

CINEDIGM CORP.

FORM 10-Q (Quarterly Report)

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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, 2015**

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)

10010

(Zip Code)

(212) 206-8600

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

CLASS A COMMON STOCK, PAR VALUE \$0.001 PER SHARE

Name of each exchange on which registered

NASDAQ GLOBAL MARKET

Securities registered pursuant to Section 12(g) of the Act:

NONE

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)

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 4, 2016, 78,470,462 shares of Class A Common Stock, \$0.001 par value were outstanding, which number includes 11,791,384 shares subject to our forward purchase transaction and excludes 2,772,440 shares held in treasury.

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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)

ASSETS	December 31, 2015	March 31, 2015
	(Unaudited)	
Current assets		
Cash and cash equivalents	\$ 26,237	\$ 18,999
Accounts receivable, net of allowance for doubtful accounts of \$936 and \$597, respectively	70,862	59,591
Inventory	2,805	3,210
Unbilled revenue	5,463	5,065
Prepaid and other current assets	18,742	20,078
Total current assets	124,109	106,943
Restricted cash	8,984	6,751
Property and equipment, net	70,861	98,561
Intangible assets, net	27,404	31,784
Goodwill	8,701	26,701
Other assets	2,146	2,277
Total assets	\$ 242,205	\$ 273,017
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued expenses	\$ 84,031	\$ 77,147
Current portion of notes payable, non-recourse (see Note 5)	30,936	32,973
Current portion of notes payable	—	24,294
Current portion of capital leases	326	640
Current portion of deferred revenue	2,291	2,760
Total current liabilities	117,584	137,814
Notes payable, non-recourse, net of current portion and unamortized debt issuance costs of \$4,834 and \$5,938, respectively (see Note 5)	92,175	118,387
Notes payable, net of current portion and unamortized debt issuance costs of \$3,231 and \$750, respectively	86,697	21,000
Capital leases, net of current portion	4,028	4,855
Deferred revenue, net of current portion	8,903	10,098
Total liabilities	309,387	292,154
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, 2015 and March 31, 2015, respectively. Liquidation preference of \$3,648	3,559	3,559
Common stock, \$0.001 par value; Class A and Class B stock; Class A stock 210,000,000 stock authorized; 78,343,021 and 77,178,494 stock issued and 75,570,581 and 77,075,614 stock outstanding at December 31, and March 31, 2015, respectively; 1,241,000 Class B stock authorized and issued and zero stock outstanding at December 31, 2015 and March 31, 2015, respectively	78	77
Additional paid-in capital	269,578	277,984
Treasury stock, at cost; 2,772,440 and 51,440 Class A common shares at December 31, 2015 and March 31, 2015, respectively	(2,839)	(172)
Accumulated deficit	(336,298)	(300,350)
Accumulated other comprehensive loss	(42)	(57)
Total stockholders' deficit of Cinedigm Corp.	(65,964)	(18,959)
Deficit attributable to noncontrolling interest	(1,218)	(178)
Total deficit	(67,182)	(19,137)
Total liabilities and stockholders' deficit	\$ 242,205	\$ 273,017

See accompanying notes to Condensed Consolidated Financial Statements

CINEDIGM CORP.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except for share and per share data)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2015	2014	2015	2014
Revenues	\$ 30,708	\$ 31,276	\$ 81,240	\$ 77,854
Costs and expenses:				
Direct operating (excludes depreciation and amortization shown below)	8,512	9,110	24,192	20,925
Selling, general and administrative	7,610	7,484	25,937	23,295
(Benefit) provision for doubtful accounts	—	(378)	339	(206)
Restructuring, transition and acquisition expenses, net	576	487	772	2,250
Goodwill impairment	—	—	18,000	—
Litigation settlement (recovery) net of expenses	(225)	578	(635)	780
Depreciation and amortization of property and equipment	9,428	9,400	28,212	28,167
Amortization of intangible assets	1,463	1,462	4,385	4,811
Total operating expenses	27,364	28,143	101,202	80,022
Income (loss) from operations	3,344	3,133	(19,962)	(2,168)
Interest expense, net	(5,158)	(4,929)	(15,480)	(14,957)
Loss on extinguishment of debt	—	—	(931)	—
Other income (expense), net	274	(31)	506	69
Change in fair value of interest rate derivatives	34	(106)	(32)	(281)
Loss from continuing operations before income taxes	(1,506)	(1,933)	(35,899)	(17,337)
Income tax expense	(470)	—	(470)	—
Loss from continuing operations	(1,976)	(1,933)	(36,369)	(17,337)
(Loss) income from discontinued operations	—	(342)	—	100
Loss on sale of discontinued operations	—	—	—	(3,045)
Net loss	(1,976)	(2,275)	(36,369)	(20,282)
Net loss (income) attributable to noncontrolling interest	(487)	—	688	—
Net loss attributable to controlling interests	(2,463)	(2,275)	(35,681)	(20,282)
Preferred stock dividends	(89)	(89)	(267)	(267)
Net loss attributable to common stockholders	\$ (2,552)	\$ (2,364)	\$ (35,948)	\$ (20,549)
Net loss per Class A and Class B common stock attributable to common stockholders - basic and diluted:				
Loss from continuing operations	\$ (0.04)	\$ (0.03)	\$ (0.56)	\$ (0.23)
Loss from discontinued operations	—	—	—	(0.04)
Net loss attributable to common stockholders	\$ (0.04)	\$ (0.03)	\$ (0.56)	\$ (0.27)
Weighted average number of Class A and Class B common stock outstanding: basic and diluted	63,666,847	76,863,408	64,683,920	76,727,492

