

Cinedigm Corp.  
Form 10-Q  
February 14, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal period ended: December 31, 2013

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from --- to ---

Commission File Number: 000-31810

\_\_\_\_\_  
Cinedigm Corp.  
(Exact name of registrant as specified in its charter)

\_\_\_\_\_  
Delaware  
(State or Other Jurisdiction of Incorporation or  
Organization)

22-3720962  
(I.R.S. Employer Identification No.)

902 Broadway, 9th Floor New York, NY  
(Address of principal executive offices)  
(212) 206-8600

10010  
(Zip Code)

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

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

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

As of February 10, 2014, 64,565,196 shares of Class A Common Stock, \$0.001 par value were outstanding.

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CINEDIGM CORP.  
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## PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

## CINEDIGM CORP.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except for share and per share data)

	December 31, 2013 (Unaudited)	March 31, 2013
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 18,863	\$ 13,448
Accounts receivable, net	70,341	29,384
Deferred costs, current portion	1,878	1,238
Unbilled revenue, current portion	5,987	7,432
Prepaid and other current assets	12,230	6,091
Note receivable, current portion	333	331
Assets of discontinued operations, net of liabilities	1,876	2,279
Total current assets	111,508	60,203
Restricted cash	6,751	6,751
Security deposits	218	218
Property and equipment, net	144,291	170,088
Intangible assets, net	35,284	12,799
Goodwill	8,542	8,542
Deferred costs, net of current portion	7,931	7,396
Accounts receivable, long-term	1,451	1,225
Note receivable, net of current portion	102	130
Investment in non-consolidated entity, net	—	1,812
Assets of discontinued operations, net of current portion	6,164	12,295
Total assets	\$ 322,242	\$ 281,459

See accompanying notes to Unaudited Condensed Consolidated Financial Statements

CINEDIGM CORP.  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (In thousands, except for share and per share data)  
 (continued)

	December 31, 2013	March 31, 2013
	(Unaudited)	
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 63,755	\$ 39,777
Current portion of notes payable, non-recourse	34,095	34,447
Current portion of notes payable	18,275	—
Current portion of capital leases	590	132
Current portion of deferred revenue	3,463	1,844
Current portion of contingent consideration for business combination	—	1,500
Total current liabilities	120,178	77,700
Notes payable, non-recourse, net of current portion	173,797	203,462
Notes payable, net of current portion	24,553	—
Capital leases, net of current portion	5,632	4,386
Interest rate derivatives	—	544
Deferred revenue, net of current portion	12,829	10,931
Contingent consideration, net of current portion	1,906	1,750
Total liabilities	338,895	298,773
Commitments and contingencies (see Note 7)		
Stockholders' Deficit		
Preferred stock, 15,000,000 shares authorized; Series A 10% - \$0.001 par value per share; 20 shares authorized; 7 shares issued and outstanding at December 31, 2013 and March 31, 2013, respectively. Liquidation preference of \$3,636	3,547	3,466
Class A common stock, \$0.001 par value per share; 118,759,000 shares authorized; 64,501,920 and 48,448,137 shares issued and 64,450,480 and 48,396,697 shares outstanding at December 31, 2013 and March 31, 2013, respectively	64	48
Class B common stock, \$0.001 par value per share; 1,241,000 shares authorized and issued, 0 shares outstanding at December 31, 2013 and March 31, 2013	—	—
Additional paid-in capital	245,178	221,810
Treasury stock, at cost; 51,440 Class A shares	(172	) (172
Accumulated deficit	(265,270	) (242,466
Total stockholders' deficit	(16,653	) (17,314
Total liabilities and stockholders' deficit	\$ 322,242	\$ 281,459

See accompanying notes to Unaudited Condensed Consolidated Financial Statements



## CINEDIGM CORP.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except for share and per share data)

(Unaudited)

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2013	2012	2013	2012 (As adjusted - See Note 1)
Revenues	\$ 34,885	\$ 21,779	\$ 72,664	\$ 61,448
Costs and expenses:				
Direct operating (exclusive of depreciation and amortization shown below)	11,013	2,119	19,558	5,595
Selling, general and administrative	6,949	5,435	17,243	16,247
Provision for doubtful accounts	33	72	227	226
Merger and acquisition expenses	2,779	—	2,779	1,267
Restructuring and transition expenses	1,142	—	1,142	340
Depreciation and amortization of property and equipment	9,444	9,120	27,901	27,264
Amortization of intangible assets	1,228	732	2,055	1,100
Total operating expenses	32,588	17,478	70,905	52,039
Income from operations	2,297	4,301	1,759	9,409
Interest expense, net	(5,051)	(6,690)	(14,507)	(21,426)
Income (loss) on investment in non-consolidated entity	—	678	(1,812)	1,340
Other income, net	23	102	269	494
Change in fair value of interest rate derivatives	38	349	796	1,025
Loss from continuing operations before benefit from income taxes	(2,693)	(1,260)	(13,495)	(9,158)
Benefit from income taxes	—	—	—	5,019
Loss from continuing operations	(2,693)	(1,260)	(13,495)	(4,139)
Loss from discontinued operations	(7,689)	(524)	(9,042)	(389)
Net loss	(10,382)	(1,784)	(22,537)	(4,528)
Preferred stock dividends	(89)	(89)	(267)	(267)
Net loss attributable to common stockholders	\$(10,471)	\$(1,873)	\$(22,804)	\$(4,795)
Net loss per Class A and Class B common share attributable to common shareholders - basic and diluted:				
Loss from continuing operations	\$(0.05)	\$(0.03)	\$(0.25)	\$(0.09)
Loss from discontinued operations	(0.12)	(0.01)	(0.17)	(0.01)
	\$(0.17)	\$(0.04)	\$(0.42)	\$(0.10)
Weighted average number of Class A and Class B common shares outstanding: Basic and diluted	61,729,658	48,320,257	54,357,320	47,254,337

See accompanying notes to Unaudited Condensed Consolidated Financial Statements

CINEDIGM CORP.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (In thousands)  
 (Unaudited)

	For the Nine Months Ended December 31,	
	2013	2012 (As Adjusted - See Note 1)
Cash flows from operating activities		
Net loss	\$(22,537	) \$(4,528
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization of property and equipment and amortization of intangible assets	30,209	28,492
Impairment related to the discontinued operations	7,226	—
Amortization of capitalized software costs	942	829
Amortization of debt issuance costs	933	1,671
Provision for doubtful accounts	227	226
Stock-based compensation and expenses	2,070	1,832
Change in fair value of contingent consideration for business combination	(1,500	) —
Change in fair value of interest rate derivatives	(796	) (1,025
Accretion and PIK interest expense added to note payable	1,700	7,303
Loss (income) on investment in non-consolidated entity	1,812	(1,340
Benefit from deferred income taxes	—	(5,019
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(17,988	) (6,096
Unbilled revenue	3,613	(464
Prepaid expenses and other current assets	9,283	(5,138
Other assets	(2,494	) 331
Accounts payable and accrued expenses	8,008	6,630
Deferred revenue	2,924	577
Other liabilities	(15	) (290
Net cash provided by operating activities	23,617	23,991
Cash flows from investing activities:		
Purchase of New Video Group, Inc., net of cash acquired of \$6,873	—	(3,127
Purchase of GVE	(47,500	) —
Purchases of property and equipment	(914	) (4,354
Purchases of intangible assets	(4	) (29
Additions to capitalized software costs	(1,745	) (2,323
Sales/maturities of restricted available-for-sale investments	—	9,477
Net cash used in investing activities	(50,163	) (356
Cash flows from financing activities:		
Repayment of notes payable	(31,644	) (37,383
Proceeds from notes payable	45,000	3,469
Principal payments on capital leases	(182	) (132



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Proceeds from issuance of Class A common stock	20,521	11,002	
Costs associated with issuance of Class A common stock	(1,734	) (1,113	)
Net cash from (used in) financing activities	31,961	(24,157	)
Net change in cash and cash equivalents	5,415	(522	)
Cash and cash equivalents at beginning of period	13,448	17,843	
Cash and cash equivalents at end of period	\$18,863	\$17,321	

See accompanying notes to Unaudited Condensed Consolidated Financial Statements

CINEDIGM CORP.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013

(\$ in thousands, except for share and per share data)

(Unaudited)

1. NATURE OF OPERATIONS

Cinedigm Corp. (formerly known as Cinedigm Digital Cinema Corp.) was incorporated in Delaware on March 31, 2000 ("Cinedigm", and collectively with its subsidiaries, the "Company"). Cinedigm is a leading distributor of independent movie, television and other short form content across all theatrical and home entertainment platforms as well as a leading servicer of digital cinema assets in over 12,000 movie screens in both North America and several international countries.

The Company reports its financial results in four primary segments as follows: (1) the first digital cinema deployment ("Phase I Deployment"), (2) the second digital cinema deployment ("Phase II Deployment"), (3) digital cinema services ("Services") and (4) media content and entertainment ("Content & Entertainment"). The Phase I Deployment and Phase II Deployment segments are the non-recourse, financing vehicles and administrators for the Company's digital cinema equipment (the "Systems") installed in movie theatres nationwide. The Services segment provides services and support to approximately 12,000 movie screens in the Phase I Deployment and Phase II Deployment segments as well as directly to exhibitors and other third party customers. Included in these services are Systems management services for a specified fee via service agreements with Phase I Deployment and Phase II Deployment as well as third party exhibitors as buyers of their own digital cinema equipment. These services primarily facilitate the conversion from analog to digital cinema and have positioned the Company at what it believes to be the forefront of a rapidly developing industry relating to the distribution and management of digital cinema and other content to theatres and other remote venues worldwide. The Content & Entertainment segment provides content marketing and distribution services in both theatrical and ancillary home entertainment markets to independent movie, television and other short form content owners and to theatrical exhibitors. As a leading distributor of independent content, the Company collaborates with producers and the exhibition community to market, source, curate and distribute quality content to targeted and profitable audiences through (i) theatrical releases, (ii) existing and emerging digital home entertainment platforms, including iTunes, Amazon Prime, Netflix, Xbox, Playstation, and cable video-on-demand ("VOD") and (iii) physical goods, including DVD and Blu-ray.

Gaiam Acquisition

On October 17, 2013, the Company and Cinedigm Entertainment Holdings, LLC ("CEG"), a newly-formed, wholly-owned subsidiary of the Company, entered into a Membership Interest Purchase Agreement with Gaiam Americas, Inc. and Gaiam, Inc. (together, "GVE") for the purchase by CEG of GVE's division that maintains exclusive distribution rights agreements with large independent studios/content providers, and distributes entertainment content through home video, digital and television distribution channels (the "GVE Acquisition"). The Company agreed to an aggregate purchase price of \$51,500, subject to a working capital adjustment, with (i) \$47,500 payable in cash and 666,978 shares of Class A Common Stock valued at \$1,000, subject to certain transfer restrictions, in each case upon the closing of the GVE Acquisition, and (ii) \$3,000 payable in cash on a deferred basis. The GVE Acquisition was consummated on October 21, 2013 and as of that date, GVE became part of the Company's Content & Entertainment segment.

Merger and acquisition expenses during the three months ended December 31, 2013 of \$2,779 consist primarily of professional fees and internal expenses directly related to the GVE Acquisition of \$2,294 and \$485, respectively. The results of operations of GVE have been included in the accompanying condensed consolidated statements of operations from the date of the acquisition of October 21, 2013 within the Company's Content & Entertainment segment and have been fully integrated with the financial results and operations for the three and nine months of the

Company's Content & Entertainment segment. The total amount of revenues and net income of GVE since the acquisition date that have been included in the condensed consolidated statements of operations during the three months ended December 31, 2013 was approximately \$10,911 and \$2,878, respectively.

The purchase price has been preliminarily allocated to the identifiable net assets acquired as of the date of acquisition as follows:

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Accounts receivable	\$24,389	
Advances	11,630	
Other assets	4,009	
Intangible assets subject to amortization	24,536	
Total assets acquired	64,564	
Total liabilities assumed	(13,064	)
Total net assets acquired	\$51,500	

Intangible assets subject to amortization represents the preliminary purchase price allocation to the content library. The Company estimates the preliminary useful life to be 5 years.

The fair values assigned to intangible assets were determined through the application of various commonly used and accepted valuation procedures and methods, including the multi-period excess earnings method. These valuation methods rely on management judgment, including expected future cash flows resulting from existing customer relationships, customer attrition rates, contributory effects of other assets utilized in the business, peer group cost of capital and royalty rates, and other factors. The valuation of tangible assets was preliminarily determined to approximate book value at the time of the GVE Acquisition. Useful lives for intangible assets were determined based upon the remaining useful economic lives of the intangible assets that are expected to contribute directly or indirectly to future cash flows.

#### Pro forma Information Related To the Acquisition of GVE

The following unaudited consolidated pro forma summary information for the three and nine months ended December 31, 2013 has been prepared by adjusting the historical data as set forth in the accompanying condensed consolidated statements of operations for the three and nine months ended December 31, 2013 to give effect to the GVE Acquisition as if it had occurred at April 1, 2012.

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2013	2012	2013	2012
Revenue	\$34,885	\$39,156	\$93,250	\$99,955
Operating income	\$2,297	\$8,580	\$2,548	\$17,785
Net (loss) income	\$(10,382	) \$2,293	\$(22,055	) \$3,499

#### Sale of Software

During the three months ended December 31, 2013, the Company made the strategic decision to discontinue, exit its software business and execute a plan of sale for Hollywood Software, Inc. d/b/a Cinedigm Software ("Software"), the Company's direct, wholly-owned subsidiary. Management concluded that it would be in the best interests of shareholders for the Company's focus to be toward theatrical releasing and aggregation and distribution of independent content, digitally and in the form of DVDs and Blu-Ray discs, along with the growth and servicing of the existing digital cinema business. Further, management believed that Software, which was previously included in our Services segment, no longer yielded the same synergies across the Company's businesses as once existed.

As a consequence, it was determined that Software met the criteria for classification as discontinued operations. As such, Software has been adjusted to reflect the lower of cost or market value and the consolidated financial statements and the notes to consolidated financial statements presented herein have been recast solely to reflect, for all periods presented, the adjustments resulting from these changes in classification for discontinued operations.

#### Purchase of New Video Group

On April 19, 2012, the Company entered into a stock purchase agreement for the purchase of all of the issued and outstanding capital stock of New Video Group, Inc. ("New Video"). Upon concluding the purchase price allocation for the purchase of New Video ("New Video Acquisition") in the fourth quarter of the fiscal year ended March 31, 2013, a measurement period adjustment was made to establish a deferred tax liability with a corresponding increase in goodwill at the acquisition date. As a result of this adjustment and the assessment of its consolidated tax filing status, the Company determined it was appropriate to release a portion of its deferred tax valuation allowance established

prior to the New Video Acquisition. The release of the deferred tax valuation

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allowance was recorded outside of acquisition accounting in accordance with the accounting guidance. Accordingly, the previously reported condensed consolidated statement of operations for the nine months ended December 31, 2012 has been revised as follows:

	As Previously Reported <sup>1</sup>	As Adjusted <sup>1</sup>	Change
Condensed consolidated statement of operations			
Loss from continuing operations before benefit from income taxes	\$ (9,273	) \$ (9,158	) \$ 115
Benefit from income taxes	—	5,019	5,019
Loss from continuing operations	(9,273	) (4,139	) 5,134
Net loss	(9,547	) (4,528	) 5,019
Net loss attributable to common stockholders	(9,814	) (4,795	) 5,019
Net loss per Class A and Class B common share attributable to common shareholders - basic and diluted:			
Loss from continuing operations	\$(0.20	) \$(0.09	) \$0.11
Loss from discontinued operations	(0.01	) (0.01	) —
	\$(0.21	) \$(0.10	) \$0.11

<sup>1</sup> As previously disclosed, the Company has adjusted previously reported amounts to reflect Software as discontinued operations.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF PRESENTATION AND CONSOLIDATION

The Company has incurred net losses historically and has an accumulated deficit of \$265,270 as of December 31, 2013. The Company also has significant contractual obligations related to its recourse and non-recourse debt for the fiscal year ending March 31, 2014 and beyond. The Company may continue to generate net losses for the foreseeable future. Based on the Company's cash position at December 31, 2013, and expected cash flows from operations, management believes that the Company has the ability to meet its obligations through at least December 31, 2014. Failure to generate additional revenues, raise additional capital or manage discretionary spending could have an adverse effect on the Company's financial position, results of operations or liquidity.

