrant, with the Form of Assignment attached hereto duly completed and signed, to the Company at its address specified herein. Upon any such registration or transfer, a new Warrant to purchase Common Stock, in substantially the form of this Warrant (any such new Warrant, a **"New Warrant"**), evidencing the portion of this Warrant so transferred shall be issued to the transferee and a New Warrant evidencing the remaining portion of this Warrant not so transferred, if any, shall be issued to the transferring Holder. The acceptance of the New Warrant by the transferee thereof shall be deemed the acceptance by such transferee of all of the rights and obligations of a holder of a Warrant.

4. Exercise and Duration of Warrants.

(a) Exercise Procedures. This Warrant shall be exercisable by the registered Holder at any time and from time to time on or after the earlier of (i) the Authorized Shares Date and (ii) the consummation of a Fundamental Transaction through and including the Expiration Date. At 6:30 p.m., New York City time on the Expiration Date, the portion of this Warrant not exercised prior thereto shall be and become void and of no value. The Company may not call or redeem any portion of this Warrant without the prior written consent of the affected Holder. Notwithstanding anything to the contrary herein, if the Authorized Shares Date has not occurred by June 30, 2009, then the Expiration Date shall be extended for each day thereafter that the Authorized Shares Date has not occurred.

(b) Mandatory Exercise. At the earliest time that the Company has a sufficient number of authorized and unreserved shares of Common Stock to permit (A) the exercise of all (and not less than all) of the Total Warrant Shares and (B) the conversion of all (and not less than all) outstanding shares of the Company's Series A Interim Convertible Preferred Stock into Common Stock in accordance with its terms (the "**Authorized Shares Date**"), the Company shall provide at least ten (10) days' prior written notice of such event (including the notice contemplated under Section 9(e) to the extent there is an adjustment to the Exercise Price and/or the number of Warrant Shares), and upon the expiration of the period set forth therein, all of the Warrant Shares shall be deemed exercised for the maximum number of shares of Common Stock for which this Warrant is exercisable pursuant to the cashless exercise provisions of Section 10(b) hereof. If the Holder desires to exercise this Warrant for cash, the Holder may so notify the Company prior to the expiration of the period set forth in such written notice, and the Holder may then exercise this Warrant for cash on or prior to the expiration of such period.

(c) Put Right. If the Authorized Shares Date has not occurred by June 30, 2009, then the Holder will have the right, at any time and from time to time prior to the Authorized Shares Date, to require the Company to purchase all or any portion of this Warrant for a purchase price, payable in cash within five (5) Business Days after such request, equal to the Black Scholes value of the portion of this Warrant to be so purchased on the date of such request (calculated by the Company using (i) an expected volatility equal to the lesser of 100% and the 100 day volatility obtained from the HVT function on Bloomberg Financial Markets as of the trading day immediately preceding such date (provided that if such information is not available on Bloomberg, actual volatility will be as mutually agreed-upon by the Company and holders of a majority in interest of the Warrants being purchased) and (ii) a time to expiration equal to the lesser of 260 days and the actual number of days until expiration of this Warrant).

5. Delivery of Warrant Shares.

(a) To effect exercises hereunder, the Holder shall not be required to physically surrender this Warrant unless the aggregate Warrant Shares represented by this Warrant is being exercised. Upon delivery of the Exercise Notice (in the form attached hereto) to the Company (with the attached Warrant Shares Exercise Log) at its address for notice set forth herein and upon payment of the Exercise Price multiplied by the number of Warrant Shares that the Holder intends to purchase hereunder, the Company shall promptly (but in no event later than three Trading Days after the Date of Exercise (as defined herein)) issue and deliver to the Holder, a certificate for the Warrant Shares issuable upon such exercise, which, unless otherwise required by the Purchase Agreement, shall be free of restrictive legends. The Company shall, upon request of the Holder and subsequent to the date on which a registration statement covering the resale of the Warrant Shares has been declared effective by the Securities and Exchange Commission, use its reasonable best efforts to deliver Warrant Shares hereunder electronically through the Depository Trust Corporation or another established clearing corporation performing similar functions, if available, provided, that, the Company may, but will not be required to change its transfer agent if its current transfer agent cannot deliver Warrant Shares electronically through the Depository Trust Corporation. A "**Date of Exercise**" means the date on which the Holder shall have delivered to the Company: (i) the Exercise Notice (with the Warrant Exercise Log attached to it), appropriately completed and duly signed and (ii) if such Holder is not utilizing the cashless exercise provisions set forth in this Warrant, payment of the Exercise Price for the number of Warrant Shares so indicated by the Holder to be purchased.