See accompanying notes to Condensed Consolidated Financial Statements

CINEDIGM CORP.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)
(In thousands)

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2015	2014	2015	2014
Net loss	\$ (1,976)	\$ (2,275)	\$ (36,369)	\$ (20,282)
Other comprehensive income (loss): foreign exchange translation	(15)	92	15	94
Comprehensive loss	(1,991)	(2,183)	(36,354)	(20,188)
Less: comprehensive loss (income) attributable to noncontrolling interest	(487)	—	688	—
Comprehensive loss attributable to controlling interests	<u>\$ (2,478)</u>	<u>\$ (2,183)</u>	<u>\$ (35,666)</u>	<u>\$ (20,188)</u>

See accompanying notes to Condensed Consolidated Financial Statements

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

	For the Nine Months Ended December 31,	
	2015	2014
Cash flows from operating activities:		
Net loss	\$ (36,369)	\$ (20,282)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Loss on disposal of business	—	3,045
Depreciation and amortization of property and equipment and amortization of intangible assets	32,597	32,978
Goodwill impairment	18,000	—
Loss on disposal of property and equipment	130	—
Amortization of debt issuance costs included in interest expense	1,828	1,342
Provision (benefit) for doubtful accounts	339	(206)
Provision for inventory reserve	500	1,000
Stock-based compensation and expenses	1,424	1,520
Change in fair value of interest rate derivatives	32	281
Accretion and PIK interest expense added to note payable	1,540	1,816
Loss on extinguishment of debt	931	—
Changes in operating assets and liabilities, net of acquisitions and dispositions:		
Accounts receivable	(11,542)	(15,567)
Inventory	(95)	(473)
Unbilled revenue	(398)	818
Prepaid expenses and other assets	987	(8,229)
Accounts payable and accrued expenses	6,838	15,408
Deferred revenue	(1,664)	(1,946)
Net cash provided by operating activities	15,078	11,505
Cash flows from investing activities:		
Contributions from noncontrolling interest	1,054	—
Purchases of property and equipment	(1,411)	(1,203)
Purchases of intangible assets	(5)	(8)
Proceeds from sale of business	—	2,950
Additions to capitalized software costs	—	(855)
Net cash (used in) provided by investing activities	(362)	884
Cash flows from financing activities:		
Payment of notes payable	(48,744)	(36,318)
Net (repayments) borrowings under revolving credit agreement	(2,367)	3,825
Proceeds from issuance of 5.5% Convertible Notes	64,000	—
Payment for structured stock repurchase forward contract	(11,440)	—
Repurchase of Class A common stock	(2,667)	—
Principal payments on capital leases	(372)	(445)
Payments of debt issuance costs	(3,655)	—
Restricted cash	(2,233)	—
Costs associated with issuance of Class A common stock	—	(72)
Net cash used in financing activities	(7,478)	(33,010)
Net change in cash and cash equivalents	7,238	(20,621)
Cash and cash equivalents at beginning of period	18,999	50,215
Cash and cash equivalents at end of period	\$ 26,237	\$ 29,594

See accompanying notes to Condensed Consolidated Financial Statements

CINEDIGM CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Cinedigm Corp. was incorporated in Delaware on March 31, 2000 ("Cinedigm", and collectively with its subsidiaries, the "Company," "we," "us," or similar pronouns). We are (i) a leading distributor and aggregator of independent movie, television and other short form content, managing a distribution rights library of close to 50,000 titles and episodes released across digital, physical, theatrical, home and mobile entertainment platforms and (ii) a leading servicer of digital cinema assets on more than 12,000 movie screens in both North America, Australia and New Zealand.