The Company's condensed consolidated financial statements include the accounts of Cinedigm, Access Digital Media, Inc. ("AccessDM"), FiberSat Global Services, Inc. d/b/a Cinedigm Satellite and Support Services ("Satellite"), ADM Cinema Corporation ("ADM Cinema") d/b/a the Pavilion Theatre (certain assets and liabilities of which were sold in May 2011), Christie/AIX, Inc. ("C/AIX") d/b/a Cinedigm Digital Cinema ("Phase 1 DC"), Vistachiara Productions, Inc. f/k/a The Bigger Picture, currently d/b/a Cinedigm Content and Entertainment Group, Cinedigm Entertainment Corp. f/k/a New Video Group, Inc. ("New Video"), CEG, Access Digital Cinema Phase 2 Corp. ("Phase 2 DC"), Cinedigm Digital Cinema Australia Pty Ltd, Access Digital Cinema Phase 2 B/AIX Corp. ("Phase 2 B/AIX"), Cinedigm Digital Funding I, LLC ("CDF I") and Cinedigm DC Holdings LLC ("DC Holdings LLC"). Cinedigm Content and Entertainment Group and New Video are together referred to as CEG. Software, along with AccessDM and Satellite (together referred to as DMS (the majority of which was sold in November, 2011 and remaining assets of which were sold in May 2012)) are part of discontinued operations. All intercompany transactions and balances have been eliminated in consolidation.

The condensed consolidated balance sheet as of March 31, 2013, which has been derived from audited financial statements, and

the unaudited interim condensed consolidated financial statements were prepared following the interim reporting requirements of the Securities and Exchange Commission ("SEC"). They do not include all disclosures normally made in financial statements contained in the Form 10-K. In management's opinion, all adjustments necessary for a fair presentation of financial position, the results of operations and cash flows in accordance with accounting principles generally accepted in the United States of America ("GAAP") for the periods presented have been made. The results of operations for the respective interim periods are not necessarily indicative of the results to be expected for the full year. The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2013 filed with the SEC on June 20, 2013 (the "Form 10-K").

#### INVESTMENT IN NON-CONSOLIDATED ENTITY

The Company indirectly owns 100% of the common equity of CDF2 Holdings, LLC ("Holdings"), which is a Variable Interest Entity ("VIE"), as defined in Accounting Standards Codification Topic 810 ("ASC 810"), "Consolidation". The Company has determined that it is not the primary beneficiary of Holdings in accordance with ASC 810, and it accounts for its investment in Holdings under the equity method of accounting. The Company's net investment in Holdings is reflected as "Investment in non-consolidated entity, net" in the accompanying condensed consolidated balance sheets. See Note 4 for further discussion.

#### RECLASSIFICATION

Certain reclassifications, principally for Software's movement to discontinued operations and income taxes, have been made to the fiscal period ended December 31, 2012 consolidated financial statements to conform to the current fiscal period ended December 31, 2013 presentation.

#### USE OF ESTIMATES

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Such estimates include the adequacy of accounts receivable reserves, assessment of goodwill and intangible asset impairment and valuation reserve for income taxes, among others. Actual results could differ from these estimates.

#### CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments with an original maturity of three months or less to be "cash equivalents." The Company maintains bank accounts with major banks, which from time to time may exceed the Federal Deposit Insurance Corporation's insured limits. The Company periodically assesses the financial condition of the institutions and believes that the risk of any loss is minimal.

#### ACCOUNTS RECEIVABLE

The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. Reserves are recorded primarily on a specific identification basis. Allowance for doubtful accounts amounted to \$833 and \$681 as of December 31, 2013 and March 31, 2013, respectively.

Accounts receivable, long-term result from up-front activation fees earned from the Company's Systems deployments with extended payment terms that are discounted to their present value at prevailing market rates.

#### RESTRICTED CASH

In connection with the 2013 Term Loans issued in February 2013 and the 2013 Prospect Loan Agreement issued in February 2013 (collectively, see Note 5), the Company maintains cash restricted for repaying interest on the respective loans as follows:

	As of December 31, 2013	As of March 31, 2013
Reserve account related to the 2013 Term Loans (See Note 5)	\$ 5,751	\$ 5,751
	1,000	1,000



Reserve account related to the 2013 Prospect Loan Agreement  
(See Note 5)

\$6,751

\$6,751

DEFERRED COSTS

Deferred costs primarily consist of unamortized debt issuance costs related to the 2013 Term Loans, 2013 Prospect Loan and Cinedigm Credit Agreement (see Note 5) which are amortized under the effective interest rate method over the terms of the respective debt. All other unamortized debt issuance costs are amortized on a straight-line basis over the term of the respective debt. For such debt, amortization on a straight-line basis is not materially different from the effective interest method.

## PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation expense is recorded using the straight-line method over the estimated useful lives of the respective assets as follows:

Computer equipment and software	3 - 5 years
Digital cinema projection systems	10 years
Machinery and equipment	3 - 10 years
Furniture and fixtures	3 - 6 years

Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the leasehold improvements. Maintenance and repair costs are charged to expense as incurred. Major renewals, improvements and additions are capitalized. Upon the sale or other disposition of any property and equipment, the cost and related accumulated depreciation and amortization are removed from the accounts and the gain or loss on disposal is included in the condensed consolidated statements of operations.

## ACCOUNTING FOR DERIVATIVE ACTIVITIES

Derivative financial instruments are recorded at fair value. The Company had three separate interest rate swap agreements (the "Interest Rate Swaps") to limit the Company's exposure to changes in interest rates related to the 2013 Term Loans which matured in June 2013. Additionally, the Company entered into two separate interest rate cap transactions during the fiscal year ended March 31, 2013 to limit the Company's exposure to interest rates related to the 2013 Term Loans and 2013 Prospect Loan. Changes in fair value of derivative financial instruments are either recognized in accumulated other comprehensive loss (a component of stockholders' deficit) or in the condensed consolidated statements of operations depending on whether the derivative qualifies for hedge accounting. The Company has not sought hedge accounting treatment for these instruments and therefore, changes in the value of its Interest Rate Swaps and caps were recorded in the condensed consolidated statements of operations (See Note 5).

## FAIR VALUE MEASUREMENTS

The fair value measurement disclosures are grouped into three levels based on valuation factors:

Level 1 – quoted prices in active markets for identical investments

Level 2 – other significant observable inputs (including quoted prices for similar investments and market corroborated inputs)

Level 3 – significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments)

Assets and liabilities measured at fair value on a recurring basis use the market approach, where prices and other relevant information are generated by market transactions involving identical or comparable assets or liabilities.

The following tables summarize the levels of fair value measurements of the Company's financial assets and liabilities:

	As of December 31, 2013			Total
	Level 1	Level 2	Level 3	
Restricted cash	\$6,751	\$—	\$—	\$6,751
Interest rate derivatives	—	935	—	935
Contingent consideration	—	—	(1,906)	(1,906)
	\$6,751	\$935	\$(1,906)	\$5,780



	As of March 31, 2013			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 1,004	\$ —	\$ —	\$ 1,004
Restricted cash	6,751	—	—	6,751
Interest rate derivatives	—	(544	) —	(544 )
Contingent consideration	—	—	(3,250	) (3,250 )
	\$ 7,755	\$ (544	) \$(3,250	) \$ 3,961

Contingent consideration is a liability to the sellers of New Video based upon its business unit financial performance target in each of the fiscal years ending March 31, 2014 and 2015. The estimates of the fair value of the contingent consideration arrangement was estimated by using the current forecast of New Video adjusted EBITDA, as defined by the New Video stock purchase agreement. That measure is based on significant inputs that are not observable in the market, which are considered Level 3 inputs.

The following change in contingent consideration liabilities during the nine months ended December 31, 2013 were as follows:

Balance at March 31, 2013	\$ 3,250	
Change in fair value	(1,500	)
Accretion of contingent liability	156	
Balance at December 31, 2013	\$ 1,906	

Key assumptions include a discount rate of 7% and that New Video will achieve 100% of its business unit financial performance target in each of the two fiscal years described above, resulting in a payment of 75% of the maximum contingent consideration amount. During the three months ended September 30, 2013, the Company determined that the business unit would not meet the target for the fiscal year ending March 31, 2014 as defined in the New Video stock purchase agreement. Accordingly, the fair value of the liability was reduced by \$1,500 and is a reduction of selling, general and administrative expenses within the condensed consolidated statements of operations for the nine months ended December 31, 2013. As of December 31, 2013, the remaining amount of contingent consideration arrangement, the range of outcomes and the assumptions used to develop the estimate had not changed for the fiscal year ending March 31, 2015.

The Company's cash and cash equivalents, accounts receivable, unbilled revenue and accounts payable and accrued expenses are financial instruments and are recorded at cost in the condensed consolidated balance sheets. The estimated fair values of these financial instruments approximate their carrying amounts because of their short-term nature. The carrying amount of accounts receivable, long-term and notes receivable approximates fair value based on the discounted cash flows of that instrument using current assumptions at the balance sheet date. The fair value of fixed rate and variable rate debt is estimated by management based upon current interest rates available to the Company at the respective balance sheet date for arrangements with similar terms and conditions. Based on borrowing rates currently available to the Company for loans with similar terms, the carrying value of notes payable and capital lease obligations approximates fair value.

#### IMPAIRMENT OF LONG-LIVED AND FINITE-LIVED ASSETS

The Company reviews the recoverability of its long-lived assets and finite-lived intangible assets, when events or conditions occur that indicate a possible impairment exists. The assessment for recoverability is based primarily on the Company's ability to recover the carrying value of its long-lived and finite-lived assets from expected future undiscounted net cash flows. If the total of expected future undiscounted net cash flows is less than the total carrying value of the assets the asset is deemed not to be recoverable and possibly impaired. The Company then estimates the fair value of the asset to determine whether an impairment loss should be recognized. An impairment loss will be

recognized if the difference between the fair value and the carrying value of the asset exceeds its fair value. Fair value is determined by computing the expected future undiscounted cash flows. During the three and nine months ended December 31, 2013 and 2012, no impairment charge from continuing operations for long-lived assets or finite-lived assets was recorded.

#### GOODWILL AND INDEFINITE-LIVED INTANGIBLE ASSETS

Goodwill is the excess of the purchase price paid over the fair value of the net assets of an acquired business. Goodwill and intangible assets with indefinite lives are not amortized; rather, they are tested for impairment on at least an annual basis.

The Company's process of evaluating goodwill for impairment involves the determination of fair value of its CEG goodwill reporting unit. The Company conducts its annual goodwill impairment analysis during the fourth quarter of each fiscal year, measured as of March 31, unless triggering events occur which require goodwill to be tested at another date.

As of December 31, 2013 and March 31, 2013, the Company's goodwill from continuing operations of \$8,542 was all part of its Content & Entertainment segment.

## REVENUE RECOGNITION

### Phase I Deployment and Phase II Deployment

Virtual print fees ("VPFs") are earned pursuant to contracts with movie studios and distributors, whereby amounts are payable by a studio to Phase 1 DC, CDF I and to Phase 2 DC when movies distributed by the studio are displayed on screens utilizing the Company's Systems installed in movie theatres. VPFs are earned and payable to Phase 1 DC and CDF I based on a defined fee schedule with a reduced VPF rate year over year until the sixth year at which point the VPF rate remains unchanged through the tenth year. One VPF is payable for every digital title displayed per System. The amount of VPF revenue is dependent on the number of movie titles released and displayed using the Systems in any given accounting period. VPF revenue is recognized in the period in which the digital title first plays on a System for general audience viewing in a digitally-equipped movie theatre, as Phase 1 DC's, CDF I's and Phase 2 DC's performance obligations have been substantially met at that time.

Phase 2 DC's agreements with distributors primarily require the payment of VPFs, according to a defined fee schedule, for ten years from the date each system is installed; however, Phase 2 DC may no longer collect VPFs once "cost recoupment," as defined in the agreements, is achieved. Cost recoupment will typically occur once the cumulative VPFs and other cash receipts collected by Phase 2 DC have equaled the total of all cash outflows, including the purchase price of all Systems, all financing costs, all "overhead and ongoing costs", as defined, and including the Company's service fees, subject to maximum agreed upon amounts during the three-year rollout period and thereafter, plus a compounded return on any billed but unpaid overhead and ongoing costs, of 15% per year. Further, if cost recoupment occurs before the end of the eighth contract year, a one-time "cost recoupment bonus" is payable by the studios to the Company. Any other cash flows, net of expenses, received by Phase 2 DC following the achievement of cost recoupment are required to be returned to the distributors on a pro-rata basis. At this time, the Company cannot estimate the timing or probability of the achievement of cost recoupment.

Alternative content fees ("ACFs") are earned pursuant to contracts with movie exhibitors, whereby amounts are payable to Phase 1 DC, CDF I and to Phase 2 DC, generally either a fixed amount or as a percentage of the applicable box office revenue derived from the exhibitor's showing of content other than feature movies, such as concerts and sporting events (typically referred to as "alternative content"). ACF revenue is recognized in the period in which the alternative content first opens for audience viewing.

Revenues are deferred for up front exhibitor contributions and are recognized over the cost recoupment period, which is expected to be ten years.

### Services

Exhibitors who purchased and own Systems using their own financing in the Phase II Deployment, paid an upfront activation fee that is generally \$2 thousand per screen to the Company (the "Exhibitor-Buyer Structure"). These upfront activation fees are recognized in the period in which these exhibitor owned Systems are ready for content, as the Company has no further obligations to the customer, and are generally paid quarterly from VPF revenues over

approximately one year. Additionally, the Company recognizes activation fee revenue of between \$1 thousand and \$2 thousand on Phase 2 DC Systems and for Systems installed by Holdings upon installation and such fees are generally collected upfront upon installation. The Company will then manage the billing and collection of VPFs and will remit all VPFs collected to the exhibitors, less an administrative fee that will approximate up to 10% of the VPFs collected.

The administrative fee related to the Phase I Deployment approximates 5% of the VPFs collected and an incentive service fee equal to 2.5% of the VPFs earned by Phase 1 DC. This administrative fee is recognized in the period in which the billing of VPFs occurs, as performance obligations have been substantially met at that time.

#### Content & Entertainment

CEG earns fees for the distribution of content in the home entertainment markets via several distribution channels, including digital, video-on-demand, and physical goods (e.g. DVD and Blu-ray). The fee rate earned by the Company varies depending upon the nature of the agreements with the platform and content providers. Generally, revenues are recognized at the availability

date of the content for a subscription digital platform, at the time of shipment for physical goods, or point-of-sale for transactional and video-on-demand services.

CEG also has contracts for the theatrical distribution of third party feature movies and alternative content. CEG's distribution fee revenue and CEG's participation in box office receipts is recognized at the time a feature movie and alternative content is viewed. CEG has the right to receive or bill a portion of the theatrical distribution fee in advance of the exhibition date, and therefore such amount is recorded as a receivable at the time of execution, and all related distribution revenue is deferred until the third party feature movies' or alternative content's theatrical release date.

#### Movie Cost Amortization

Once a movie is released, capitalized acquisition costs are amortized and participations and residual costs are accrued on an individual title basis in the proportion to the revenue recognized during the period for each title ("Period Revenue") bears to the estimated remaining total revenue to be recognized from all sources for each title ("Ultimate Revenue"). The amount of movie and other costs that is amortized each period will depend on the ratio of Period Revenue to Ultimate Revenue for each movie. The Company makes certain estimates and judgments of Ultimate Revenue to be recognized for each title. Ultimate Revenue does not include estimates of revenue that will be earned beyond 5 years of a movie's initial theatrical release date. Movie cost amortization is a component of direct operating costs within the condensed consolidated statements of operations.