(b) If by the third Trading Day after a Date of Exercise the Company fails to deliver the required number of Warrant Shares in the manner required pursuant to Section 5(a), then the Holder will have the right to rescind such exercise.

(c) In addition to any other right available to the Holder, if by the third Trading Day after a Date of Exercise the Company fails to deliver the required number of Warrant Shares in the manner required pursuant to Section 5(a), and if after such third Trading Day and prior to the receipt of such Warrant Shares, the Holder purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Warrant Shares which the Holder anticipated receiving upon such exercise (a "**Buy-In**"), then the Company shall, within three Trading Days after the Holder's request and in the Holder's discretion, either (1) pay in cash to the Holder an amount equal to the Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased (the "**Buy-In Price**"), at which point the Company's obligation to deliver such certificate (and to issue such Common Stock) shall terminate, or (2) promptly honor its obligation to deliver to the Holder a certificate or certificates representing such Common Stock and pay cash to the Holder in an amount by which (x) the Buy-In Price exceeds (y) the amount obtained by multiplying (A) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue by (B) the closing bid price of the Common Stock on the Date of Exercise. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In.

(d) The Company's obligations to issue and deliver Warrant Shares in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder or any other Person of any obligation to the Company or any violation or alleged violation of law by the Holder or any other Person, and irrespective of any other circumstance which might otherwise limit such obligation of the Company to the Holder in connection with the issuance of Warrant Shares. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing Warrant Shares upon exercise of the Warrant as required pursuant to the terms hereof.

6. Charges, Taxes and Expenses. Issuance and delivery of Warrant Shares upon exercise of this Warrant shall be made without charge to the Holder for any issue or transfer tax, withholding tax, transfer agent fee or other incidental tax or expense in respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the Company; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the registration of any certificates for Warrant Shares or Warrants in a name other than that of the Holder. The Holder shall be responsible for all other tax liability that may arise as a result of holding or transferring this Warrant or receiving Warrant Shares upon exercise hereof.

7. Replacement of Warrant. If this Warrant is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation hereof, or in lieu of and substitution for this Warrant, a New Warrant, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction and customary and reasonable indemnity (which shall not include a surety bond), if requested. Applicants for a New Warrant under such circumstances shall also comply with such other reasonable regulations and procedures and pay such other reasonable third-party costs as the Company may prescribe. If a New Warrant is requested as a result of a mutilation of this Warrant, then the Holder shall deliver such mutilated Warrant to the Company as a condition precedent to the Company's obligation to issue the New Warrant.

8. Reservation of Warrant Shares. The Company covenants that it will at all times reserve and keep available out of the aggregate of its authorized but unissued and otherwise unreserved Common Stock, solely for the purpose of enabling it to issue Warrant Shares upon exercise of this Warrant as herein provided, the number of Warrant Shares which are then issuable and deliverable upon the exercise of this entire Warrant, free from preemptive rights or any other contingent purchase rights of Persons other than the Holder (taking into account the adjustments and restrictions of Section 9). The Company covenants that all Warrant Shares so issuable and deliverable shall, upon issuance and the payment of the applicable Exercise Price in accordance with the terms hereof, be duly and validly authorized, issued and fully paid and nonassessable.

9. Certain Adjustments. The Exercise Price and number of Warrant Shares issuable upon exercise of this Warrant are subject to adjustment from time to time as set forth in this Section 9.

(a) Stock Dividends and Splits. If the Company, at any time while this Warrant is outstanding, (i) pays a stock dividend on its Common Stock or otherwise makes a distribution on any class of capital stock that is payable in shares of Common Stock, (ii) subdivides outstanding shares of Common Stock into a larger number of shares, or (iii) combines outstanding shares of Common Stock into a smaller number of shares, then in each such case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to clause (i) of this paragraph shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution, and any adjustment pursuant to clause (ii) or (iii) of this paragraph shall become effective immediately after the effective date of such subdivision or combination.