We report our financial results in the following reportable segments: (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 group ("Content & Entertainment" or "CEG"). The Phase I Deployment and Phase II Deployment segments are the financing vehicles and administrators for our digital cinema equipment (the "Systems") installed in movie theatres throughout the United States, and in Australia and New Zealand, which are non-recourse to the other segments of our business. Our Services segment provides fee based support to more than 12,000 movie screens in our Phase I Deployment and Phase II Deployment segments as well as directly to exhibitors and other third party customers in the form of monitoring, billing, collections and verification services. Our Content & Entertainment segment is focused on: (1) ancillary market aggregation and distribution of entertainment content, and (2) branded and curated over-the-top ("OTT") digital network business providing entertainment channels and applications. We are structured so that our digital cinema business (collectively, the Phase I Deployment, Phase II Deployment and Services segments) operates independently from our Content & Entertainment segment.

Investments in which we do not have a controlling interest or are not the primary beneficiary but have the ability to exert significant influence, are accounted for under the equity method of accounting. Noncontrolling interests for which we have been determined to have a controlling financial interest are consolidated and recorded net of tax as net income (loss) attributable to noncontrolling interest. See Note 4 - *Other Interests* to the Condensed Consolidated Financial Statements for a discussion of our noncontrolling and majority interests.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION AND CONSOLIDATION

We have incurred net losses historically and have an accumulated deficit of \$336.3 million as of December 31, 2015 . We also have significant contractual obligations related to our recourse and non-recourse debt for the remainder of the fiscal year ending March 31, 2016 and beyond. We may continue to generate net losses for the foreseeable future. We believe the combination of: (i) our cash and restricted cash balances at December 31, 2015 , (ii) the remaining availability under our revolving line of credit, (iii) planned cost reduction initiatives, and (iv) expected cash flows from operations will be sufficient to satisfy our liquidity and capital requirements for the next twelve months. Our capital requirements depend on many factors, and we may need to use available capital resources and raise additional capital. We have engaged financial advisors and are in the process of exploring and evaluating strategic opportunities for raising additional capital at both the corporate and subsidiary level. Although we have had discussion with potential financing sources to explore short and longer-term solutions to address our liquidity, capital and financing needs, we are unable to predict the outcome of these or any future discussions. 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.

The accompanying Condensed Consolidated Financial Statements are unaudited and include the accounts of the Company, its wholly owned subsidiaries and subsidiaries in which it has a controlling interest, and reflect all normal and recurring adjustments necessary for the fair presentation of its financial position, results of operations and cash flows. All material inter-company accounts and transactions have been eliminated in consolidation.

We have reclassified certain amounts previously reported in our financial statements to conform to the current presentation. Effective September 30, 2015, we elected to change our method of presentation relating to debt issuance costs in accordance with Financial Accounting Standards Board ("FASB") ASU 2015-03 - *Simplifying the Presentation of Debt Issuance Costs* . Prior to September 30, 2015, our policy was to present debt issuance costs in Other Assets on the Condensed Consolidated Balance Sheets, net of accumulated amortization. Beginning with the period ended September 30, 2015, we have presented these costs as a direct deduction to notes payable. Unamortized debt issuance costs of \$6.7 million previously reported as assets on our Consolidated Balance Sheet as of March 31, 2015 have been reclassified as a direct deduction to notes payable.

USE OF ESTIMATES

The preparation of these Condensed Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires us to make estimates and assumptions that affect the amounts reported in these Condensed Consolidated Financial Statements and accompanying notes. As permitted under GAAP, interim accounting for certain expenses, such as the adequacy of accounts receivable reserves, return reserves, inventory reserves, recovery of advances, minimum guarantees, assessment of goodwill and intangible asset impairment and valuation reserve for income taxes, are based on full year assumptions when appropriate. Actual results could differ materially from those estimates.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"), although we believe that the disclosures are adequate to make the information presented not misleading. The results of operations for the respective interim periods are not necessarily indicative of the results expected for the full year. These Condensed Consolidated Financial Statements and accompanying notes should be read in conjunction with our annual consolidated financial statements and the notes thereto, included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2015 .

CASH AND CASH EQUIVALENTS

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

ACCOUNTS RECEIVABLE

We maintain reserves for potential credit losses on accounts receivable. We review the composition of accounts receivable and analyze 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.

Our Content & Entertainment segment recognizes accounts receivable, net of an estimated allowance for product returns and customer chargebacks, at the time that it recognizes revenue from a sale. We base the amount of the returns allowance and customer chargebacks upon historical experience and future expectations.

ADVANCES

Advances are recorded within prepaid and other current assets within the Condensed Consolidated Balance Sheets and represent amounts prepaid to studios or content producers for which we provide content distribution services. We evaluate advances regularly for recoverability and record charges for amounts that we expect may not be recoverable as of the balance sheet date.