Estimates of Ultimate Revenue and anticipated participation and residual costs are reviewed periodically in the ordinary course of business and are revised if necessary. A change in any given period to the Ultimate Revenue for an individual title will result in an increase or decrease in the percentage of amortization of capitalized movie and other costs and accrued participation and residual costs relative to a previous period. Depending on the performance of a title, significant changes to the future Ultimate Revenue may occur, which could result in significant changes to the amortization of the capitalized acquisition costs.

#### DIRECT OPERATING COSTS

Direct operating costs consist of facility operating costs such as rent, utilities, real estate taxes, repairs and maintenance, royalty expenses, advertising, insurance and other related expenses, direct personnel costs and subcontractors.

#### STOCK-BASED COMPENSATION

During the three months ended December 31, 2013 and 2012, the Company recorded employee stock-based compensation from continuing operations of \$621 and \$346, respectively. During the nine months ended December 31, 2013 and 2012, the Company recorded employee and director stock-based compensation of \$1,803 and \$2,044, respectively.

The weighted-average grant-date fair value of options granted during the three months ended December 31, 2013 and 2012 was \$0.97 and \$0.88, respectively. The weighted-average grant-date fair value of options granted during the nine months ended December 31, 2013 and 2012 was \$0.91 and \$0.92, respectively. There were 90,180 options exercised during the three months ended December 31, 2013. There were 132,820 stock options exercised during the nine months ended December 31, 2013. During the three and nine months ended December 31, 2012, there were no exercises of stock options.

The Company estimated the fair value of stock options at the date of each grant using a Black-Scholes option valuation model with the following assumptions:



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Assumptions for Option Grants	For the Three Months Ended		For the Nine Months Ended	
	December 31,		December 31,	
	2013	2012	2013	2012
Range of risk-free interest rates	1.4 - 1.6%	0.6 - 0.7%	0.7 - 1.6%	0.9 - 2.1%
Dividend yield	—	—	—	—
Expected life (years)	5	5	5	5
Range of expected volatilities	72.6 - 72.7%	74.5 - 75.2%	72.6- 73.7%	74.5 - 76.2%

The risk-free interest rate used in the Black-Scholes option pricing model for options granted under the Company's stock option plan awards is the historical yield on U.S. Treasury securities with equivalent remaining lives. The Company does not currently anticipate paying any cash dividends on common stock in the foreseeable future. Consequently, an expected dividend yield of zero is used in the Black-Scholes option pricing model. The Company estimates the expected life of options granted under the Company's stock option plans using both exercise behavior and post-vesting termination behavior, as well as consideration of

outstanding options. The Company estimates expected volatility for options granted under the Company's stock option plans based on a measure of historical volatility in the trading market for the Company's common stock.

Employee and director stock-based compensation expense from continuing operations related to the Company's stock-based awards was as follows:

	For the Three Months		For the Nine Months	
	Ended December 31,		Ended December 31,	
	2013	2012	2013	2012
Direct operating	\$2	\$2	\$18	\$15
Selling, general and administrative	619	344	1,785	2,029
	\$621	\$346	\$1,803	\$2,044

#### NET LOSS PER SHARE

Basic and diluted net loss per common share has been calculated as follows:

$$\begin{array}{l} \text{Basic and diluted net loss per common share} \\ = \frac{\text{Net loss + preferred dividends}}{\text{Weighted average number of common stock}} \\ \text{outstanding during the period} \end{array}$$

The sum of net loss from continuing operations per fully diluted share for the three months ended December 31, 2013, September 30, 2013 and three months ended June 30, 2013 does not equal the nine months ended December 31, 2013 amount due to rounding. Shares issued during the period are weighted for the portion of the period that they are outstanding.

The Company incurred net losses for each of the three and nine months ended December 31, 2013 and 2012 and, therefore, the impact of dilutive potential common shares from outstanding stock options and warrants, totaling 24,094,211 shares and 20,766,397 shares as of December 31, 2013 and 2012, respectively, were excluded from the computation as it would be anti-dilutive.

## 3. DISCONTINUED OPERATIONS

As discussed in Note 1, discontinued operations is principally comprised of the operations of Software as of and for the three and nine months ended December 31, 2013. For the three and nine months ended December 31, 2012, the loss from discontinued operations is comprised of DMS and Software. There is no tax provision or benefit related to any of the discontinued operations.

The Company determined that an impairment of Software's goodwill and capitalized software was required after comparing Software's estimated fair value to the respective carrying values goodwill and capitalized software.

The assets and liabilities of discontinued operations were comprised of the following:

	As of December 31, 2013	As of March 31, 2013
Current assets of discontinued operations:		
Accounts receivable, net	\$3,278	\$2,311
Unbilled revenue	540	2,557
Prepaid and other current assets	148	12
Total current assets of discontinued operations	3,966	4,880
Current liabilities of discontinued operations:		
Accounts payable and accrued expenses	627	543
Deferred revenue	1,463	2,058
Total current liabilities of discontinued operations	2,090	2,601
Current assets of discontinued operations, net	\$1,876	\$2,279
Property and equipment, net	\$479	\$423
Goodwill	—	4,197
Capitalized software, net	5,293	7,132
Other assets	392	543
Assets of discontinued operations	6,164	12,295
Net assets of discontinued operations	\$8,040	\$14,574

The results of Software and DMS have been reported as discontinued operations for all periods presented. The loss from discontinued operations was as follows:

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2013	2012	2013	2012
Revenues	\$1,061	\$1,434	\$3,274	\$5,344
Costs and Expenses:				
Direct operating (exclusive of depreciation and amortization shown below)	457	1,067	1,856	3,115
Selling, general and administrative	965	740	2,926	2,324
Research and development	58	76	64	112
Provision for doubtful accounts	—	36	—	36
Impairment of goodwill and capitalized software	7,226	—	7,226	—
Depreciation and amortization	44	41	253	127
Total operating expenses	8,750	1,960	12,325	5,714
Loss from operations	(7,689)	) (526)	) (9,051)	) (370)
Other expense, net	—	2	9	(19)
Loss from discontinued operations	\$ (7,689)	) \$ (524)	) \$ (9,042)	) \$ (389)



## 4. INVESTMENT IN NON-CONSOLIDATED ENTITY

## Investment in Holdings

As discussed in Note 2, Holdings, a subsidiary of Phase 2 DC, which is wholly owned by the Company, and its wholly owned limited liability company, Cinedigm Digital Funding 2, LLC, were created for the purpose of capitalizing on the conversion of the exhibition industry from film to digital technology. Holdings assists customers in procuring the necessary equipment in the conversion of their Systems by providing the necessary financing, equipment, installation and related ongoing services. Holdings is a VIE, as defined in ASC 810, indirectly wholly owned by the Company. ASC 810 requires the consolidation of VIEs by an entity that has a controlling financial interest in the VIE which entity is thereby defined as the primary beneficiary of the VIE. To be a primary beneficiary, an entity must have the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, among other factors. Although Holdings is indirectly wholly owned by the Company, a third party, which also has a variable interest in Holdings, along with an independent third party manager and the Company must mutually approve all business activities and transactions that significantly impact Holdings' economic performance. The Company has thus assessed its variable interests in Holdings and determined that it is not the primary beneficiary of Holdings and therefore accounts for its investment in Holdings under the equity method of accounting. In completing our assessment, the Company identified the activities that it considers most significant to the economic performance of Holdings and determined that we do not have the power to direct those activities. As a result, Holdings' financial position and results of operations are not consolidated in the financial position and results of operations of the Company.

The Company's maximum exposure to loss as it relates to Holdings as of December 31, 2013 and March 31, 2013 includes:

• The Company's investment in the equity of Holdings;

• As a result of operating losses for the nine months ended December 31, 2013, the investment in the equity of Holdings is \$0 as of December 31, 2013. As of March 31, 2013, the investment in the equity of Holdings was \$1,812; and

• Accounts receivable due from Holdings for service fees under its master service agreement of \$372 and \$396, respectively, included within accounts receivable, net on the accompanying condensed consolidated balance sheets.

During the three months ended December 31, 2013 and 2012, the Company received \$285 and \$434 in aggregate revenues through digital cinema servicing fees from Holdings, respectively, included in revenues on the accompanying condensed consolidated statements of operations. During the nine months ended December 31, 2013 and 2012, such amounts were \$822 and \$1,328, respectively. Digital cinema servicing fees earned from Holdings during the three and nine months ended December 31, 2012 included one-time installation management fees of \$304 and \$1,224, respectively.

The Holding's Total Stockholder's Deficit at December 31, 2013 was \$(1,553). The Company has no obligation to fund the operating loss or the deficit beyond its initial investment, and accordingly, the Company carried its investment in Holdings at \$0. The change in the carrying amount of our investment in Holdings for the nine months ended December 31, 2013 is as follows:

Balance at March 31, 2013	\$ 1,812	
Equity in loss of Holdings	(1,812	)
Balance at December 31, 2013	\$ —	

## 5. NOTES PAYABLE

Notes payable consisted of the following:

	As of December 31, 2013		As of March 31, 2013	
	Current Portion	Long Term Portion	Current Portion	Long Term Portion
Notes Payable				
2013 Term Loans, net of debt discount	\$25,878	\$74,947	\$26,250	\$96,207
2013 Prospect Loan Agreement	—	69,150	—	70,151
KBC Facilities	8,048	28,938	8,059	36,205
P2 Vendor Note	101	483	74	569
P2 Exhibitor Notes	68	279	64	330
Total non-recourse notes payable	\$34,095	\$173,797	\$34,447	\$203,462
Cinedigm Revolving Loans	\$14,775	\$—	\$—	\$—
Cinedigm Term Loans	3,500	21,108	—	—
2013 Notes, net of discount	—	3,445	—	—
Total recourse notes payable	\$18,275	\$24,553	\$—	\$—
Total notes payable	\$52,370	\$198,350	\$34,447	\$203,462

Non-recourse debt is generally defined as debt whereby the lenders' sole recourse with respect to defaults by the Company is limited to the value of the asset collateralized by the debt. The 2013 Term Loans are not guaranteed by the Company or its other subsidiaries, other than Phase 1 DC. The 2013 Prospect Loan Agreement is not guaranteed by the Company or its other subsidiaries and the service fees of Phase 1 DC and Phase 2 DC were assigned by the Company to DC Holdings LLC. The KBC Facilities, the P2 Vendor Note and the P2 Exhibitor Notes are not guaranteed by the Company or its other subsidiaries, other than Phase 2 DC.

## 2013 Term Loans

On February 28, 2013, CDF I entered into an amended and restated credit agreement (the "2013 Credit Agreement") with Société Générale, New York Branch, as administrative agent and collateral agent for the lenders party thereto and certain other secured parties (the "Collateral Agent"), and the lenders party thereto. The 2013 Credit Agreement amended and restated the 2010 Credit Agreement. The primary changes effected by the Amended and Restated Credit Agreement were (i) changing the aggregate principal amount of the term loans to \$130,000, which included an assignment of \$5,000 of the principal balance to an affiliate of CDF I, (ii) changing the interest rate (described further below) and (iii) extending the term of the credit facility to February 2018. The proceeds of the term loans ("2013 Term Loans") under the 2013 Credit Agreement were used by CDF I to refinance the 2010 Credit Agreement.

Under the 2013 Credit Agreement, each of the 2013 Term loans bears interest, at the option of CDF I and subject to certain conditions, based on the base rate (generally, the bank prime rate) or the LIBOR rate set at a minimum of 1.00%, plus a margin of 1.75% (in the case of base rate loans) or, 2.75% (in the case of LIBOR rate loans). All collections and revenues of CDF I are deposited into designated accounts, from which amounts are paid out on a monthly basis to pay certain operating expenses and principal, interest, fees, costs and expenses relating to the 2013 Credit Agreement according to certain designated priorities. On a quarterly basis, if funds remain after the payment of all such amounts, they will be applied to prepay the 2013 Term Loans. The 2013 Term Loans mature and must be paid in full by February 28, 2018. In addition, CDF I may prepay the 2013 Term Loans, in whole or in part, subject to paying certain breakage costs, if applicable, and a 1.0% prepayment premium if a prepayment is made during the first year of the 2013 Term Loans.

The 2013 Credit Agreement also requires each of CDF I's existing and future direct and indirect domestic subsidiaries (the "Guarantors") to guarantee, under an Amended and Restated Guaranty and Security Agreement dated as of February 28, 2013 by and among CDF I, the Guarantors and the Collateral Agent (the "Guaranty and Security Agreement"), the obligations under the 2013 Credit Agreement, and all such obligations to be secured by a first priority perfected security interest in all of the collective assets of CDF I and the Guarantors, including real estate owned or leased, and all capital stock or other equity interests in C/AIX, the direct holder of CDF I's equity, CDF I and CDF I's subsidiaries. In connection with the 2013 Credit Agreement, AccessDM, a wholly-owned subsidiary of the Company and the direct parent of C/AIX, entered into an amended and restated pledge agreement dated as of February 28, 2013 (the "AccessDM Pledge Agreement") in favor of the Collateral Agent pursuant to which AccessDM pledged to the Collateral Agent all of the outstanding shares of common stock of C/AIX, and C/AIX entered into an amended and

restated pledge agreement dated as of February 28, 2013 (the “C/AIX Pledge Agreement”) in favor of the Collateral Agent pursuant to which C/AIX pledged to the Collateral Agent all of the outstanding membership interests of CDF I. The 2013 Credit Agreement contains customary representations, warranties, affirmative covenants, negative covenants and events of default.

All collections and revenues of CDF I are deposited into designated accounts. These amounts are included in cash and cash equivalents in the condensed consolidated balance sheets and are only available to pay certain operating expenses, principal, interest, fees, costs and expenses relating to the 2013 Credit Agreement, according to certain designated priorities, which totaled \$4,707 and \$6,787 as of December 31, 2013 and March 31, 2013, respectively. The Company also set up a debt service fund under the 2013 Credit Agreement for future principal and interest payments, classified as restricted cash of \$6,751 as of December 31, 2013 and March 31, 2013.

The balance of the 2013 Term Loans, net of the original issue discount, was as follows:

	As of December 31, 2013	As of March 31, 2013
2013 Term Loans, at issuance, net	\$ 125,087	\$ 125,087
Payments to date	(23,982	) (2,275 )
Discount on 2013 Term Loans	(280	) (355 )
2013 Term Loans, net	100,825	122,457
Less current portion	(25,878	) (26,250 )
Total long term portion	\$ 74,947	\$ 96,207

#### 2013 Prospect Loan Agreement

On February 28, 2013, DC Holdings LLC, AccessDM and Phase 2 DC entered into a term loan agreement (the “2013 Prospect Loan Agreement”) with Prospect Capital Corporation (“Prospect”), as administrative agent (the “Prospect Administrative Agent”) and collateral agent (the “Prospect Collateral Agent”) for the lenders party thereto, and the other lenders party thereto pursuant to which DC Holdings LLC borrowed \$70,000 (the “2013 Prospect Loan”). The 2013 Prospect Loan, as subsequently amended, will bear interest annually in cash at LIBOR plus 9.00% (with a 2.00% LIBOR floor) and at 2.50% to be accrued as an increase in the aggregate principal amount of the 2013 Prospect Loan until the 2013 Credit Agreement is paid off, at which time all interest will be payable in cash.

The 2013 Prospect Loan matures on March 31, 2021. The 2013 Prospect Loan may be accelerated upon a change in control (as defined in the Term Loan Agreement) or other events of default as set forth therein and would be subject to mandatory acceleration upon an insolvency of DC Holdings LLC. The 2013 Prospect Loan is payable on a voluntary basis after the second anniversary of the initial borrowing in whole but not in part, subject to a prepayment penalty equal to 5.00% of the principal amount prepaid if the 2013 Prospect Loan is prepaid after the second anniversary but prior to the third anniversary of issuance, a prepayment penalty of 4.00% of the principal amount prepaid if the 2013 Prospect Loan is prepaid after such third anniversary but prior to the fourth anniversary of issuance, a prepayment penalty of 3.00% of the principal amount prepaid if the 2013 Prospect Loan is prepaid after such fourth anniversary but prior to the fifth anniversary of issuance, a prepayment penalty of 2.00% of the principal amount prepaid if the 2013 Prospect Loan is prepaid after such fifth anniversary but prior to the sixth anniversary of issuance, a prepayment penalty of 1.00% of the principal amount prepaid if the 2013 Prospect Loan is prepaid after such sixth anniversary but prior to the seventh anniversary of issuance, and without penalty if the 2013 Prospect Loan is prepaid thereafter, plus cash in an amount equal to the accrued and unpaid interest amount with respect to the principal amount through and including the prepayment date.