(b) Rights Upon Distribution of Assets. If the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "Distribution"), at any time after the issuance of this Warrant, then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (assuming, for this purpose, that this Warrant is exercisable in full regardless of whether the Authorized Shares Date has occurred at such time) immediately before the date on which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the participation in such Distribution.

(c) Adjustments for Certain Issuances. For so long as this Warrant shall remain outstanding, if the Company shall, at any time and from time to time:

(i) Issue Additional Shares of Common Stock to the Company's directors, officers, employees or consultants pursuant to an employee benefit plan or similar arrangement (which shall in any event exclude shares issued to such individuals as a dividend or distribution or stock split or combination in which all holders of Common Stock participate) (the "**Management Retention Shares**"), then and in such event, the aggregate number of Warrant Shares issuable upon exercise of this Warrant shall be increased to a number of Warrant Shares equal to the product of (i) the quotient of the aggregate number of Warrant Shares issuable upon exercise of this Warrant immediately prior to the issue of Additional Shares of Common Stock divided by the aggregate number of issued and outstanding shares of Common Stock immediately prior to the issue of Additional Shares of Common Stock and (ii) the sum of the aggregate number of issued and outstanding shares of Common Stock immediately prior to the issue of Additional Shares of Common Stock and the aggregate number of Management Retention Shares issued as of the date of such calculation. For purposes of this Subsection 9(c)(i), "Additional Shares of Common Stock" shall mean all shares of Common Stock issued or issuable by the Company pursuant to (i) restricted stock grants, (ii) the exercise of rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock, or (iii) the conversion or exchange of equity securities of the Company, but shall exclude the options to purchase or grants of restricted stock in the amount of 1,014,136,410 shares of Common Stock contemplated by Section 4.7 (and Schedule 4.7) of the Purchase Agreement.

(ii) Issue additional warrants covering warrant shares that are part of the Total Warrant Shares (which shall in any event exclude shares issued to individuals as a dividend or distribution or stock split or combination in which all holders of Common Stock participate) then and in such event, the aggregate number of Warrant Shares issuable upon exercise of this Warrant shall be increased to a number of Warrant Shares equal to the product of (i) the quotient of the aggregate number of Warrant Shares issuable upon exercise of this Warrant immediately prior to the issue of such additional warrants divided by the aggregate number of issued and outstanding shares of Common Stock immediately prior to the issue of such additional warrants and (ii) the sum of the aggregate number of issued and outstanding shares of Common Stock immediately prior to the issue of such additional warrants and the aggregate number of warrant shares underlying such additional warrants.

(d) Fundamental Transactions. If, at any time while this Warrant is outstanding there is a Fundamental Transaction, then the Holder shall have the right thereafter to receive, upon exercise of this Warrant, the same amount and kind of securities, cash or property as it would have been entitled to receive upon the occurrence of such Fundamental Transaction if it had been, immediately prior to such Fundamental Transaction, the holder of the number of Warrant Shares then issuable upon exercise in full of this Warrant (assuming, for this purpose, that this Warrant is exercisable in full regardless of whether the Authorized Shares Date has occurred at such time) (the **"Alternate Consideration"**). For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. At the Holder's option and request, any successor to the Company or surviving entity (including, without limitation, the Company) in such Fundamental Transaction shall, either (1) issue to the Holder a new warrant substantially in the form of this Warrant and consistent with the foregoing provisions and evidencing the Holder's right to purchase the Alternate Consideration for the aggregate Exercise Price upon exercise thereof, or (2) purchase the Warrant from the Holder for a purchase price, payable in cash within five Trading Days after such request (or, if later, on the effective date of the Fundamental Transaction), equal to the Black Scholes value of the remaining unexercised portion of this Warrant on the date of such request (calculated by the Company using (i) an expected volatility equal to the lesser of 100% and the 100 day volatility obtained from the HVT function on Bloomberg Financial Markets as of the trading day immediately preceding such date (provided that if such information is not available on Bloomberg, actual volatility will be as mutually agreed-upon by the Company and holders of a majority in interest of the Warrants being purchased) and (ii) a time to expiration equal to the lesser of 260 days and the actual number of days until expiration of this Warrant). The terms of any agreement pursuant to which a Fundamental Transaction is effected shall include terms requiring any such successor or surviving entity to comply with the provisions of this paragraph (d) and insuring that the Warrant (or any such replacement security) will be similarly adjusted upon any subsequent transaction analogous to a Fundamental Transaction.