INVENTORY

Inventory consists of titles published on DVD and Blu-ray Discs and is stated at the lower of cost (determined based on weighted average cost) or market. We identify inventory items to be written down for obsolescence based on their sales status and condition. We write down discontinued or slow moving inventories based on an estimate of the markdown to retail price needed to sell through our current stock level of the inventories.

RESTRICTED CASH

Our 2013 Term Loans, Prospect Loan and Cinedigm Credit Agreement require that we maintain specified cash balances that are restricted to repayment of interest (see Note 5 - *Notes Payable*).

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. Repair and maintenance 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. Changes in the 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. We have entered into two separate interest rate cap transactions to limit our exposure to interest rates related to our 2013 Term Loans and Prospect Loan. The interest rate caps on the 2013 Term Loans and Prospect Loan mature in March 2016 and 2018, respectively. We have not sought hedge accounting treatment for these instruments and therefore, changes in the value of our interest rate derivatives were recorded in the Condensed Consolidated Statements of Operations.

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 our 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 our financial assets and liabilities:

As of December 31, 2015				
(in thousands)	Level 1	Level 2	Level 3	Total
Restricted cash	\$ 8,984	\$ —	\$ —	\$ 8,984
Interest rate derivatives	—	61	—	61
	<u>\$ 8,984</u>	<u>\$ 61</u>	<u>\$ —</u>	<u>\$ 9,045</u>
As of March 31, 2015				
(in thousands)	Level 1	Level 2	Level 3	Total
Restricted cash	\$ 6,751	\$ —	\$ —	\$ 6,751
Interest rate derivatives	—	208	—	208
	<u>\$ 6,751</u>	<u>\$ 208</u>	<u>\$ —</u>	<u>\$ 6,959</u>

Our 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 notes receivable approximates fair value based on the discounted cash flows of such instruments using current assumptions at the balance sheet date. At December 31, 2015 and March 31, 2015, the estimated fair value of our fixed rate debt approximated its carrying amounts. We estimated the fair value of debt based upon current interest rates available to us at the respective balance sheet dates for arrangements with similar terms and conditions. Based on borrowing rates currently available to us 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

We review the recoverability of our 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 our ability to recover the carrying value of our 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 asset, the asset is deemed not to be recoverable and possibly impaired. We then estimate the fair value of the asset to determine whether an impairment loss should be recognized. An impairment loss will be recognized if the asset's fair value is determined to be less than its carrying value. Fair value is determined by computing the expected future discounted cash flows. During the nine months ended December 31, 2015 and 2014, no impairment charge was recorded from continuing operations for long-lived assets or finite-lived assets.

GOODWILL

Goodwill is the excess of the purchase price paid over the fair value of the net assets of an acquired business. Goodwill is tested for impairment on an annual basis at the end of the fourth quarter of each fiscal year, or more often if warranted by events or changes in circumstances indicating that the carrying value of a reporting unit may exceed fair value, also known as impairment indicators. Our process of evaluating goodwill for impairment involves the determination of fair value of goodwill compared to its carrying value. Our only reporting unit with goodwill is our Content & Entertainment reporting unit, which had a goodwill carrying value that was materially derived from our October 2013 acquisition of a division of Gaiam, Inc. and Gaiam Americas, Inc. (the "GVE acquisition").

Inherent in the fair value determination for each reporting unit are certain judgments and estimates relating to future cash flows, including management's interpretation of current economic indicators and market conditions, and assumptions about our strategic plans with regard to its operations. To the extent additional information arises, market conditions change or our strategies change, it is possible that the conclusion regarding whether our remaining goodwill is impaired could change and result in future goodwill impairment charges that will have a material effect on our consolidated financial position or results of operations.

We reassessed the fair value of our CEG reporting unit in the second quarter of 2015 because the reporting unit was expected to perform below the expectations that we had established internally for fiscal year 2016 during our annual testing of goodwill at March 31, 2015. We performed a quantitative fair value assessment for our CEG reporting unit as of September 30, 2015, and determined that the reporting unit had a fair value less than its carrying amount. As a result, we recorded a goodwill impairment charge of \$18.0 million for the nine months ended December 31, 2015. In determining fair value we used various assumptions, including expectations of future cash flows based on projections or forecasts derived from analysis of business prospects, economic or market trends and any regulatory changes that may occur. We estimated the fair value of the reporting unit using a net present value methodology, which is dependent on significant assumptions related to estimated future discounted cash flows, discount rates and tax rates. The assumptions used in our goodwill impairment tests should not be construed as earnings guidance or long-term projections. Our cash flow assumptions are based on a 5-year internal projection of adjusted Earnings Before Interest, Taxes, Depreciation and Amortization, ("EBITDA") for the Content & Entertainment reporting unit. We assumed a market-based weighted average cost of capital of 17% to discount cash flows for our CEG segment and used a blended federal and state tax rate of 40%.