In connection with the 2013 Prospect Loan, the Company assigned to DC Holdings LLC its rights to receive servicing fees under the Company’s Phase I and Phase II deployments. Pursuant to a Limited Recourse Pledge Agreement (the



“Limited Recourse Pledge”) executed by the Company and a Guaranty, Pledge and Security Agreement (the “Prospect Guaranty and Security Agreement”) among DC Holdings LLC, AccessDM, Phase 2 DC and Prospect, as Prospect Collateral Agent, the Prospect Loan is secured by, among other things, a first priority pledge of the stock of Holdings owned by the Company, the stock of AccessDM owned by DC Holdings LLC and the stock of Phase 2 DC owned by the Company, and guaranteed by AccessDM and Phase 2 DC. The Company provides limited financial support to the 2013 Prospect Loan not to exceed \$1,500 per year in the event financial performance does not meet certain defined benchmarks.

The 2013 Prospect Loan Agreement contains customary representations, warranties, affirmative covenants, negative covenants and events of default. The balance of the 2013 Prospect Loan Agreement at December 31, 2013 was as follows:

	As of December 31, 2013	As of March 31, 2013
2013 Prospect Loan Agreement, at issuance	\$ 70,000	\$ 70,000
PIK Interest	1,478	151
Payments to date	(2,328	) —
2013 Prospect Loan Agreement, net	69,150	70,151
Less current portion	—	—
Total long term portion	\$ 69,150	\$ 70,151

#### KBC Facilities

In December 2008, Phase 2 B/AIX, a direct wholly-owned subsidiary of Phase 2 DC and an indirect wholly-owned subsidiary of the Company, began entering into multiple credit facilities to fund the purchase of Systems from Barco, Inc. to be installed in movie theatres as part of the Company's Phase II Deployment. A summary of the credit facilities is as follows:

Facility <sup>1</sup>	Credit Facility	Interest Rate <sup>2</sup>	Maturity Date	Outstanding Principal Balance	
				As of December 31, 2013	As of March 31, 2013
1	\$8,900	8.50	% December 2016	\$—	\$—
2	2,890	3.75	% December 2017	418	1,961
3	22,336	3.75	% September 2018	14,359	16,752
4	13,312	3.75	% September 2018	9,033	10,459
5	11,425	3.75	% March 2019	8,569	9,794
6	6,450	3.75	% December 2018	4,607	5,298
	\$65,313			\$36,986	\$44,264

<sup>1</sup> For each facility, principal is to be repaid in twenty-eight quarterly installments.

<sup>2</sup> The interest rate for facilities 2 through 6 are the three month LIBOR, plus the interest rate noted above.

#### Cinedigm Credit Agreement

On October 17, 2013, the Company entered into a credit agreement (the "Cinedigm Credit Agreement") with Société Générale, New York Branch, as administrative agent and collateral agent for the lenders party thereto and certain other secured parties (the "Collateral Agent"). Under the Cinedigm Credit Agreement and subject to the terms and conditions thereof, the Company may borrow an aggregate principal amount of up to \$55,000, including term loans of \$25,000 (the "Cinedigm Term Loans") and revolving loans of up to \$30,000 (the "Cinedigm Revolving Loans"). All of the Cinedigm Term Loans and \$15,000 of the Cinedigm Revolving Loans were drawn at closing in connection with funding the GVE Acquisition upon the Company's contribution of such funds. Each of the Cinedigm Term Loans and the Cinedigm Revolving Loans bears interest at the base rate plus 3.0% or the eurodollar rate plus 4.0%. Base rate, per annum, is equal to the highest of (a) the rate quoted by the Wall Street Journal as the "base rate on corporate loans by at least 75% of the nation's largest banks," (b) 0.50% plus the federal funds rate, and (c) the eurodollar rate plus 1.0%. All collections and revenues of CEG will be deposited into a special blocked account, from which amounts are paid out on a monthly basis to pay certain operating expenses and principal, interest, fees, costs and expenses relating to the Cinedigm Credit Agreement according to certain designated priorities. On a quarterly basis, if funds remain after the payment of all such amounts, a portion of such funds will be applied to prepay the Cinedigm Term Loans. The Cinedigm Term Loans and Cinedigm Revolving Loans mature and must be paid in full by October 21, 2016. In addition, the Company may prepay the Cinedigm Term Loans and Cinedigm Revolving Loans, in whole or in part, subject to paying certain breakage costs, as applicable.

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At December 31, 2013, the balance of the Cinedigm Term Loans and Cinedigm Revolving Loans was \$24,608 and \$14,775, respectively. The Cinedigm Term Loans include an original issue discount, which will be amortized until its maturity date, of \$392 as of December 31, 2013.

## 2013 Notes

On October 17, 2013 and October 21, 2013, the Company entered into securities purchase agreements (the “Securities Purchase Agreements”) with certain investors party thereto (the “Investors”) pursuant to which the Company agreed to sell to the Investors notes in the aggregate principal amount of \$5,000 (the “2013 Notes”) and warrants to purchase an aggregate of 1,500,000 shares of Class A Common Stock (the “2013 Warrants”). The sales were consummated on October 21, 2013. The proceeds of the sales of the 2013 Notes and 2013 Warrants were used for working capital and general corporate purposes, including to finance, in part, the GVE Acquisition. The Company allocated a proportional value of \$1,598 to the 2013 Warrants using a Black-Scholes option valuation model with the following assumptions:

Risk free interest rate	1.38	%
Dividend yield	—	
Expected life (years)	5	
Expected volatility	76.25	%

The Company has treated the proportional value of the 2013 Warrants of \$1,598 as a debt discount. The debt discount of the 2013 Notes will be amortized through the maturity of the 2013 Notes as interest expense.

The principal amount outstanding under the 2013 Notes is due on October 21, 2018. The 2013 Notes bear interest at 9.0% per annum, payable in quarterly installments over the term of the 2013 Notes. The 2013 Notes entitle the Company to redeem the 2013 Notes any time on or after October 21, 2015, subject to certain premiums.

## Letters of Credit

As of December 31, 2013, outstanding letters of credit amounted to approximately \$7,000, of which \$3,000 expire on March 31, 2014, which relate principally to a distribution agreement with a customer. No amounts were drawn upon during the three month ended December 31, 2013.

At December 31, 2013, the Company was in compliance with all of its debt covenants.

## 6. STOCKHOLDERS’ EQUITY

### CAPITAL STOCK

#### COMMON STOCK

As of December 31, 2013 and March 31, 2013, the Company has 118,759,000 authorized shares of Class A Common Stock and 1,241,000 shares of authorized Class B Common Stock of which none remain available for issuance.

On June 26, 2013, the Company entered into an underwriting agreement (the “Underwriting Agreement”) with Merriman Capital, Inc. and National Securities Corporation (together, the “Underwriters”) pursuant to which the Underwriters agreed to act as underwriters of 3,780,718 shares of the Company’s Class A common stock at a purchase price equal to \$1.2834 per share, representing a per security discount equal to 7.0% of the public offering price per security of \$1.38 (the “Offering”). In July 2013, the Underwriters’ exercised an option in full to buy up to an additional 567,108 shares from the Company under the above referenced terms (the “Over-Allotment”). The Company also agreed to bear the expenses of the Offering. The Over-Allotment shares were issued and sold on July 10, 2013. Total proceeds from the issuance of the Company's Class A common stock, including the Over-Allotment, amounted to approximately \$5,520, net of underwriting discount, during July 2013.

On October 17, 2013, the Company conducted an underwritten public offering resulting in the sale by the Company of an aggregate of 9,089,990 shares of Class A Common Stock, priced at \$1.43 per share on October 21, 2013 and October 23, 2013, with net proceeds to the Company of approximately \$12,049.

On October 17, 2013, the Company entered into a common stock purchase agreement (the “Stock Purchase Agreement”) with an investor party thereto (the “Common Stock Investor”) pursuant to which the Company agreed to sell to the Common Stock Investor 1,398,601 shares (the “2013 Shares”) of Class A Common Stock, for an aggregate purchase price in cash of \$2,000, priced at \$1.43



per share. The sale was consummated on October 21, 2013. The proceeds of the sale of the 2013 Shares will be used for working capital and general corporate purposes, including to finance, in part, the GVE Acquisition.

#### PREFERRED STOCK

Cumulative dividends in arrears on the preferred stock at December 31, 2013 and March 31, 2013 were \$89 on each date. In January 2014, the Company paid its preferred stock dividends accrued at December 31, 2013 in the form of 59,122 shares of its Class A Common Stock.

#### CINEDIGM'S EQUITY INCENTIVE PLAN

During the nine months ended December 31, 2013, the Company granted stock options to purchase 2,780,000 shares of its Class A Common Stock to its employees at exercise prices ranging from \$1.37 to \$1.58 per share, which will vest ratably over a four year period. As of December 31, 2013, the weighted average exercise price for outstanding stock options was \$1.66 and the weighted average remaining contractual life was 8.65 years.

The following table summarizes the activity of the Plan related to shares issuable pursuant to outstanding options:

	Shares Under Option	Weighted Average Exercise Price Per Share
Balance at March 31, 2013	4,053,000	\$2.16
Granted	2,780,000	1.50
Exercised	(222,820 )	1.63
Canceled	(540,969 )	2.33
Balance at December 31, 2013	6,069,211	1.66

#### Restricted Stock Awards

The Plan also provides for the issuance of restricted stock and restricted stock unit awards. During the nine months ended December 31, 2013 and 2012, the Company did not grant any restricted stock or restricted stock units. There are currently no restricted stock units outstanding.

The following table summarizes the activity of the Plan related to restricted stock awards:

	Restricted Stock Awards	Weighted Average Market Price Per Share
Balance at March 31, 2013	16,108	\$ 1.40
Vested	(15,140 )	1.40
Canceled	(968 )	1.40
Balance at December 31, 2013	—	—

#### OPTIONS GRANTED OUTSIDE CINEDIGM'S EQUITY INCENTIVE PLAN

In October 2013, the Company issued options outside of the Equity Incentive Plan to 10 employees who joined the Company following its acquisition of GVE. The employees received options to purchase an aggregate of 620,000 shares of the Company's Class A Common Stock. The options have 10-year terms and an exercise price of \$1.75 per share.

WARRANTS

At December 31, 2013, outstanding warrants consisted of 16,000,000 held by Sageview ("Sageview Warrants"), 525,000 held by a strategic management service provider and the 2013 Warrants.

The Sageview Warrants were exercisable beginning on September 30, 2009, contain a customary cashless exercise provision and anti-dilution adjustments, and expire on August 11, 2016 (subject to extension in limited circumstances).

The strategic management service provider warrants were issued in connection with a consulting management services agreement entered into with the Company. These warrants for the purchase of 525,000 shares of Class A common stock vested over 18 months commencing in July 2011 and expire on July 1, 2021.

The 2013 Warrants will be exercisable through October 21, 2018 at an exercise price per share of \$1.85. The 2013 Warrants and 2013 Notes are subject to certain transfer restrictions.

## 7. COMMITMENTS AND CONTINGENCIES

We are subject to certain legal proceedings in the ordinary course of business. We do not expect any such items to have a significant impact on our financial position and results of operations and liquidity.

## 8. SUPPLEMENTAL CASH FLOWS DISCLOSURE

	For the Nine Months Ended December 31,	
	2013	2012
Cash interest paid	\$ 13,235	\$ 12,835
Assets acquired under capital leases	\$ 1,886	\$ —
Accretion of preferred stock discount	\$ 82	\$ 82
Issuance of Class A Common Stock in connection with New Video Acquisition	\$ —	\$ 3,813
Issuance of Class A Common Stock in connection with GVE Acquisition	\$ 1,000	\$ —
Issuance of common stock for payment of preferred stock dividends	\$ 178	\$ —



## 9. SEGMENT INFORMATION

The Company is comprised of four reportable segments: Phase I Deployment, Phase II Deployment, Services and Content & Entertainment. The segments were determined based on the products and services provided by each segment and how management reviews and makes decisions regarding segment operations. Performance of the segments is evaluated on the segment's income (loss) from continuing operations before interest, taxes, depreciation and amortization.

The Phase I Deployment and Phase II Deployment segments consist of the following:

Operations of:	Products and services provided:
Phase 1 DC	Financing vehicles and administrators for the Company's 3,724 Systems installed nationwide in Phase 1 DC's deployment to theatrical exhibitors. The Company retains ownership of the Systems and the residual cash flows related to the Systems after the repayment of all non-recourse debt at the expiration of exhibitor master license agreements.
Phase 2 DC	Financing vehicles and administrators for the Company's 8,829 Systems installed in the second digital cinema deployment, through Phase 2 DC. The Company retains no ownership of the residual cash flows and digital cinema equipment after the completion of cost recoupment and at the expiration of the exhibitor master license agreements.

The Services segment consists of the following:

Operations of:	Products and services provided:
Services	Provides monitoring, billing, collection, verification and other management services to the Company's Phase I Deployment, Phase II Deployment, Holdings, as well as to exhibitors who purchase their own equipment. Collects and disburses VPFs from motion picture studios and distributors and ACFs from alternative content providers, movie exhibitors and theatrical exhibitors.

The Content & Entertainment segment consists of the following:

Operations of:	Products and services provided:
CEG	As a leading distributor of independent digital content, CEG collaborates with producers and the exhibition community to market, source, curate and distribute independent content to targeted and profitable audiences in theatres and homes, and via mobile and emerging platforms.

Information related to the segments of the Company and its subsidiaries is detailed below:

	As of December 31, 2013					
	Phase I	Phase II	Services	Content & Entertainment	Corporate	Consolidated
Total intangible assets, net	\$ 309	\$ 2	\$—	\$ 34,970	\$ 3	\$ 35,284
Total goodwill	\$—	\$—	\$—	\$ 8,542	\$—	\$ 8,542
Assets from continuing operations	\$ 116,892	\$ 68,885	\$ 4,343	\$ 111,879	\$ 12,203	\$ 314,202
Net assets from discontinued operations						8,040
Total assets						\$ 322,242
Notes payable, non-recourse	\$ 169,975	\$ 37,917	\$—	\$—	\$—	\$ 207,892
Notes payable	—	—	—	—	42,828	42,828
Capital leases	—	—	—	79	6,143	6,222
Total debt	\$ 169,975	\$ 37,917	\$—	\$ 79	\$ 48,971	\$ 256,942
	As of March 31, 2013					
	Phase I	Phase II	Services	Content & Entertainment	Corporate	Consolidated
Total intangible assets, net	\$ 344	\$ 6	\$—	\$ 12,449	\$—	\$ 12,799
Total goodwill	\$—	\$—	\$—	\$ 8,542	\$—	\$ 8,542
Assets from continuing operations	\$ 137,880	\$ 79,139	\$ 4,691	\$ 39,158	\$ 6,017	\$ 266,885
Net assets from discontinued operations						14,574
Total assets						\$ 281,459
Notes payable, non-recourse	\$ 192,609	\$ 45,300	\$—	\$—	\$—	\$ 237,909
Capital leases	—	—	—	—	4,518	4,518
Total debt	\$ 192,609	\$ 45,300	\$—	\$—	\$ 4,518	\$ 242,427

Statements of Operations  
For the Three Months Ended December 31, 2013  
(Unaudited)

	Phase I	Phase II	Services	Content & Entertainment	Corporate	Consolidated	
Revenues from external customers	\$9,444	\$3,216	\$3,419	\$18,806	\$—	\$34,885	
Intersegment revenues (1)	—	—	5	11	—	16	
Total segment revenues	9,444	3,216	3,424	18,817	—	34,901	
Less: Intersegment revenues	—	—	(5	) (11	) —	(16	)
Total consolidated revenues	\$9,444	\$3,216	\$3,419	\$18,806	\$—	\$34,885	
Direct operating (exclusive of depreciation and amortization shown below)	209	163	120	10,521	—	11,013	
Selling, general and administrative	47	76	213	4,202	2,411	6,949	
Plus: Allocation of Corporate overhead	—	—	549	1,101	(1,650	) —	
Provision for doubtful accounts	5	23	5	—	—	33	
Merger and acquisition expenses	—	—	—	—	2,779	2,779	
Restructuring and transition expenses	—	—	—	1,142	—	1,142	
Depreciation and amortization of property and equipment	7,137	1,881	53	139	234	9,444	
Amortization of intangible assets	11	2	—	1,215	—	1,228	
Total operating expenses	7,409	2,145	940	18,320	3,774	32,588	
Income (loss) from operations	\$2,035	\$1,071	\$2,479	\$486	\$(3,774	) \$2,297	

(1) Intersegment revenues principally represent personnel expenses.