(e) Number of Warrant Shares. Simultaneously with any adjustment to the Exercise Price pursuant to this Section 9, the number of Warrant Shares that may be purchased upon exercise of this Warrant shall be increased or decreased proportionately, so that after such adjustment the aggregate Exercise Price payable hereunder for the adjusted number of Warrant Shares shall be the same as the aggregate Exercise Price in effect immediately prior to such adjustment.

(f) Calculations. All calculations under this Section 9 shall be made to the nearest cent or the nearest share, as applicable, except for calculations of Exercise Price per share, which shall be made without any rounding. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Common Stock.

(g) Notice of Adjustments. Upon the occurrence of each adjustment pursuant to this Section 9, the Company at its expense will promptly compute such adjustment in accordance with the terms of this Warrant and prepare a certificate setting forth such adjustment, including a statement of the adjusted Exercise Price and adjusted number or type of Warrant Shares or other securities issuable upon exercise of this Warrant (as applicable), describing the transactions giving rise to such adjustments and showing in detail the facts upon which such adjustment is based. Upon written request, the Company will promptly deliver a copy of each such certificate to the Holder and to the Company's Transfer Agent.

(h) Notice of Corporate Events. If the Company (i) declares a dividend or any other distribution of cash, securities or other property in respect of its Common Stock, including without limitation any granting of rights or warrants to subscribe for or purchase any capital stock of the Company or any Subsidiary, (ii) authorizes or approves, enters into any agreement contemplating or solicits stockholder approval for any Fundamental Transaction or (iii) authorizes the voluntary dissolution, liquidation or winding up of the affairs of the Company, then the Company shall deliver to the Holder a notice describing the material terms and conditions of such transaction (but only to the extent such disclosure would not result in the dissemination of material, non-public information to the Holder) at least 10 calendar days prior to the applicable record or effective date on which a Person would need to hold Common Stock in order to participate in or vote with respect to such transaction, and the Company will take all steps reasonably necessary in order to insure that the Holder is given the practical opportunity to exercise this Warrant prior to such time so as to participate in or vote with respect to such transaction; provided, however, that the failure to deliver such notice or any defect therein shall not affect the validity of the corporate action required to be described in such notice.

10. Payment of Exercise Price. The Holder may pay the Exercise Price in one of the following manners:

(a) Cash Exercise. The Holder may deliver immediately available funds; or

(b) Cashless Exercise. The Holder may notify the Company in an Exercise Notice of its election to utilize cashless exercise, in which event the Company shall issue to the Holder the number of Warrant Shares determined as follows:

$$X = Y [(A-B)/A]$$

where:

X = the number of Warrant Shares to be issued to the Holder.

Y = the number of Warrant Shares with respect to which this Warrant is being exercised.

A = the closing price (or average of the closing bid and asked if there is no closing price) for the Trading Day immediately prior to (but not including) the Exercise Date.

B = the Exercise Price.

For purposes of Rule 144 promulgated under the Securities Act, it is intended, understood and acknowledged that the Warrant Shares issued in a cashless exercise transaction shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have commenced, on the date this Warrant was originally issued.

11. No Fractional Shares. No fractional shares of Warrant Shares will be issued in connection with any exercise of this Warrant. In lieu of any fractional shares which would, otherwise be issuable, the Company shall pay cash equal to the product of such fraction multiplied by the closing price of one Warrant Share as reported by the applicable Trading Market on the date of exercise.

12. Notices. Any and all notices or other communications or deliveries hereunder (including, without limitation, any Exercise Notice) shall be in writing and shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in this Section prior to 6:30 p.m. (New York City time) on a Trading Day, (ii) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in this Section on a day that is not a Trading Day or later than 6:30 p.m. (New York City time) on any Trading Day, (iii) the Trading Day following the date of mailing, if sent by nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given. The addresses for such communications shall be: (i) if to the Company, to Genius Products, Inc., 3301 Exposition Blvd., Suite 100, Santa Monica, CA 90404, Attention: Chief Executive Officer, or to facsimile no.: (310) 401-2865 (or such other address as the Company shall indicate in writing in accordance with this Section), or (ii) if to the Holder, to the address or facsimile number appearing on the Warrant Register or such other address or facsimile number as the Holder may provide to the Company in accordance with this Section.