We faced challenges in the first half of fiscal 2016 that significantly impacted our ability to establish the new contracts, customer relationships and OTT channels that we had originally anticipated and shifted a portion of management's focus away from business operations, which severely impacted our second half performance. As a result, our fiscal 2016 projections for revenue and adjusted EBITDA, particularly in the second half of fiscal year 2016, are expected to fall materially below our original estimates. Future decreases in the fair value of our CEG reporting unit may require us to record additional goodwill impairment, particularly if our expectations of future cash flows are not achieved.

Information related to the goodwill allocated to our Content & Entertainment segment is as follows:

(In thousands)	Goodwill
As of March 31, 2015	\$ 26,701
Goodwill impairment	(18,000)
As of December 31, 2015	<u>\$ 8,701</u>

Gross amounts of goodwill and accumulated impairment charges that we have recorded are as follows:

(In thousands)	Goodwill
Goodwill	\$ 32,701
Accumulated impairment losses	(24,000)
Net goodwill at December 31, 2015	<u>\$ 8,701</u>

No goodwill impairment charge was recorded in the nine months ended December 31, 2014 .

PARTICIPATIONS AND ROYALTIES PAYABLE

When we provide content distribution services, we record accounts payable and accrued expenses to studios or content producers for royalties owed under licensing arrangements. We identify and record as a reduction to the liability any expenses that are to be reimbursed to us by such studios or content producers.

DEBT ISSUANCE COSTS

We incur debt issuance costs in connection with long-term debt financings. Such costs are recorded as a direct deduction to notes payable and amortized over the terms of the respective debt obligations using the effective interest rate method (see Note 5 - *Notes Payable*). Debt issuance costs recorded in connection with revolving debt arrangements are presented in other assets on the Condensed Consolidated Balance Sheets and are amortized over the term of the revolving debt agreements using the effective interest rate method.

REVENUE RECOGNITION

Phase I Deployment and Phase II Deployment

Virtual print fees (“VPFs”) are earned, net of administrative fees, pursuant to contracts with movie studios and distributors, whereby amounts are payable by a studio to Phase 1 Digital Cinema, (“Phase I DC”) and to Phase 2 Digital Cinema (“Phase II DC”) when movies distributed by the studio are displayed on screens utilizing our Systems installed in movie theatres. VPFs are earned and payable to Phase 1 DC 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, at which point the VPFs phase out. 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 and Phase 2 DC’s performance obligations have been substantially met at that time. Beginning in December 2015, under certain existing agreements, some Phase 1 DC Systems will have reached the conclusion of their deployment payment period. In accordance with existing agreements with distributors, a substantial portion of VPF revenues will cease to be recognized on such Systems. Because the Phase I deployment installation period ended in November 2007, a majority of the VPF revenue associated with the Phase I systems will end by November 2017. While the absence of such revenue is not expected to be material to the Condensed Consolidated Statements of Operations during the fiscal year ending March 31, 2016 , it is expected to have a material cumulative impact in subsequent periods.

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 agreements, 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 service fees, subject to maximum agreed upon amounts during the three-year rollout period and thereafter. Further, if cost recoupment occurs before the end of the eighth contract year, the studio will pay us a one-time “cost recoupment bonus”. 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. Beginning in December 2018, certain Phase 2 DC Systems will have reached the conclusion of their deployment payment period, subject to earlier achievement of cost recoupment. In accordance with existing agreements with distributors, VPF revenues will cease to be recognized on such Systems. Because the Phase II deployment installation period ended in December 2012, a majority of the VPF revenue associated with the Phase I systems will end by December 2022 or earlier if cost recoupment is achieved.

Alternative content fees (“ACFs”) are earned pursuant to contracts with movie exhibitors, whereby amounts are payable to Phase 1 DC 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 earned in connection with up front exhibitor contributions are deferred and recognized over the expected cost recoupment period.

Services

Exhibitors who purchased and own Systems using their own financing in the Phase II Deployment paid us an upfront activation fee that is generally \$2.0 thousand per screen (the “Exhibitor-Buyer Structure”). These upfront activation fees are recognized in the period in which these Systems were delivered and are ready for content, as we had no further obligations to the customer after that time and collection was reasonably assured. In addition, we recognize activation fee revenue of between \$1.0 thousand and \$2.0 thousand on Phase 2 DC Systems and for Systems installed by CDF2 Holdings (See Note 4 - *Other Interests*) upon installation and such fees are generally collected upfront upon installation. Our services segment manages and collects VPFs on behalf of exhibitors, for which it earns an administrative fee equal to 10% of the VPFs collected.