The following employee stock-based compensation expense related to the Company's stock-based awards is included in the above amounts as follows:

	Phase I	Phase II	Services	Content & Entertainment	Corporate	Consolidated
Direct operating	\$—	\$—	\$—	\$2	\$—	\$2
Selling, general and administrative	—	—	6	47	566	619
Total stock-based compensation	\$—	\$—	\$6	\$49	\$566	\$621

Statements of Operations  
For the Three Months Ended December 31, 2012  
(Unaudited)

	Phase I	Phase II	Services	Content & Entertainment	Corporate	Consolidated	
Revenues from external customers	\$9,772	\$2,990	\$3,387	\$5,630	\$—	\$21,779	
Intersegment revenues (1)	—	—	5	6	—	11	
Total segment revenues	9,772	2,990	3,392	5,636	—	21,790	
Less: Intersegment revenues	—	—	(5	) (6	) —	(11	)
Total consolidated revenues	\$9,772	\$2,990	\$3,387	\$5,630	\$—	\$21,779	
Direct operating (exclusive of depreciation and amortization shown below)	138	189	197	1,595	—	2,119	
Selling, general and administrative	16	36	207	2,305	2,871	5,435	
Plus: Allocation of Corporate overhead	—	—	906	900	(1,806	) —	
Provision for doubtful accounts	51	15	6	—	—	72	
Depreciation and amortization of property and equipment	7,137	1,849	2	7	125	9,120	
Amortization of intangible assets	11	2	—	719	—	732	
Total operating expenses	7,353	2,091	1,318	5,526	1,190	17,478	
Income (loss) from operations	\$2,419	\$899	\$2,069	\$104	\$(1,190	) \$4,301	

(1) Intersegment revenues principally represent personnel expenses.

The following employee stock-based compensation expense related to the Company's stock-based awards is included in the above amounts as follows:

	Phase I	Phase II	Services	Content & Entertainment	Corporate	Consolidated
Direct operating	\$—	\$—	\$7	\$2	\$—	\$9
Selling, general and administrative	—	—	2	25	460	487
Total stock-based compensation	\$—	\$—	\$9	\$27	\$460	\$496

Statements of Operations  
For the Nine Months Ended December 31, 2013  
(Unaudited)

	Phase I	Phase II	Services	Content & Entertainment	Corporate	Consolidated	
Revenues from external customers	\$27,737	\$9,331	\$9,798	\$25,798	\$—	\$72,664	
Intersegment revenues (1)	—	—	16	43	—	59	
Total segment revenues	27,737	9,331	9,814	25,841	—	72,723	
Less: Intersegment revenues	—	—	(16	) (43	) —	(59	)
Total consolidated revenues	\$27,737	\$9,331	\$9,798	\$25,798	\$—	\$72,664	
Direct operating (exclusive of depreciation and amortization shown below)	566	446	301	18,245	—	19,558	
Selling, general and administrative	206	203	624	9,729	6,481	17,243	
Plus: Allocation of Corporate overhead	—	—	1,587	2,526	(4,113	) —	
Provision for doubtful accounts	150	53	24	—	—	227	
Merger and acquisition expenses	—	—	—	—	2,779	2,779	
Restructuring and transition expenses	—	—	—	1,142	—	1,142	
Depreciation and amortization of property and equipment	21,412	5,642	161	149	537	27,901	
Amortization of intangible assets	34	5	—	2,015	1	2,055	
Total operating expenses	22,368	6,349	2,697	33,806	5,685	70,905	
Income (loss) from operations	\$5,369	\$2,982	\$7,101	\$(8,008	) \$(5,685	) \$1,759	

(1) Intersegment revenues principally represent personnel expenses.

The following employee and director stock-based compensation expense related to the Company's stock-based awards is included in the above amounts as follows:

	Phase I	Phase II	Services	Content & Entertainment	Corporate	Consolidated
Direct operating	\$—	\$—	\$13	\$5	\$—	\$18
Selling, general and administrative	—	—	8	89	1,688	1,785
Total stock-based compensation	\$—	\$—	\$21	\$94	\$1,688	\$1,803

Statements of Operations  
For the Nine Months Ended December 31, 2012  
(Unaudited)

	Phase I	Phase II	Services	Content & Entertainment	Corporate	Consolidated	
Revenues from external customers	\$29,775	\$9,313	\$10,362	\$11,998	\$—	\$61,448	
Intersegment revenues (1)	—	—	20	24	—	44	
Total segment revenues	29,775	9,313	10,382	12,022	—	61,492	
Less: Intersegment revenues	—	—	(20	) (24	) —	(44	)
Total consolidated revenues	\$29,775	\$9,313	\$10,362	\$11,998	\$—	\$61,448	
Direct operating (exclusive of depreciation and amortization shown below)	347	513	707	4,028	—	5,595	
Selling, general and administrative	89	87	615	6,193	9,263	16,247	
Plus: Allocation of Corporate overhead	—	—	2,382	2,724	(5,106	) —	
Provision for doubtful accounts	156	46	24	—	—	226	
Merger and acquisition expenses	—	—	—	—	1,267	1,267	
Restructuring expenses	—	—	—	340	—	340	
Depreciation and amortization of property and equipment	21,412	5,478	6	17	351	27,264	
Amortization of intangible assets	34	5	—	1,060	1	1,100	
Total operating expenses	22,038	6,129	3,734	14,362	5,776	52,039	
Income (loss) from operations	\$7,737	\$3,184	\$6,628	\$(2,364	) \$(5,776	) \$9,409	

(1) Intersegment revenues principally represent personnel expenses.

The following employee and director stock-based compensation expense related to the Company's stock-based awards is included in the above amounts as follows:

	Phase I	Phase II	Services	Content & Entertainment	Corporate	Consolidated
Direct operating	\$—	\$—	\$29	\$13	\$—	\$42
Selling, general and administrative	—	—	5	63	1,588	1,656
Total stock-based compensation	\$—	\$—	\$34	\$76	\$1,588	\$1,698

#### 10. RESTRUCTURING AND TRANSITION EXPENSES

During the three months ended December 31, 2013, the Company completed a strategic assessment of its resource requirements within its Content & Entertainment reporting segment which, based upon the GVE Acquisition, resulted in a restructuring expense of \$975 as a result of workforce reduction and severance and employee-related expenses.

Transition expenses of \$167 are principally attributed to the integration of GVE.

A summary of activity for restructuring activities included in accounts payable and accrued expenses is as follows:

Balance at September 30, 2013	Total Cost	Amounts Paid	Balance at December 31, 2013
\$—	\$975	\$(169	) \$806

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our historical consolidated financial statements and the related notes included elsewhere in this document.

This report contains forward-looking statements within the meaning of the federal securities laws. These include statements about our expectations, beliefs, intentions or strategies for the future, which are indicated by words or phrases such as “believes,” “anticipates,” “expects,” “intends,” “plans,” “will,” “estimates,” and similar words. Forward-looking statements represent, as of the date of this report, our judgment relating to, among other things, future results of operations, growth plans, sales, capital requirements and general industry and business conditions applicable to us. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties, assumptions and other factors, some of which are beyond the Company's control that could cause actual results to differ materially from those expressed or implied by such forward-looking statements.

### OVERVIEW

Cinedigm Corp. (formerly known as Cinedigm Digital Cinema Corp.) was incorporated in Delaware on March 31, 2000 (“Cinedigm”, and collectively with its subsidiaries, the “Company”). Cinedigm is a leading distributor of independent movie, television and other short form content across all theatrical and home entertainment platforms as well as a leading servicer of digital cinema assets in over 12,000 movie screens in both North America and several international countries.

The Company reports its financial results in four primary segments as follows: (1) Phase I Deployment, (2) Phase II Deployment, (3) Services and (4) Content & Entertainment. The Phase I Deployment and Phase II Deployment segments are the non-recourse, financing vehicles and administrators for the Company's Systems installed in North American movie theatres. The Services segment provides services and support to approximately 12,000 movie screens in the Phase I Deployment and Phase II Deployment segments as well as directly to exhibitors and other third party customers. Included in these services are Systems management services for a specified fee via service agreements with Phase I Deployment and Phase II Deployment as well as third party exhibitors as buyers of their own digital cinema equipment; maintenance and consulting services to Phase I and Phase II Deployment, various other exhibitors, studios and other content organizations. These services primarily facilitate the conversion from analog to digital cinema and have positioned the Company at what it believes to be the forefront of a rapidly developing industry relating to the distribution and management of digital cinema and other content to theatres and other remote venues worldwide. The Content & Entertainment segment is a market leader in the three pillars of digital entertainment distribution - aggregation and distribution, theatrical releasing and branded and curated over-the-top entertainment channels and applications.

As a leading distributor of independent content domestically, the Company collaborates with producers and the exhibition community to market, source, curate and distribute quality content to targeted and profitable audiences through (i) theatrical releases, (ii) existing and emerging digital home entertainment platforms, including iTunes, Amazon Prime, Netflix, Xbox, Playstation, VOD and (iii) physical goods, including DVD and Blu-ray. The Company's library of over 33,000 movies and television episodes from more than 650 independent rights holders includes award-winning documentaries from Docurama Films®, next-generation independent movies from Flatiron Film Company® and acclaimed independent movies and festival picks through partnerships with the Sundance Institute and Tribeca Film. The Company is proud to distribute many Oscar®-nominated movies, including “The Invisible War,” “Hell and Back Again,” “GasLand,” “Waste Land” and “Paradise Lost 3: Purgatory.”





The following organizational chart provides a graphic representation of our business and our four reporting segments:

We had losses from continuing operations of \$2,693 and \$13,495 during the three and nine months ended December 31, 2013, respectively, and we have an accumulated deficit of \$265,270 as of December 31, 2013. We also have significant contractual obligations related to our non-recourse and recourse debt for the remainder of the fiscal year ending March 31, 2014 and beyond. We may continue generating consolidated net losses in the future. Based on our cash position at December 31, 2013 and expected cash flows from operations, we believe that we have the ability to meet our obligations through at least December 31, 2014. Failure to generate additional revenues, raise additional capital or manage discretionary spending could have an adverse effect on our financial position, results of operations or liquidity.

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## Results of Continuing Operations for the Three Months Ended December 31, 2013 and 2012

## Revenues

(\$ in thousands)	For the Three Months Ended December 31,			
	2013	2012	\$ Change	% Change
Phase I Deployment	\$9,444	\$9,772	\$(328)	(3)%
Phase II Deployment	3,216	2,990	226	8%
Services	3,419	3,387	32	1%
Content & Entertainment	18,806	5,630	13,176	234%
	\$34,885	\$21,779	\$13,106	60%

Total revenues increased \$13.1 million or 60% during the three months ended December 31, 2013 due to both organic growth in revenues in Content and Entertainment as well as the consolidation of the results after October 21, 2013 from the GVE Acquisition. Phase 1 and Phase 2 Deployment revenues remained flat year over year for the three months ended December 31, 2013 as virtual print fees were impacted by (i) a reduced releasing calendar in the current fiscal quarter as compared to the prior year fiscal quarter as three titles were delayed to our fiscal fourth quarter; and (ii) constrained booking patterns on many tent-pole and wide studio releases as a crowded release calendar this quarter limited screen space access.

The Services segment remained level with the prior year quarter as increases in digital cinema services revenues were offset by decreases in activation fee revenue due to the completion of the North American deployment program in early 2013. International activation fees were recognized during the quarter from our international servicing initiative in Australia and New Zealand. During the three months ended December 31, 2013, 141 international Phase 2 DC Exhibitor-Buyer Structure Systems were installed and a total of 8,829 installed Phase 2 Systems were generating service fees at December 31, 2013 as compared to 7,965 Phase 2 Systems at December 31, 2012. The Company also services an additional 3,724 screens in its Phase I deployment subsidiary. We expect modest growth in Services as we continue with international servicing in Australia, New Zealand and Europe during the remainder of the fiscal year ending March 31, 2014 from our 44 international screen backlog.

The CEG business increased 234% with revenues of \$13.2 million, of which \$10.9 million is directly attributable to the results of the GVE Acquisition which was completed on October 21, 2013. In addition, GVE generated for its previous owner approximately \$2.2 million of revenues in the three weeks of October prior to the acquisition closing. Our fiscal third quarter was impacted by a combination of the sluggish retail holiday shopping environment experienced by our customers and an expected reduction in our new release slate as the GVE corporate sale process limited new content acquisition activity by GVE during 2013. The Company also signed several long-term library rights and digital licensing transactions in the quarter as well as a significant transaction which closed prior to year end and in which cash has been collected subsequently, but the revenue must be amortized over the multi-year term of the contract rather than recognized immediately.

We continue to expect the combined company to utilize its strong market position, differentiated sales proposition and capital to accelerate growth over the next 15 months. CEG expanded its total home entertainment distribution library of movies and television episodes to over 33,000 titles during the third quarter. CEG is further leveraging its position to acquire the North American distribution rights in all media for independent movies as well as to launch several narrowcast entertainment networks through over-the-top video channels to all home and mobile platforms. During the three months ended December 31, 2013, CEG released three movies theatrically and has three movies in its upcoming release slate. CEG expects to release two of these movies during the remainder of the current fiscal year. CEG expects the slate of its releases to date to be profitable based upon ancillary revenue pre-sales, DVD pre-orders as well as projected transactional VOD results.



## Direct Operating Expenses

(\$ in thousands)	For the Three Months Ended December 31,			
	2013	2012	\$ Change	% Change
Phase I Deployment	\$209	\$138	\$71	51 %
Phase II Deployment	163	189	(26)	(14)%
Services	120	197	(77)	(39)%
Content & Entertainment	10,521	1,595	8,926	560 %
	\$11,013	\$2,119	\$8,894	420 %

Direct operating expenses increased by 420% due to the consolidation of \$5.1 million from GVE direct costs, the significant growth in CEG home entertainment releases in the quarter and upfront theatrical releasing, marketing and acquisitions costs as CEG released three movies in the current quarter versus none in the prior year quarter. Excluding the impact of the GVE Acquisition, direct operating costs increased by \$3.8 million from the three months ended December 31, 2012 on a pro-forma basis.

These three theatrical releases total approximately \$0.4 million of upfront releasing costs which CEG expects to fully recoup from revenues earned in home entertainment distribution during its first five-year ultimate cycle. In accordance with GAAP, Cinedigm must recognize its upfront content acquisition and marketing expenses at the time of a theatrical release of a movie. We expect to recover those expenses as well as earn our fee-based profits from revenues earned on the distribution of the movie in the ancillary home entertainment markets. This timing difference creates a “J-Curve” and will continue in future periods as we increase our distribution activities. We will also experience an increase in direct operating expenses corresponding with additional revenue growth.

The decrease in the Services segment was primarily related to expense reductions in digital cinema services as the domestic installation period ended.