13. Warrant Agent. The Company shall serve as warrant agent under this Warrant. Upon 10 days' notice to the Holder, the Company may appoint a new warrant agent. Any corporation into which the Company or any new warrant agent may be merged or any corporation resulting from any consolidation to which the Company or any new warrant agent shall be a party or any corporation to which the Company or any new warrant agent transfers substantially all of its corporate trust or shareholders services business shall be a successor warrant agent under this Warrant without any further act. Any such successor warrant agent shall promptly cause notice of its succession as warrant agent to be mailed (by first class mail, postage prepaid) to the Holder at the Holder's last address as shown on the Warrant Register.

14. Miscellaneous.

(a) This Warrant shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns. Subject to the preceding sentence, nothing in this Warrant shall be construed to give to any Person other than the Company and the Holder any legal or equitable right, remedy or cause of action under this Warrant. This Warrant may be amended only in writing signed by the Company and the Holder and their successors and assigns.

(b) All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be governed by and construed and enforced in accordance with the internal laws of the State of New York (except for matters governed by corporate law in the State of Delaware), without regard to the principles of conflicts of law thereof. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of this Warrant and the transactions herein contemplated (**"Proceedings"**) (whether brought against a party hereto or its respective Affiliates, employees or agents) shall be commenced exclusively in the New York Courts. Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any Proceeding, any claim that it is not personally subject to the jurisdiction of any New York Court, or that such Proceeding has been commenced in an improper or inconvenient forum. Each party hereto hereby irrevocably waives personal service of process and consents to process being served in any such Proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Warrant and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Warrant or the transactions contemplated hereby. If either party shall commence a Proceeding to enforce any provisions of this Warrant, then the prevailing party in such Proceeding shall be reimbursed by the other party for its attorney's fees and other costs and expenses incurred with the investigation, preparation and prosecution of such Proceeding.

(c) The headings herein are for convenience only, do not constitute a part of this Warrant and shall not be deemed to limit or affect any of the provisions hereof.

(d) In case any one or more of the provisions of this Warrant shall be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Warrant shall not in any way be affected or impaired thereby and the parties will attempt in good faith to agree upon a valid and enforceable provision which shall be a commercially reasonable substitute therefor, and upon so agreeing, shall incorporate such substitute provision in this Warrant.

(e) Prior to exercise of this Warrant, the Holder hereof shall not, by reason of being a Holder, be entitled to any rights of a stockholder with respect to the Warrant Shares.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK,
SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by its authorized officer as of the date first indicated above.

GENIUS PRODUCTS, INC.

By: /s/ Trevor Drinkwater
Name: Trevor Drinkwater
Title: Chief Executive Officer

EXERCISE NOTICE
GENIUS PRODUCTS, INC.
WARRANT DATED FEBRUARY 17, 2009

The undersigned Holder hereby irrevocably elects to purchase _____ shares of Common Stock pursuant to the above referenced Warrant. Capitalized terms used herein and not otherwise defined have the respective meanings set forth in the Warrant.

(1) The undersigned Holder hereby exercises its right to purchase _____ Warrant Shares pursuant to the Warrant.

(2) The Holder intends that payment of the Exercise Price shall be made as (check one):

____ "Cash Exercise" under Section 10

____ "Cashless Exercise" under Section 10

(3) If the holder has elected a Cash Exercise, the holder shall pay the sum of $_____ to the Company in accordance with the terms of the Warrant.

(4) Pursuant to this Exercise Notice, the Company shall deliver to the holder _____ Warrant Shares in accordance with the terms of the Warrant.

Dated:_____, ____

Name of Holder:

(Print) _____

By: _____
Name:_____
Title: _____

(Signature must conform in all respects to name of holder as specified on the face of the Warrant)

Warrant Shares Exercise Log

Date	Number of Warrant Shares Available to be Exercised	Number of Warrant Shares Exercised	Number of Warrant Shares Remaining to be Exercised

GENIUS PRODUCTS, INC.
WARRANT ORIGINALLY ISSUED FEBRUARY 17, 2009
WARRANT NO. 1

FORM OF ASSIGNMENT

[To be completed and signed only upon transfer of Warrant]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the right represented by the above-captioned Warrant to purchase _____ shares of Common Stock to which such Warrant relates and appoints _____ attorney to transfer said right on the books of the Company with full power of substitution in the premises.