Our Services segment earns an administrative fee of approximately 5% of VPFs collected and, in addition, earns 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, VOD, and physical goods (e.g., DVD and Blu-ray Discs). Fees earned are typically based on the gross amounts billed to our customers less the amounts owed to the media studios or content producers under distribution agreements, and gross media sales of owned or licensed content. Depending upon the nature of the agreements with the platform and content providers, the fee rate that we earn varies. Generally, revenues are recognized when content is available for subscription on the digital platform, at the time of shipment for physical goods, or point-of-sale for transactional and VOD services. Reserves for sales returns and other allowances are recorded based upon historical experience. If actual future returns and allowances differ from past experience, adjustments to our allowances may be required. Sales returns and allowances are reported as a reduction of revenues.

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 are 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 theatrical release date of the third party feature movie or alternative content.

Revenue is deferred in cases where a portion or the entire contract amount cannot be recognized as revenue due to non-delivery of services. Such amounts are classified as deferred revenue and are recognized as earned revenue in accordance with our revenue recognition policies described above.

DIRECT OPERATING COSTS

Direct operating costs primarily consist of operating costs such as cost of goods sold, fulfillment expenses, shipping costs, royalty expenses, participation expenses, marketing and direct personnel costs.

STOCK-BASED COMPENSATION

Employee and director stock-based compensation expense from continuing operations related to our stock-based awards was as follows:

(In thousands)	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2015	2014	2015	2014
Direct operating	\$ 3	\$ 6	\$ 14	\$ 12
Selling, general and administrative	347	441	1,410	1,460
	<u>\$ 350</u>	<u>\$ 447</u>	<u>\$ 1,424</u>	<u>\$ 1,472</u>

The weighted-average grant-date fair value of options granted during the three and nine months ended December 31, 2015 was \$0.58 and \$0.79 , respectively. There were no options granted or exercised during the three months ended December 31, 2014 and the weighted-average grant-date fair value of options granted during the nine months ended December 31, 2014 was \$1.26 . There were no options exercised during the three months ended December 31, 2015 and 2014. For the nine months ended December 31, 2015 and 2014 there were 25,000 and 101,000 stock options exercised, respectively. We estimated the fair value of stock options at the date of each grant using a Black-Scholes option valuation model with the following assumptions:

Assumptions for Option Grants	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2015	2014	2015	2014
Range of risk-free interest rates	1.4% - 1.7%	N/A	1.4% - 1.7%	1.6 - 1.8%
Dividend yield	—	N/A	—	—
Expected life (years)	5	N/A	5	5
Range of expected volatilities	70.7% - 71.4%	N/A	70.6% - 71.4%	71.1% - 72.1%

The risk-free interest rate used in the Black-Scholes option pricing model for options granted under our stock option plan awards is the historical yield on U.S. Treasury securities with equivalent remaining lives. We do 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. We estimate the expected life of options granted under our stock option plans using both exercise behavior and post-vesting termination behavior, as well as consideration of outstanding options. We estimate expected volatility for options granted under our stock option plans based on a measure of our Class A common stock's historical volatility in the trading market.

INCOME TAXES

Income taxes are provided for based on the asset and liability method of accounting. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Under ASC 740, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

NET LOSS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS

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

Basic and diluted net loss per common share attributable to common stockholders =	$\frac{\text{Net loss attributable to common stockholders}}{\text{Weighted average number of common stock outstanding during the period}}$
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Stock issued and treasury stock repurchased during the period are weighted for the portion of the period that they are outstanding. The shares to be repurchased in connection with the forward stock purchase transaction discussed in Note 6 - *Stockholders' Deficit* are considered repurchased for the purposes of calculating earnings per share and therefore the calculation of weighted average shares outstanding as of December 31, 2015 excludes approximately 11.8 million shares that will be repurchased as a result of the forward stock purchase transaction.

Loss per share from continuing operations is calculated similarly to basic and diluted loss per common share attributable to common shareholders, except that it uses loss from continuing operations in the numerator and takes into account the net loss attributable to noncontrolling interest.

We incurred net losses for each of the three months and nine months ended December 31, 2015 and 2014 , and therefore the impact of potentially dilutive common shares from outstanding stock options and warrants, totaling 27,297,119 shares and 28,782,045 shares as of December 31, 2015 and 2014, respectively, were excluded from the computation of earnings per share as their impact would have been anti-dilutive.

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued new accounting guidance on revenue recognition. The new standard provides for a single five-step model to be applied to all revenue contracts with customers as well as requires additional financial statement disclosures that will enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows relating to customer contracts. Companies have an option to use either a retrospective approach or cumulative effect adjustment approach to implement the standard. The guidance will be effective during our fiscal year ending March 31, 2019 with early adoption permitted. We are evaluating the impact of the adoption of this accounting standard update on our consolidated financial statements.