## Selling, General and Administrative Expenses

(\$ in thousands)	For the Three Months Ended December 31,			
	2013	2012	\$ Change	% Change
Phase I Deployment	\$47	\$16	\$31	194 %
Phase II Deployment	76	36	40	111 %
Services	213	207	6	3 %
Content & Entertainment	4,202	2,305	1,897	82 %
Corporate	2,411	2,871	(460)	(16)%
	\$6,949	\$5,435	\$1,514	28 %

Total selling, general and administrative expenses increased \$1.5 million or 28% as the addition of GVE increased Content and Entertainment's SG&A expenses by \$2.1 million. However, total selling, general and administrative expense declined by approximately 11% excluding GVE on a pro-forma basis as tight expense control and the significant synergies we achieved with the acquisition of GVE has allowed the Company to improve its efficiency levels. We expect to benefit from the realization of additional transaction synergies in our fourth quarter and will tie any future increases in selling, general and administrative expenses to additional revenues as we support our expanding content acquisition and distribution activities with additional sales and service headcount.

## Merger and Acquisition Expenses

Merger and acquisition expenses during the three months ended December 31, 2013 of \$2.8 million consist primarily of professional fees and internal expenses directly related to the GVE Acquisition of \$2.3 million and \$0.5 million, respectively.

## Restructuring and Transition Expenses

During the three months ended December 31, 2013, the Company completed a strategic assessment of its resource requirements within its Content & Entertainment reporting segment which, based upon the GVE Acquisition, resulted

in a restructuring expense of \$1.0 million as a result of workforce reduction and severance and employee-related expenses. Transition expenses of \$0.2 million are principally attributed to the integration of GVE.

## Depreciation and Amortization Expense on Property and Equipment

(\$ in thousands)	For the Three Months Ended December 31,			
	2013	2012	\$ Change	% Change
Phase I Deployment	\$7,137	\$7,137	\$—	— %
Phase II Deployment	1,881	1,849	32	2 %
Services	53	2	51	2,550 %
Content & Entertainment	139	7	132	1,886 %
Corporate	234	125	109	87 %
	\$9,444	\$9,120	\$324	4 %

Depreciation and amortization expense increased \$0.3 million or 4%. The increase in the Phase II Deployment segment represents depreciation on the increased number of Phase 2 DC Systems which were not in service during the three months ended December 31, 2012. We expect the depreciation and amortization expense in the Phase II Deployment segment to remain at similar levels as the Phase 2 deployment period has ended and we do not expect to add international Systems that require inclusion on our balance sheet. In addition, we expect modest additional growth in Services and Corporate depreciation and amortization expense tied to technology investments supporting our upgraded corporate information technology infrastructure.

## Amortization of intangible assets

Amortization of intangible assets increased to \$1.2 million from \$0.2 million for the three months ended December 31, 2013, principally due to the final purchase price allocation of the April 2012 acquisition of New Video, which was still preliminary during the prior year fiscal quarter, as well as the addition of a finite-lived intangible asset subject to amortization based upon the preliminary purchase price allocation from the GVE Acquisition.

## Interest expense, net

(\$ in thousands)	For the Three Months Ended December 31,			
	2013	2012	\$ Change	% Change
Phase I Deployment	\$3,633	\$1,683	\$1,950	116 %
Phase II Deployment	478	588	(110)	(19) %
Corporate	940	4,419	(3,479)	(79) %
	\$5,051	\$6,690	\$(1,639)	(24) %

Interest expense, net decreased \$1.6 million or 24% due to the interest savings driven by the February 2013 refinancing and the continued repayment of debt as the Company reduced principal outstanding by \$10.1 million during the three months ended December 31, 2013. The 116% increase in interest paid and accrued within the non-recourse Phase I Deployment segment is the result of the shifting of the Company's corporate debt to non-recourse as part of the February 2013 refinancing. The non-recourse Phase I deployment debt was refinanced, expanded and combined with the proceeds of the non-recourse 2013 Prospect Loan to repay the recourse 2010 Note in the Company's Corporate segment. The 2013 Term Loans are at a rate of LIBOR, plus 275 basis points with a 1.0% LIBOR floor, versus the 2010 Term Loan rate of LIBOR, plus 350 basis points with a 1.75% LIBOR floor. The 2013 Prospect Loan carries an interest rate of 13.5%, including a cash rate of LIBOR, plus 9.0% with a 2.0% LIBOR floor, and a Payment In Kind ("PIK") rate of 2.5%. Interest on the prior recourse note was 8% PIK Interest and 7% per annum paid in cash. Interest decreased within the Phase II Deployment segment related to the KBC Facilities due to the reduction of outstanding principal. Phase 2 DC's non-recourse interest expense is expected to continue to decrease as it did during the fiscal quarter as we continue to repay the KBC Facilities from free cash flow and the benefit from the resulting reduced debt balance. The decrease in interest paid and accrued within Corporate is related to the prior recourse note, which was paid off in February 2013. Corporate interest expense, net during the three months ended December 31, 2013 includes recourse debt from the Cinedigm Term Loans, Cinedigm Revolving Loans and 2013 Notes. Each of the Cinedigm Term Loans and the Cinedigm Revolving Loans bear interest at the base rate plus 3.0%

or the eurodollar rate plus 4.0%. Base rate, per annum, is equal to the highest of (a) the rate quoted by the Wall Street Journal as the “base rate on corporate loans by at least 75% of the nation’s largest banks,” (b) 0.50% plus the federal funds rate, and (c) the eurodollar rate plus 1.0%. The 2013 Notes bear interest at 9.0%.

Non-cash interest expense was approximately \$0.7 million and \$2.4 million for the three months ended December 31, 2013 and 2012, respectively. PIK interest was \$0.4 million and \$1.9 million for the three months ended December 31, 2013 and 2012, respectively, associated with the 2013 Prospect Loan and prior recourse note within Corporate for the prior period. Amortization



of debt issuance costs were \$0.3 million and \$0.4 million for the three months ended December 31, 2013 and 2012, respectively. The remaining amount for the three months ended December 31, 2012 represents the accretion of \$0.1 million on the note payable discount associated with the recourse note in Corporate.

#### Change in fair value of interest rate derivatives

The change in fair value of the interest rate derivatives was gains of \$0.1 million and \$0.3 million for the three months ended December 31, 2013 and 2012, respectively.

#### Adjusted EBITDA

Adjusted EBITDA is defined by the Company for the periods presented to be earnings before interest, taxes, depreciation and amortization, other income, net, stock-based compensation and expenses, merger and acquisition costs, restructuring and transition expenses and certain other items.

The Company reported an increase in Adjusted EBITDA (including its Phase 1 DC and Phase 2 DC subsidiaries) of \$17.8 million for the three months ended December 31, 2013 in comparison to \$15.2 million for the three months ended December 31, 2012. This increase reflects the positive impact of the GVE Acquisition as well as overall growth within CEG. Adjusted EBITDA from non-deployment businesses was \$5.7 million during the three months ended December 31, 2013, increasing from \$2.8 million for the three months ended December 31, 2012, reflecting the positive results of the GVE Acquisition as well as overall growth within CEG. GVE generated approximately an additional \$1.0 million of EBITDA for its previous owner in the three week period of the quarter prior to the closing of the transaction.

Phase 1 DC and Phase 2 DC revenues are expected to decline modestly this year due to the impact of an overcrowded release schedule on studio booking patterns. Other than limited Phase 2 DC contractual rate reductions, revenues going forward should be stable as the domestic deployment period ended at January 31, 2013 and any remaining international installations will be through an Exhibitor-Buyer structure or other servicing partnerships which should contribute to continued growth in digital cinema servicing. Based upon a full quarter of GVE ownership, a strong fourth quarter digital release schedule and solid physical retail replacements, we expect the fiscal fourth quarter to perform similarly to recent results. In addition, significant CEG resources were dedicated to the completion of the GVE Acquisition and we expect the combined company to utilize its strong market position to accelerate growth over the next 15 months with the greatest impact in the second half of fiscal year 2015. The Company intends to continue investing in the growth of its business through the acquisition of content distribution rights, related marketing related expenditures and through the continued development of additional software products and services.

Adjusted EBITDA is not a measurement of financial performance under GAAP and may not be comparable to other similarly titled measures of other companies. The Company uses Adjusted EBITDA as a financial metric to measure the financial performance of the business because management believes it provides additional information with respect to the performance of its fundamental business activities. For this reason, the Company believes Adjusted EBITDA will also be useful to others, including its stockholders, as a valuable financial metric.

Management presents Adjusted EBITDA because it believes that Adjusted EBITDA is a useful supplement to net loss from continuing operations as an indicator of operating performance. Management also believes that Adjusted EBITDA is a financial measure that is useful both to management and investors when evaluating the Company's performance and comparing our performance with the performance of our competitors. Management also uses Adjusted EBITDA for planning purposes, as well as to evaluate the Company's performance because Adjusted EBITDA excludes certain non-recurring or non-cash items, such as stock-based compensation charges, that management believes are not indicative of the Company's ongoing operating performance.

The Company believes that Adjusted EBITDA is a performance measure and not a liquidity measure, and a reconciliation between net loss from continuing operations and Adjusted EBITDA is provided in the financial results. Adjusted EBITDA should not be considered as an alternative to income from operations or net loss from continuing operations as an indicator of performance or as an alternative to cash flows from operating activities as an indicator of cash flows, in each case as determined in accordance with GAAP, or as a measure of liquidity. In addition, Adjusted EBITDA does not take into account changes in certain assets and liabilities as well as interest and income taxes that can affect cash flows. Management does not intend the presentation of these non-GAAP measures to be considered in isolation or as a substitute for results prepared in accordance with GAAP. These non-GAAP measures should be read only in conjunction with the Company's consolidated financial statements prepared in accordance with GAAP.

Following is the reconciliation of the Company's consolidated Adjusted EBITDA to consolidated GAAP net loss from continuing operations:

(\$ in thousands)	For the Three Months Ended	
	December 31,	
	2013	2012
Net loss from continuing operations before income taxes	\$ (2,693	) \$ (1,259
Add Back:		
Depreciation and amortization of property and equipment	9,444	9,120
Amortization of intangible assets	1,228	732
Interest expense, net	5,051	6,690
Income on investment in non-consolidated entity	—	(678
Other income, net	(23	) (102
Change in fair value of interest rate derivatives	(38	) (349
Stock-based compensation and expenses	750	501
Merger and acquisition expenses	2,779	—
Restructuring and transition expenses	1,142	—
Allocated costs attributable to discontinued operations	206	495
Adjusted EBITDA	\$ 17,846	\$ 15,150
Adjustments related to the Phase I and Phase II Deployments:		
Depreciation and amortization of property and equipment	(9,018	) (8,986
Amortization of intangible assets	(13	) (13
Income from operations	(3,106	) (3,318
Intersegment services fees earned	5	6
Adjusted EBITDA from non-deployment businesses	\$ 5,714	\$ 2,839

## Results of Continuing Operations for the Nine Months Ended December 31, 2013 and 2012

## Revenues

(\$ in thousands)	For the Nine Months Ended December 31,			
	2013	2012	\$ Change	% Change
Phase I Deployment	\$27,737	\$29,775	\$(2,038)	(7)%
Phase II Deployment	9,331	9,313	18	—%
Services	9,798	10,362	(564)	(5)%
Content & Entertainment	25,798	11,998	13,800	115%
	\$72,664	\$61,448	\$11,216	18%

Revenues increased \$11.2 million or 18% during the nine months ended December 31, 2013 resulting from the organic growth in revenues in Content & Entertainment as well as the GVE Acquisition, partially offset by decreases in Deployment and Services revenues. Phase 1 and Phase 2 Deployment revenues declined by \$2.0 million for the nine months ended December 31, 2013 as virtual print fees were reduced due to (i) a reduced releasing calendar in the current fiscal year as compared to the prior fiscal year period as three titles were delayed to our fiscal fourth quarter; and (ii) constrained booking patterns on many tent-pole and wide studio releases as a crowded release calendar at the peak summer and holiday seasons limited screen space; and (iii) several underperforming blockbuster releases receiving smaller releases than historically common.

In the Services segment, a \$0.6 million, or 5%, decrease in revenues was primarily due to (i) the expected reduction in service revenues as the termination of the North American deployment program resulted in \$1.1 million of activation fee revenue recognized during the current period as compared to \$3.4 million of activation fees in the prior year period; (ii) reduced virtual print fees of \$2.0 million translating into an approximately \$0.2 million reduction in service fees; and (iii) delays in remaining deployments by several international exhibitors to later this fiscal year. During the nine months ended December 31, 2013, 893 Phase 2 DC Exhibitor-Buyer Structure Systems were installed and a total of 8,829 installed Phase 2 Systems were generating service fees at December 31, 2013 as compared to 7,965 Phase 2 Systems at December 31, 2012. The Company also services an additional 3,724 screens in its Phase I deployment subsidiary. We expect modest growth in Services as we (i) continue with international servicing and software installations in Australia, New Zealand and Europe during remainder of the fiscal year ending March 31, 2014 from our 44 international screen backlog; and (ii) secure additional international servicing customers.

The CEG business expanded by \$13.8 million, or 115%, year over year, of which \$10.9 million is directly attributed to revenues of GVE earned from October 21 through the end of our fiscal third quarter. In addition, GVE generated for its previous owner approximately \$2.2 million of revenues in the three weeks of October prior to the acquisition closing. Organic growth was driven by expansion in distribution fees earned from (i) recent acquisitions of distribution rights of home entertainment titles; (ii) expanded fee revenue and monetization of our library of over 33,000 movies and television episodes; and (iii) revenues from theatrical releases that have reached the home entertainment window. The Company also signed several long-term library rights and digital licensing transactions in the quarter as well as a significant transaction which closed prior to year end and in which cash has been subsequently collected, but the revenue must be amortized over the multi-year term of the contract rather than recognized immediately.

We expect this trend to continue as CEG is expanding its physical and digital content distribution rights due to its position as the largest aggregator of digital content. CEG expanded its total home entertainment distribution library by over 11,000 movie and television titles during the period. CEG, after the GVE Acquisition, expects to further leverage its position as the largest physical and digital goods distributor of non-theatrical released content into the home and mobile to acquire the North American distribution rights in all media for independent movies as well as to launch several narrowcast entertainment networks through over-the-top video channels to all home and mobile platforms. During the nine months ended December 31, 2013, CEG released twelve movies theatrically, acquired the distribution rights to eight independent movies and has three movies in its upcoming release slate. CEG expects to release two of

these movies during the remainder of the current fiscal year. CEG expects the slate of its releases to date to be profitable based upon ancillary revenue pre-sales, DVD pre-orders as well as projected transactional VOD results.

## Direct Operating Expenses

(\$ in thousands)	For the Nine Months Ended December 31,			
	2013	2012	\$ Change	% Change
Phase I Deployment	\$566	\$347	\$219	63 %
Phase II Deployment	446	513	(67)	(13)%
Services	301	707	(406)	(57)%
Content & Entertainment	18,245	4,028	14,217	353 %
	\$19,558	\$5,595	\$13,963	250 %

Direct operating expenses increased by 250% as a result of \$5.1 million attributed to the GVE Acquisition during the period as well as significant growth in upfront theatrical releasing, marketing and acquisitions costs as CEG released nine movies during the current fiscal year versus a single small release in the prior year period. Excluding the impact of the GVE Acquisition, direct operating costs increased by \$8.9 million from the nine months ended December 31, 2012. These twelve releases total over \$2.6 million of upfront releasing costs which CEG expects to fully recoup from revenues earned in home entertainment distribution during its first five-year ultimate cycle. In accordance with GAAP, Cinedigm must recognize its upfront content acquisition and marketing expenses at the time of a theatrical release of a movie. We expect to recover those expenses as well as earn our fee-based profits from revenues earned on the distribution of the movie in the ancillary home entertainment markets. This timing difference creates a “J-Curve” and will continue in future periods as we increase our distribution activities. We will also experience an increase in direct operating expenses corresponding with additional revenue growth.

The decrease in the Services segment was primarily related to expense reductions in digital cinema services as the domestic installation period ended.