Dated: _____, ____

_____
(Signature must conform in all respects to name of holder as specified on the face of the Warrant)

_____
Address of Transferee

_____

_____

In the presence of:

_____

EXHIBIT 99.1

GENIUS PRODUCTS, INC. PROVIDES UPDATE ON CORPORATE RESTRUCTURING AND RELATED TRANSACTIONS

SANTA MONICA, Calif—February 23, 2009 — Genius Products, Inc. (GNPI.PK) today provided an update as to the progress of its corporate restructuring and related transactions that commenced with the acquisition by GNPR Investments, LLC ("GNPR"),, an affiliate of Quadrant Management Inc., of a 60% ownership interest in Genius Products, LLC (the "Distributor") from affiliates of The Weinstein Company ("TWC"), as announced on January 7, 2009.

Genius Products, Inc. (the "Company") began a series of corporate restructuring activities on December 31, 2008. Outlined below is an update of the corporate restructuring and related transactions that have occurred since that date. Additional details of these activities can be found in the Current Report on Form 8-K filed by the Company on February 23, 2009. These recent restructuring activities include the following transactions and events:

- The Distributor and TWC agreed to restructure all financial obligations owing to TWC by the Distributor through September 30, 2008;
- The Distributor and TWC entered into an amended and restated Distribution Agreement that provides the Distributor with more favorable economics and retains the strong relationship with TWC. The Distributor continues to be the exclusive U.S. home video distributor for feature film and direct-to-video releases owned or controlled by TWC. The TWC Distribution Agreement will remain in place through December 31, 2010, with a mutual option to extend the agreement to December 31, 2011;
- GNPR and affiliates of TWC exchanged with the Company their Class W Units of the Distributor for new shares of Series A Interim Convertible Preferred Stock of the Company, entitling them to convert shares of Preferred Stock into 60% and 10%, respectively, of the Company. As a result, GNPR and affiliates of TWC became direct owners of the Company and, effective as of January 15, 2009, the Distributor became a wholly-owned subsidiary of the Company;
- The Distributor entered into an amendment to its line of credit agreement with Société Générale under which the bank consented to the above-mentioned restructuring transactions and amended certain other terms of the credit agreement;
- On February 17, 2009, the Distributor issued new subordinated notes (the "Investor Notes") and the Company issued warrants (the "Investor Warrants") to certain institutional investors (the "Investors") pursuant to a Note and Warrant Purchase Agreement (the "Purchase Agreement"). Under the Purchase Agreement, (a) the Distributor issued Investor Notes with an aggregate principal balance of $5 million and (b) the Company issued Investor Warrants to purchase an aggregate of up to 1,109,073,910 shares of common stock at an exercise price of $0.0001 per share. Pursuant to the Purchase Agreement, the Company and the Distributor may engage in subsequent closings and issue an aggregate of up to $9.5 million in Investor Notes and Investor Warrants to purchase an aggregate of up to 1,984,587,356 shares of common stock. Further details of the Investor Notes are set forth below:

- The Investor Notes are due and payable on December 31, 2010 and accrue interest at a rate of 5% per annum as of February 17, 2009. At the Distributor's option and provided that the expiration date of the amended Distribution Agreement with TWC is extended to no earlier than December 31, 2011, the maturity date of the Investor Notes may be extended at the Company's option to December 31, 2011, in which case the Investor Notes will accrue interest at a rate of 10% per annum for such extension period.
- Repayment of all amounts under the Investor Notes is subordinated to amounts owed by the Distributor to Société Générale.
- The Investor Warrants are mandatorily exercisable at the time that the Company has sufficient authorized common stock to allow for the exercise of all Investor Warrants and the conversion of all shares of Series A Preferred Stock, which is expected to occur upon completion of the reverse stock split discussed below.
- The Company agreed to register for resale the shares of Common Stock issuable upon exercise of the Investor Warrants on a registration statement to be filed within forty-five (45) days after the closing of the Note and Warrant Purchase Agreement; provided, that, if the Company takes material steps towards terminating the registration of its common stock under the Securities Exchange Act of 1934 by May 30, 2009, the obligation to file the registration statement will be delayed for one year.