In June 2014, the FASB issued an accounting standards update, which provides additional guidance on how to account for share-based payments where the terms of an award may provide that the performance target could be achieved after an employee completes the requisite service period. The amendments require that a performance target that affects vesting and that could be achieved after the requisite period is treated as a performance condition. The guidance will be effective during our fiscal year ending March 31, 2017. We are currently evaluating the impact of the adoption of this accounting standard update on our consolidated financial statements. The standards update may be applied (a) prospectively to all awards granted or modified after the effective date or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

In August 2014, the FASB amended accounting guidance pertaining to going concern considerations by company management. The amendments in this update state that in connection with preparing financial statements for each annual and interim reporting period, an entity's management should evaluate whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). The guidance will be effective during our fiscal year ending March 31, 2018. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

In February 2015, the FASB issued an accounting standards update, which amended accounting guidance on consolidation. The amendments affect reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. The update will be effective during our fiscal year ending March 31, 2017. We are evaluating the impact of the adoption of this accounting standard update on our consolidated financial statements.

In April 2015, the FASB issued new guidance related to the customer's accounting for fees paid in a cloud computing arrangement, which provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The new guidance is effective for annual and interim reporting periods beginning after December 15, 2015. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

In July 2015, the FASB issued an accounting standards update that requires an entity to measure inventory balances at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments in this update are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. We are evaluating the impact of the adoption of this accounting standard update on our consolidated financial statements.

In September 2015, the FASB issued new guidance with respect to Business Combinations. The new guidance requires the acquirer in a Business Combination to recognize provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The new guidance is effective for public entities for which fiscal years begin after December 15, 2016, and interim periods within the fiscal years beginning after December 31, 2017. The accounting standard must be applied prospectively to adjustments to provisional amounts that occur after the effective date, with early adoption permitted. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

In November 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes" ("ASU 2015-17"). The standard requires that deferred tax assets and liabilities be classified as noncurrent on the balance sheet rather than being separated into current and noncurrent. ASU 2015-17 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early adoption is permitted and the standard may be applied either retrospectively or on a prospective basis to all deferred tax

assets and liabilities. The Company does not believe the adoption of the new financial instruments standard will have a material impact on its consolidated financial statements.

In January 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-01, Financial Instruments - Overall (Subtopic 825-10) (“ASU 2016-01”), which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for the Company beginning in its first quarter of 2019 and early adoption is not permitted. The Company does not believe the adoption of the new financial instruments standard will have a material impact on its consolidated financial statements.

3. DISCONTINUED OPERATIONS

During the fiscal year ended March 31, 2014, we made the strategic decision to discontinue and exit our software business and therefore executed a plan of sale for Hollywood Software, Inc. d/b/a Cinedigm Software (“Software”), our direct, wholly owned subsidiary, in order to focus on physical and digital distribution of entertainment content and servicing our existing digital cinema business. On September 23, 2014, we completed the sale of Software to a third party and recognized a \$3.0 million loss on the sale of the business for the nine months ended December 31, 2014. As a result, Software has been reclassified as discontinued operations for the nine months ended December 31, 2014 .

Details of (loss) income from discontinued operations are as follows:

(In thousands)	For the Three Months Ended December 31, 2014	For the Nine Months Ended December 31, 2014
Revenues	\$ —	\$ 1,968
Costs and Expenses:		
Direct operating	—	326
Selling, general and administrative	342	1,435
Research and development	—	14
Total operating expenses	342	1,775
Income from operations	(342)	193
Other expense, net	—	(93)
(Loss) income from discontinued operations	(342)	100

4. OTHER INTERESTS

Investment in CDF2 Holdings

We indirectly own 100% of the common equity of CDF2 Holdings, LLC ("CDF2 Holdings"), which was created for the purpose of capitalizing on the conversion of the exhibition industry from film to digital technology. CDF2 Holdings assists its customers in procuring the equipment necessary to convert their Systems to digital technology by providing financing, equipment, installation and related ongoing services.

CDF2 Holdings is a Variable Interest Entity (“VIE”), as defined in Accounting Standards Codification Topic 810 ("ASC 810"), “Consolidation.” 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 we indirectly, wholly own CDF2 Holdings, we, a third party that also has a variable interest in CDF2 Holdings, and an independent third party manager must mutually approve all business activities and transactions that significantly impact CDF2 Holdings' economic performance. We have therefore assessed our variable interests in CDF2 Holdings and determined that we are not the primary beneficiary of CDF2 Holdings. As a result, CDF2 Holdings' financial position and results of operations are not consolidated in our financial position and results of operations. In completing our assessment, we identified the activities that we consider most significant to the economic performance of CDF2 Holdings and determined that we do not have the power to direct those activities, and therefore we account for our investment in CDF2 Holdings under the equity method of accounting.