## Selling, General and Administrative Expenses

(\$ in thousands)	For the Nine Months Ended December 31,			
	2013	2012	\$ Change	% Change
Phase I Deployment	\$206	\$89	\$117	131 %
Phase II Deployment	203	87	116	133 %
Services	624	615	9	1 %
Content & Entertainment	9,729	6,193	3,536	57 %
Corporate	6,481	9,263	(2,782)	(30)%
	\$17,243	\$16,247	\$996	6 %

Selling, general and administrative expenses grew modestly by 6% during the period as strong expense controls and synergies from the GVE Acquisition improved results. The Content & Entertainment segment increased 57% as a result of the GVE Acquisition, which added \$2.1 million, and the expansion of our theatrical releasing and marketing teams which we added in the summer and fall of 2012 as well as increased staffing to support the rapid growth in our home entertainment acquisition and distribution volume. We have maintained selling, general and administrative expenses at CEG relatively consistent with the previous two quarters. The decrease within Corporate reflects ongoing prudent expense management and reduction of a contingent liability of \$1.5 million related to a business combination. Future increases in selling, general and administrative expenses will be tied to the integration of GVE into CEG and the additional revenues as we support our expanding sales pipeline and our additional content acquisition and distribution activities with additional sales and service headcount.

## Merger and Acquisition Expenses

Merger and acquisition expenses included in corporate expenses for the nine months ended December 31, 2013 of \$2.8 million consist primarily of professional fees and internal expenses directly related to the GVE Acquisition of \$2.3 million and \$0.5 million, respectively. Merger and acquisition expenses included in corporate expenses for the nine months ended December 31, 2013 of \$1.3 million include professional fees incurred which pertained to the

purchase of New Video which was consummated in April 2012.

## Restructuring and Transition Expenses

During the three months ended December 31, 2013, the Company completed a strategic assessment of its resource requirements within its Content & Entertainment reporting segment which, based upon the GVE Acquisition, resulted in a restructuring expense of \$1.0 million as a result of workforce reduction and severance and employee-related expenses. Transition expenses of \$0.2 million are principally attributed to the integration of GVE.

## Depreciation and Amortization Expense on Property and Equipment

(\$ in thousands)	For the Nine Months Ended December 31,				
	2013	2012	\$ Change	% Change	
Phase I Deployment	\$21,412	\$21,412	\$—	—	%
Phase II Deployment	5,642	5,478	164	3	%
Services	161	6	155	2,583	%
Content & Entertainment	149	17	132	776	%
Corporate	537	351	186	53	%
	\$27,901	\$27,264	\$637	2	%

Depreciation and amortization expense increased \$0.6 million or 2%. The increase in the Phase II Deployment segment represents depreciation on the increased number of Phase 2 DC Systems which were not in service during the nine months ended December 31, 2012. We expect the depreciation and amortization expense in the Phase II Deployment segment to remain at similar levels as the Phase 2 deployment period has ended and we do not expect to add international Systems that require inclusion on our balance sheet. In addition, we expect modest additional growth in Services and Corporate depreciation and amortization expense tied to technology investments supporting our software expansion and our upgraded corporate information technology infrastructure.

## Amortization of intangible assets

Amortization of intangible assets increased to \$2.1 million from \$1.1 million for the nine months ended December 31, 2013, principally due to the final purchase price allocation of the April 2012 acquisition of New Video, which was still preliminary during the prior year fiscal quarter, as well as the addition of a finite-lived intangible asset subject to amortization based upon the preliminary purchase price allocation from the GVE Acquisition.

## Interest expense, net

(\$ in thousands)	For the Nine Months Ended December 31,				
	2013	2012	\$ Change	% Change	
Phase I Deployment	\$11,522	\$6,069	\$5,453	90	%
Phase II Deployment	1,518	1,798	(280)	(16)	)%
Corporate	1,467	13,559	(12,092)	(89)	)%
	\$14,507	\$21,426	\$(6,919)	(32)	)%

Interest expense, net decreased \$6.9 million or 32% due to the interest savings driven by the February 2013 refinancing and the continued repayment of debt as the company reduced principal outstanding by \$31.6 million during the current fiscal year. The 90% increase in interest paid and accrued within the non-recourse Phase I Deployment segment is the result of the shifting of the Company's corporate debt to non-recourse as part of the February 2013 refinancing. The non-recourse Phase I deployment debt was refinanced, expanded and combined with the proceeds of the non-recourse 2013 Prospect Loan to repay the recourse 2010 Note in the Company's Corporate segment. The 2013 Term Loans are at a rate of LIBOR, plus 275 basis points with a 1.0% LIBOR floor, versus the 2010 Term Loan rate of LIBOR, plus 350 basis points with a 1.75% LIBOR floor. Interest decreased within the Phase II Deployment segment related to the KBC Facilities due to the reduction of outstanding principal. Phase 2 DC's non-recourse interest expense is expected to continue to decrease as it did during the fiscal quarter as we continue to repay the KBC Facilities from free cash flow and the benefit from the resulting reduced debt balance. The decrease in



interest paid and accrued within Corporate is related to the recourse note, which was paid off in February 2013. The 2013 Prospect Loan carries an interest rate of 13.5%, including a cash rate of LIBOR, plus 9.0% with a 2.0% LIBOR floor, and a PIK rate of 2.5%. Interest on the prior recourse note was 8% PIK Interest and 7% per annum paid in cash. Corporate interest expense, net during the three months ended December 31, 2013 includes recourse debt from the Cinedigm Term Loans and Cinedigm Revolving Loans and the 2013 Notes. Each of the Cinedigm Term Loans and the Cinedigm Revolving Loans bear interest at the base rate plus 3.0% or the eurodollar

rate plus 4.0%. Base rate, per annum, is equal to the highest of (a) the rate quoted by the Wall Street Journal as the “base rate on corporate loans by at least 75% of the nation’s largest banks,” (b) 0.50% plus the federal funds rate, and (c) the eurodollar rate plus 1.0%. The 2013 Notes bear interest at 9.0%.

Non-cash interest expense was approximately \$1.9 million and \$7.3 million for the nine months ended December 31, 2013 and 2012, respectively. PIK interest was \$1.3 million and \$5.7 million for the nine months ended December 31, 2013 and 2012, respectively, associated with the 2013 Prospect Loan and prior recourse note within Corporate for the prior period. Amortization of debt issuance costs were \$0.6 million and \$1.2 million for the nine months ended December 31, 2013 and 2012, respectively. The remaining amount for the nine months ended December 31, 2012 represents the accretion of \$1.4 million on the note payable discount associated with the recourse note in Corporate.

#### Change in fair value of interest rate derivatives

The change in fair value of the interest rate derivatives were gains of approximately \$0.8 million and \$1.0 million for the nine months ended December 31, 2013 and 2012, respectively. The interest swap associated with the 2013 Term Loans matured in June 2013.

#### Benefit from income taxes

A net benefit from income taxes of \$5.0 million was recorded primarily from the acquisition of New Video during the nine months ended December 31, 2012. A net deferred tax liability of \$5.0 million was recorded upon the New Video Acquisition for the excess of the financial statement basis over the tax basis of the acquired assets and liabilities. As New Video will be included in the Company's consolidated federal and state tax returns, deferred tax liabilities assumed in the New Video Acquisition are able to offset the reversal of the Company's pre-existing deferred tax assets. Accordingly, the Company's valuation allowance has been reduced by \$5.0 million and recorded as a deferred tax benefit in the accompanying condensed consolidated statements of operations for the nine months ended December 31, 2012. Management will continue to assess the realizability of the deferred tax assets at each interim and annual balance sheet date based upon actual and forecasted operating results.

#### Adjusted EBITDA

Adjusted EBITDA is defined by the Company for the periods presented to be earnings before interest, taxes, depreciation and amortization, other income, net, stock-based compensation and expenses, merger and acquisition costs, restructuring and transition expenses and certain other items.

The Company reported a decrease of 9% in Adjusted EBITDA (including its Phase 1 DC and Phase 2 DC subsidiaries) of \$38.8 million for the nine months ended December 31, 2013 in comparison to \$42.6 million for the nine months ended December 31, 2012. This decrease was due to (A) a decrease of \$2.0 million in VPF revenues and related EBITDA earned in the period as a result of (i) fewer releases by studios in the current fiscal year as compared to the prior year fiscal year as three release titles were delayed to the fourth quarter of our current fiscal year due to the crowded release calendar this year; (ii) limited screen space to accommodate all tent-pole and wide studio releases constrained and concentrated booking patterns in the quarter (iii) a number of poor performing movies booked on fewer screen than past patterns; and (B) J-Curve costs from our theatrical releasing business of \$2.6 million. These results were partially offset by the positive contributions from the GVE Acquisition. Adjusted EBITDA from non-deployment businesses was \$3.3 million during the nine months ended December 31, 2013, decreasing from \$4.8 million for the nine months ended December 31, 2012.

Phase 1 DC and Phase 2 DC revenues are not expected to recover from the modest decline experienced this year due to the impact of an overcrowded release schedule on studio booking patterns. Other than limited Phase 2 DC contractual rate reductions, revenues going forward should be stable as the domestic deployment period ended at January 31, 2013 and any remaining international installations will be through an Exhibitor-Buyer structure or other servicing partnerships which should contribute to continued growth in digital cinema servicing. Based on the GVE

Acquisition along with the expansion of the combined CEG business, the Company expects Adjusted non-deployment EBITDA performance to remain strong in the remainder of the fiscal year ending March 31, 2014. The Company also signed several long-term library rights and digital licensing transactions in the quarter as well as a significant transaction which closed prior to year end and in which cash has been subsequently collected, but the revenue must be amortized over the multi-year term of the contract rather than recognized immediately. Our fiscal third quarter is our seasonally strongest quarter in terms of revenue and EBITDA and our fiscal fourth quarter is our second strongest seasonal quarter with a seasonal slowdown common in our June and September quarters. Our main drivers of performance will be the growth in our library of distribution rights, the recognition of revenues from recently released theatrical movies and our expanding future content release slate. The Company intends to continue investing in the growth of its business through the acquisition of content distribution rights, related marketing related expenditures and the launch of over-the-top digital channels.

Adjusted EBITDA is not a measurement of financial performance under GAAP and may not be comparable to other similarly titled measures of other companies. The Company uses Adjusted EBITDA as a financial metric to measure the financial performance of the business because management believes it provides additional information with respect to the performance of its fundamental business activities. For this reason, the Company believes Adjusted EBITDA will also be useful to others, including its stockholders, as a valuable financial metric.

Management presents Adjusted EBITDA because it believes that Adjusted EBITDA is a useful supplement to net loss from continuing operations as an indicator of operating performance. Management also believes that Adjusted EBITDA is a financial measure that is useful both to management and investors when evaluating the Company's performance and comparing our performance with the performance of our competitors. Management also uses Adjusted EBITDA for planning purposes, as well as to evaluate the Company's performance because Adjusted EBITDA excludes certain non-recurring or non-cash items, such as stock-based compensation charges, that management believes are not indicative of the Company's ongoing operating performance.

The Company believes that Adjusted EBITDA is a performance measure and not a liquidity measure, and a reconciliation between net loss from continuing operations and Adjusted EBITDA is provided in the financial results. Adjusted EBITDA should not be considered as an alternative to income from operations or net loss from continuing operations as an indicator of performance or as an alternative to cash flows from operating activities as an indicator of cash flows, in each case as determined in accordance with GAAP, or as a measure of liquidity. In addition, Adjusted EBITDA does not take into account changes in certain assets and liabilities as well as interest and income taxes that can affect cash flows. Management does not intend the presentation of these non-GAAP measures to be considered in isolation or as a substitute for results prepared in accordance with GAAP. These non-GAAP measures should be read only in conjunction with the Company's consolidated financial statements prepared in accordance with GAAP.

Following is the reconciliation of the Company's consolidated Adjusted EBITDA to consolidated GAAP net loss from continuing operations:

(\$ in thousands)	For the Nine Months Ended December 31,	
	2013	2012
Net loss from continuing operations before income taxes	\$(13,495 )	\$(9,158 )
Add Back:		
Depreciation and amortization of property and equipment	27,901	27,264
Amortization of intangible assets	2,055	1,100
Interest expense, net	14,507	21,426
Loss (income) on investment in non-consolidated entity	1,812	(1,340 )
Other income, net	(269 )	(494 )
Change in fair value of interest rate derivatives	(796 )	(1,025 )
Stock-based compensation and expenses	1,932	1,698
Merger and acquisition expenses	2,779	1,267
Restructuring and transition expenses	1,142	340
Allocated costs attributable to discontinued operations	1,208	1,503
Adjusted EBITDA	\$38,776	\$42,581
Adjustments related to the Phase I and Phase II Deployments:		
Depreciation and amortization of property and equipment	(27,054 )	(26,890 )
Amortization of intangible assets	(39 )	(39 )
Income from operations	(8,351 )	(10,921 )

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Intersegment services fees earned	16	21
Adjusted EBITDA from non-deployment businesses	\$3,348	\$4,752

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## Critical Accounting Policies

The following is a discussion of our critical accounting policies.

### PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation expense is recorded using the straight-line method over the estimated useful lives of the respective assets as follows:

Computer equipment and software	3-5 years
Digital cinema projection systems	10 years
Machinery and equipment	3-10 years
Furniture and fixtures	3-6 years

Leasehold improvements are being amortized over the shorter of the lease term or the estimated useful life of the improvement. Maintenance and repair costs are charged to expense as incurred. Major renewals, improvements and additions are capitalized.

Useful lives are determined based on an estimate of either physical or economic obsolescence, or both. During the three and nine months ended December 31, 2013 and 2012, the Company has not made any revisions to estimated useful lives.

### GOODWILL AND DEFINITE-LIVED INTANGIBLE ASSETS

Goodwill is the excess of the purchase price paid over the fair value of the net assets of an acquired business. Goodwill and intangible assets with indefinite lives are not amortized; rather, they are tested for impairment on at least an annual basis.

The Company's process of evaluating goodwill for impairment involves the determination of fair value of its CEG goodwill reporting unit. The Company conducts its annual goodwill impairment analysis during the fourth quarter of each fiscal year, measured as of March 31, unless triggering events occur which require goodwill to be tested at another date.

For further details on the Company's process for evaluating goodwill for impairment, refer to the Company's Form 10-K.

As of December 31, 2013 and March 31, 2013, the Company's goodwill from continuing operations of \$8,542 was all part of its Content & Entertainment segment.

As of December 31, 2013, the Company's finite-lived intangible assets consisted of customer relationships and agreements, theatre relationships, covenants not to compete, a favorable operating lease, trade names and trademarks. During the three and nine months ended December 31, 2013 and 2012, no impairment charge for finite-lived intangible assets from continuing operations was recorded.

### REVENUE RECOGNITION

Phase I Deployment and Phase II Deployment

VPFs are earned pursuant to contracts with movie studios and distributors, whereby amounts are payable by a studio to Phase 1 DC, CDF I and to Phase 2 DC when movies distributed by the studio are displayed on screens utilizing the Company's Systems installed in movie theatres. VPFs are earned and payable to Phase 1 DC and CDF I based on a defined fee schedule with a reduced VPF rate year over year until the sixth year (calendar 2011) at which point the VPF rate remains unchanged through the tenth year. One VPF is payable for every digital title displayed per System. The amount of VPF revenue is dependent on the number of movie titles released and displayed using the Systems in any given accounting period. VPF revenue is recognized in the period in which the digital title first plays on a System for general audience viewing in a digitally-equipped movie theatre, as Phase 1 DC's, CDF I's and Phase 2 DC's performance obligations have been substantially met at that time.