- The Company's capitalization on a fully-diluted basis as a result of the restructuring and other transactions described in this press release is as follows:

	Fully Diluted Shares (Assuming $5 Million in Investor Notes)	Fully Diluted Shares (Assuming $9.5 Million in Investor Notes)
GNPR Investments	2,704,363,760	2,704,363,760
Investor Notes	929,034,589	1,984,587,356
TWC	676,090,940	676,090,940
Public Shareholders	67,609,094	67,609,094
Management Pool	1,014,136,410	1,014,136,410
Société Générale	45,072,729	45,072,729
TOTAL	5,436,307,522	6,491,860,289

Above table omits approximately 39.2 million shares subject to issuance under options and warrants that are substantially out of the money.

- The Company secured three year employment commitments from Trevor Drinkwater, CEO; Matthew Smith, President; and Mitch Budin, EVP and General Manager, through new employment contracts. The Board of Directors also approved a pool of 1,014,136,410 new shares of common stock which will be issuable to directors and executive management of the Company and the Distributor pursuant to stock options and restricted stock grants;

- The Board of Directors appointed, effective February 27, 2009, Alan Quasha, Bruce Bunner and John Hecker as directors of the Company to fill three vacancies on the Board resulting from the resignation of Richard Koenigsberg, Larry Madden and Irwin Reiter in connection with the restructuring transaction with TWC. Effective upon his appointment to the Board, Mr. Quasha will become Chairman of the Board and a member of the Board's Audit Committee, Compensation Committee and Nominating Committee. Messrs. Bunner and Hecker will become members of the Audit Committee, Compensation Committee and Nominating Committee;

- Stephen K. Bannon and Trevor Drinkwater will continue to serve as members of the Board and Herbert Hardt will continue to serve as an independent director. Mr. Bannon has been designated Vice Chairman of the Board;

- The Board of Directors has approved, and the Company's stockholders have consented to, a reverse stock split of the Company's common stock based on an exchange ratio of 1-for-500. The Board retains the discretion to implement the Reverse Split until January 20, 2010, and the split is expected to occur immediately following compliance by the Company with all applicable disclosure requirements under SEC rules;

- The Company continues to work towards filing amendments to its periodic reports to restate the Company's financial statements for fiscal 2007, the first and second quarters of 2007 and the third quarter of 2008. These filings are expected to be made by early March 2009.

About Genius Products

Genius Products, Inc. (Pink Sheets:GNPI), is the parent company and 100% owner of Genius Products, LLC, a leading independent home-entertainment distribution company that produces, licenses and distributes a valuable library of motion pictures, television programming, family, lifestyle and trend entertainment on DVD and other emerging platforms through its expansive network of retailers throughout the U.S. Genius handles the distribution, marketing and sales for such brands as Animal Planet, Asia Extreme(TM), Discovery Kids, Dragon Dynasty(TM), Dimension Films(TM), ESPN®, RHI Entertainment(TM), Sesame Workshop®, TLC, The Weinstein Company® and WWE®.

About Quadrant Management, Inc.

Quadrant Management, Inc. is a principal alternative investment management firm focused on US and emerging markets. Quadrant, along with its affiliates, have in excess of $3.0 billion in assets under management and a thirty year investment track record, much of it based upon restructuring companies.

Safe Harbor Statement

Except for historical matters contained herein, the matters discussed in this press release are forward-looking statements. The forward-looking statements reflect assumptions and involve risks and uncertainties that may affect Genius Products' business, forecasts, projections and prospects, and cause actual results to differ materially from those in these forward-looking statements. These forward-looking statements may include, but are not limited to, statements regarding our anticipated restructuring activities and the success thereof. Actual results could vary for many reasons, including but not limited to, our ability to acquire and keep valuable content, the unpredictability of audience demand, the success of The Weinstein Company titles at the box office and the popularity of our titles on DVD, our ability to perform under the terms of our agreement with our content providers, our ability to comply with the terms of our credit facility with Société Générale, our ability to continue to attract and keep experienced management, the effect of technological change, the availability of alternative forms of entertainment and our ability to maximize our operating leverage. Other such risks and uncertainties include the matters described in Genius Products' filings with the Securities and Exchange Commission. Genius Products assumes no obligation to update any forward-looking statements to reflect events or circumstances after the date of this press release.

Contact:
GNPI—Investor Relations
John Mills or Anne Rakunas, 310-954-1100