Phase 2 DC's agreements with distributors require the payment of VPFs, according to a defined fee schedule, for ten years from the date each system is installed; however, Phase 2 DC may no longer collect VPFs once "cost recoupment," as defined in the contracts with movie studios and distributors, is achieved. Cost recoupment will occur once the cumulative VPFs and other cash receipts collected by Phase 2 DC have equaled the total of all cash outflows, including the purchase price of all Systems, all

financing costs, all “overhead and ongoing costs”, as defined, and including the Company’s service fees, subject to maximum agreed upon amounts during the three-year rollout period and thereafter, plus a compounded return on any billed but unpaid overhead and ongoing costs, of 15% per year. Further, if cost recoupment occurs before the end of the eighth contract year, a one-time “cost recoupment bonus” is payable by the studios to the Company. Any other cash flows, net of expenses, received by Phase 2 DC following the achievement of cost recoupment are required to be returned to the distributors on a pro-rata basis. At this time, the Company cannot estimate the timing or probability of the achievement of cost recoupment.

Alternative content fees (“ACFs”) are earned pursuant to contracts with movie exhibitors, whereby amounts are payable to Phase 1 DC, CDF I and to Phase 2 DC, generally either a fixed amount or as a percentage of the applicable box office revenue derived from the exhibitor’s showing of content other than feature movies, such as concerts and sporting events (typically referred to as “alternative content”). ACF revenue is recognized in the period in which the alternative content first opens for audience viewing.

Revenues are deferred for up front exhibitor contributions and are recognized over the cost recoupment period, which is expected to be ten years.

#### Services

Exhibitors who purchased and own Systems using their own financing in the Phase II Deployment, paid an upfront activation fee that is generally \$2 thousand per screen to the Company (the “Exhibitor-Buyer Structure”). These upfront activation fees are recognized in the period in which these exhibitor owned Systems are ready for content, as the Company has no further obligations to the customer, and are generally paid quarterly from VPF revenues over approximately one year. Additionally, the Company recognizes activation fee revenue of between \$1 thousand and \$2 thousand on Phase 2 DC Systems and for Systems installed by Holdings upon installation and such fees are generally collected upfront upon installation. The Company will then manage the billing and collection of VPFs and will remit all VPFs collected to the exhibitors, less an administrative fee that will approximate up to 10% of the VPFs collected.

The administrative fee related to the Phase I Deployment approximates 5% of the VPFs collected and an incentive service fee equal to 2.5% of the VPFs earned by Phase 1 DC. This administrative fee is recognized in the period in which the billing of VPFs occurs, as performance obligations have been substantially met at that time.

#### Content & Entertainment

CEG earns fees for the distribution of content in the home entertainment markets via several distribution channels, including digital, video-on-demand, and physical goods (e.g. DVD and Blu-ray). The fee rate earned by the Company varies depending upon the nature of the agreements with the platform and content providers. Generally, revenues are recognized at the availability date of the content for a subscription digital platform, at the time of shipment for physical goods, or point-of-sale for transactional and video-on-demand services.

CEG also has contracts for the theatrical distribution of third party feature movies and alternative content. CEG’s distribution fee revenue and CEG's participation in box office receipts is recognized at the time a feature movie and alternative content is viewed. CEG has the right to receive or bill a portion of the theatrical distribution fee in advance of the exhibition date, and therefore such amount is recorded as a receivable at the time of execution, and all related distribution revenue is deferred until the third party feature movies’ or alternative content’s theatrical release date.

#### Movie Cost Amortization

Once a movie is released, capitalized acquisition costs are amortized and participations and residual costs are accrued on an individual title basis in the proportion to the revenue recognized during the period for each title (“Period Revenue”) bears to the estimated remaining total revenue to be recognized from all sources for each title (“Ultimate



Revenue"). The amount of movie and other costs that is amortized each period will depend on the ratio of Period Revenue to Ultimate Revenue for each movie. The Company makes certain estimates and judgments of Ultimate Revenue to be recognized for each title. Ultimate Revenue does not include estimates of revenue that will be earned beyond 5 years of a movie's initial theatrical release date. Movie cost amortization is a component of direct operating costs within the condensed consolidated statements of operations.

Estimates of Ultimate Revenue and anticipated participation and residual costs are reviewed periodically in the ordinary course of business and are revised if necessary. A change in any given period to the Ultimate Revenue for an individual title will result in an increase or decrease in the percentage of amortization of capitalized movie and other costs and accrued participation and

residual costs relative to a previous period. Depending on the performance of a title, significant changes to the future Ultimate Revenue may occur, which could result in significant changes to the amortization of the capitalized acquisition costs.

#### Liquidity and Capital Resources

We have incurred net losses each year since we commenced our operations. Since our inception, we have financed our operations substantially through the private placement of shares of our common and preferred stock, the issuance of promissory notes, our initial public offering and subsequent private and public offerings, notes payable and common stock used to fund various acquisitions.

Our business is primarily driven by the growth in global demand for entertainment content in all forms, and in particular, the shifting consumer demand for content in digital forms within home and mobile devices as well as the maturing digital cinema marketplace. Primary revenue drivers will be the increasing number of digitally equipped screens, the growing demand for software to power these screens and drive other efficiencies and the demand for entertainment content in both theatrical and home ancillary markets. According to the Motion Picture Association of America, during 2012 there were approximately 43,000 domestic (United States and Canada) movie theatre screens and approximately 130,000 screens worldwide, of which approximately 36,000 of the domestic screens were equipped with digital cinema technology, and 12,553 of those screens contained our Systems and software. The Company's North American digital deployment period ended at January 31, 2013 other than for a modest special program for drive-in theatres. We have deployed 3,724 screens in our Phase I Deployment, and through December 31, 2013 have deployed 8,829 Phase 2 DC Systems. To date, the number of digitally-equipped screens in the marketplace has been a significant determinant of our potential revenue streams. The expansion of our content business into the ancillary distribution markets as well into the acquisition and distribution of new movie releases expands our market opportunities as the rapidly evolving digital and entertainment landscape creates significant new growth potential for the Company.

Beginning in May 2010, Phase 2 B/AIX, an indirect wholly-owned subsidiary of the Company, entered into additional credit facilities, the KBC Facilities, to fund the purchase of Systems from Barco, to be installed in movie theatres as part of the Company's Phase II Deployment. As of December 31, 2013, the outstanding principal balance of the KBC Facilities was \$37.0 million.

In February 2013, the Company refinanced its existing non-recourse senior 2010 Term Loan and recourse 2010 Note with a \$125.0 million senior non-recourse credit facility led by Société Générale, New York Branch and a \$70.0 million non-recourse credit facility provided by Prospect Capital Corporation. These two new non-recourse credit facilities will be supported by the cash flows of the Phase 1 deployment and the Company's digital cinema servicing business.

In October 2013, the Company entered into a credit facility led by Société Générale, New York Branch where the Company borrowed term loans of \$25.0 million and revolving loans of up to \$30.0 million, of which \$15.0 million were drawn upon in connection with the GVE Acquisition. The credit agreement will be supported by the cash flows of the Company's media library, acquired in connection with the GVE Acquisition.

As of December 31, 2013, we had working capital, defined as current assets less current liabilities, of \$8.7 million and cash and cash equivalents and restricted cash totaling \$25.6 million.

Operating activities provided net cash of \$23.6 million and \$24.0 million for the nine months ended December 31, 2013 and 2012, respectively. While the Company expects to recover initial investments in movie acquisition in the next fiscal year, cash flows from VPFs are expected to remain consistent with the current fiscal year. Generally, changes in accounts receivable from our studio customers and others is a large component of operating cash flow and

will vary based on the seasonality of movie release schedules by the major studios. The CEG business differs slightly from our deployment business as we will continue to build receivables, the amount of which will depend upon the success of the theatrical releases, through the end of this fiscal year which the Company expects to collect upon during the first quarter of the next fiscal year. Generally, the Company makes advances towards theatrical releases and expects to recover the initial expenditures within six to twelve months. CEG also generates additional operating cash flows during the Company's fiscal third and fourth quarter resulting from holiday revenues and distributes royalties from such revenues in the subsequent one to two fiscal quarters. The changes in the Company's trade accounts payable is also a significant factor, but the Company does not anticipate major changes in payables activity. The Company also has non-cash expense fluctuations, primarily resulting from the change in the fair value of interest rate derivative arrangements. We expect operating activities to continue to be a positive source of cash.

Investing activities used net cash of \$50.2 million and \$0.4 million for the nine months ended December 31, 2013 and 2012, respectively. The increase is principally due to the GVE Acquisition which occurred in October 2013.

Financing activities provided net cash of \$32.0 million and used \$24.2 million for the nine months ended December 31, 2013 and 2012 respectively. Proceeds from the issuance of the Cinedigm Credit Facility in October 2013 and issuances of Class A Common Stock during July 2013 and October 2013 more than offset normal principal reduction of notes payables of during the nine months ended March 31, 2013. Financing activities are expected to continue using the net cash generated from the Phase 1 and Phase 2 DC operations, primarily for principal repayments on the 2013 Term Loans, 2013 Prospect Loan, the Cinedigm Credit Facility and other existing debt facilities.

We have contractual obligations that include long-term debt consisting of notes payable, credit facilities, non-cancelable long-term capital lease obligations for the Pavilion Theatre, capital leases for information technology equipment and other various computer related equipment, non-cancelable operating leases consisting of real estate leases, and minimum guaranteed obligations under theatre advertising agreements with exhibitors for displaying cinema advertising. The capital lease obligation of the Pavilion Theatre is paid by an unrelated third party, although Cinedigm remains the primary lessee and would be obligated to pay if the unrelated third party were to default on its rental payment obligations.

The following table summarizes our significant contractual obligations as of December 31, 2013:

Contractual Obligations (\$ in thousands)	Payments Due				
	Total	2014	2015 & 2016	2017 & 2018	Thereafter
Long-term recourse debt <sup>(1)</sup>	44,775	\$ 18,275	\$ 21,500	500 \$ 5,000	\$ —
Long-term non-recourse debt <sup>(2)</sup>	222,111	34,092	64,060	40,462	83,497
Capital lease obligations <sup>(3)</sup>	6,217	609	1,315	1,253	3,040
Debt-related obligations, principal	\$ 273,103	\$ 52,976	\$ 86,875	\$ 46,715	\$ 86,537
Interest on recourse debt <sup>(1)</sup>	5,409	\$ 1,835	\$ 2,750	\$ 824	\$ —
Interest on non-recourse debt <sup>(2)</sup>	73,339	12,618	22,021	18,456	20,244
Interest on capital leases <sup>(3)</sup>	5,224	941	1,695	1,384	1,204
Total interest	\$ 83,972	\$ 15,394	\$ 26,466	\$ 20,664	\$ 21,448
Total debt-related obligations	\$ 357,075	\$ 68,370	\$ 113,341	\$ 67,379	\$ 107,985
Total non-recourse debt including interest	\$ 295,450	\$ 46,710	\$ 86,081	\$ 58,918	\$ 103,741
Operating lease obligations <sup>(4)</sup>	\$ 2,241	\$ 1,151	\$ 888	\$ 202	\$ —

(1) Recourse debt includes the Cinedigm Term Loans, Cinedigm Revolving Loans and the 2013 Notes.

Non-recourse debt is generally defined as debt whereby the lenders' sole recourse with respect to defaults by the Company is limited to the value of the asset, which is collateral for the debt. The 2013 Term Loans are not (2) guaranteed by the Company or its other subsidiaries, other than Phase 1 DC and CDF I, the 2013 Prospect Loan is not guaranteed by the Company or its other subsidiaries, other than Phase 1 DC and DC Holdings LLC and the KBC Facilities are not guaranteed by the Company or its other subsidiaries, other than Phase 2 DC.

Represents the capital lease and capital lease interest for the Pavilion Theatre and capital leases on information technology equipment. The Company has remained the primary obligor on the Pavilion capital lease, and therefore, the capital lease obligation and related assets under the capital lease remain on the Company's condensed (3) consolidated financial statements as of December 31, 2013. The Company has, however, entered into a sub-lease agreement with the unrelated third party purchaser which pays the capital lease and as such, has no continuing involvement in the operation of the Pavilion Theatre. This capital lease was previously included in discontinued operations.

(4) Includes the remaining operating lease agreement for one IDC lease now operated and paid for by FiberMedia, consisting of unrelated third parties. FiberMedia currently pays the lease directly to the landlord and the Company will attempt to obtain landlord consent to assign the facility lease to FiberMedia. Until such landlord consent is obtained, the Company will remain as the lessee.

We may continue to generate net losses for the foreseeable future primarily due to depreciation and amortization, interest on the 2013 Term Loans, 2013 Prospect Loan and Cinedigm Credit Agreement, software development, marketing and promotional activities and content acquisition and marketing costs. Certain of these costs, including costs of software development and marketing and promotional activities, could be reduced if necessary. The restrictions imposed by the 2013 Term Loans and 2013 Prospect Loan may limit our ability to obtain financing, make it more difficult to satisfy our debt obligations or require us to dedicate a

substantial portion of our cash flow to payments on our existing debt obligations. The 2013 Prospect Loan requires certain screen turn performance from Phase 1 DC and Phase 2 DC. While such restrictions may reduce the availability of our cash flow to fund working capital, capital expenditures and other corporate requirements, we do not have similar restrictions imposed upon our Software and CEG businesses. We may seek to raise additional capital for strategic acquisitions or working capital as necessary. Failure to generate additional revenues, raise additional capital or manage discretionary spending could have an adverse effect on our financial position, results of operations or liquidity.

#### Seasonality

Revenues from our Phase I Deployment and Phase II Deployment segments derived from the collection of VPFs from motion picture studios are seasonal, coinciding with the timing of releases of movies by the motion picture studios. Generally, motion picture studios release the most marketable movies during the summer and the winter holiday season. The unexpected emergence of a hit movie during other periods can alter the traditional trend. The timing of movie releases can have a significant effect on our results of operations, and the results of one quarter are not necessarily indicative of results for the next quarter or any other quarter. We believe the seasonality of motion picture exhibition, is becoming less pronounced as the motion picture studios are releasing movies somewhat more evenly throughout the year. CEG experiences significant seasonality with revenues and EBITDA concentrated in the December and March quarters due to the impact of the winter holiday season on sales.

#### Off-balance sheet arrangements

We are not a party to any off-balance sheet arrangements, other than operating leases in the ordinary course of business, which are disclosed above in the table of our significant contractual obligations, and Holdings. In addition, as discussed further in Note 2 to the Consolidated Financial Statements, the Company holds a 100% equity interest in Holdings, which is an unconsolidated variable interest entity (“VIE”), which wholly owns Cinedigm Digital Funding 2, LLC; however, the Company is not the primary beneficiary of the VIE.

#### Impact of Inflation

The impact of inflation on our operations has not been significant to date. However, there can be no assurance that a high rate of inflation in the future would not have an adverse impact on our operating results.

#### Item 4. CONTROLS AND PROCEDURES

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report.

Based on such evaluation, our principal executive officer and principal financial officer have concluded that, as of the end of such period, the Company’s disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including the Company’s principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

There have been no changes in the Company’s internal control over financial reporting during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over

financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The exhibits are listed in the Exhibit Index on page 49 herein.



SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CINEDIGM CORP.

Date: February 14, 2014

By: /s/ Christopher J. McGurk  
Christopher J. McGurk  
Chief Executive Officer and Chairman of the Board of Directors  
(Principal Executive Officer)

Date: February 14, 2014

By: /s/ Adam M. Mizel  
Adam M. Mizel  
Chief Operating Officer, Chief Financial Officer and Director  
(Principal Financial Officer)

Date: February 14, 2014

By: /s/ John B. Brownson  
John B. Brownson  
Senior Vice President – Accounting & Finance  
(Principal Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Description of Document
31.1	Officer's Certificate Pursuant to 15 U.S.C. Section 7241, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Officer's Certificate Pursuant to 15 U.S.C. Section 7241, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.3	Officer's Certificate Pursuant to 15 U.S.C. Section 7241, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.3	Certification of Chief Accounting Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101.INS	XBRL Instance Document.*
101.SCH	XBRL Taxonomy Extension Schema.*
101.CAL	XBRL Taxonomy Extension Calculation.*
101.DEF	XBRL Taxonomy Extension Definition.*
101.LAB	XBRL Taxonomy Extension Label.*
101.PRE	XBRL Taxonomy Extension Presentation.*