As of December 31, 2015 and March 31, 2015 , our maximum exposure to loss, as it relates to the non-consolidated CDF2 Holdings entity, represents accounts receivable for service fees under a master service agreement with CDF2 Holdings. Such accounts

receivable were \$0.4 million and \$0.3 million as of December 31, 2015 and March 31, 2015 , which are included in accounts receivable, net on the accompanying Condensed Consolidated Balance Sheets.

During the three months and nine months ended December 31, 2015 and 2014, we received \$0.3 million and \$0.9 million , respectively, in aggregate revenues through digital cinema servicing fees from CDF2 Holdings, which are included in our revenues on the accompanying Condensed Consolidated Statements of Operations.

Total Stockholder's Deficit of CDF2 Holdings at December 31, 2015 and March 31, 2015 was \$9.9 million and \$6.7 million , respectively. We have no obligation to fund the operating loss or the stockholder's deficit beyond our initial investment of \$2.0 million and, accordingly, our investment in CDF2 Holdings as of December 31, 2015 and March 31, 2015 is carried at \$0 .

Majority Interest in CONtv

In June 2014, we and Wizard World, Inc. ("Wizard World") formed CON TV, LLC ("CONtv") to fund, design, create, launch, and operate a worldwide digital network that creates original content, and sells and distributes on-demand digital content via the Internet and other consumer digital distribution platforms, such as gaming consoles, set-top boxes, handsets, and tablets.

In November 2015, we entered into an Amended and Restated Operating Agreement with Wizard World (the noncontrolling interest partner) and other non-voting equity holders. The agreement restructured our business relationship with Wizard World with respect to the ownership and operation of CONtv, and was retroactively effective to July 1, 2015. Pursuant to the terms of the Amended and Restated Operating Agreement, we attained a majority interest in CONtv by increasing our ownership percentage to 85% from 47.5% . In connection with increasing our ownership percentage, we reclassified certain capital contributions made by Wizard World to additional paid-in capital, to the extent that such capital contributions were in excess of its amended ownership percentage. In addition, we retroactively reduced the loss attributable to the noncontrolling interest partner to July 1, 2015 in accordance with the Amended and Restated Operating Agreement.

During the nine months ended December 31, 2015 , we made total contributions of \$0.6 million in CONtv. Wizard World Inc.'s share of stockholders' deficit in CONtv is reflected as noncontrolling interest in our Condensed Consolidated Balance Sheets and was \$1.2 million and \$0.2 million as of December 31, 2015 and March 31, 2015 , respectively. The noncontrolling interest's share of net loss was \$0.7 million for the nine months ended December 31, 2015 .

5. RESTRUCTURING, TRANSITION AND ACQUISITIONS EXPENSES

During the quarter ended December 31, 2015, we completed the strategic assessment of our resource requirements within Content & Entertainment and Corporate reporting segments. As a result of that assessment, we recorded restructuring, transition and acquisition expenses of \$0.6 million for the three months ended December 31, 2015.

A summary of activity for the transitional and acquisition accrual included within accounts payable and accrued expenses as of December 31, 2015 is as follows:

	Balance at March 31, 2015		Total Cost		Amounts Paid/Adjusted		Balance at December 31, 2015
Workforce Reduction - 2016	\$ —		\$ 622		\$ (119)		\$ 503

6. INCOME TAXES

We calculate income tax expense based upon an annual effective tax rate forecast, including estimates and assumptions that could change during the year. For the three and nine months ended December 31, 2015, we recorded income tax expense from continuing operations of \$0.5 million , which represents state income taxes and U.S. Federal alternative minimum income taxes. No income tax expense was recorded for the three and nine months ended December 31, 2014. No tax benefit has been recorded in relation to the pre-tax loss from continuing operations for the three and nine months ended December 31, 2015 and 2014 due to a full valuation allowance to offset any deferred tax asset related to net operating loss carry forwards and other items attributable to the loss.

Our effective tax rates for the three and nine months ended December 31, 2015 were 31.2% and 1.3% , respectively. Our increase in effective rates from the three and nine months ended December 31, 2014 to the three and nine months ended December 31, 2015, are mainly due to an increase in taxable income by our Corp and Phase I segments. Taxable income increased significantly

mainly due to timing differences related to fixed asset depreciation.

7. NOTES PAYABLE

Notes payable consisted of the following:

(In thousands)	December 31, 2015		March 31, 2015	
	Current Portion	Long Term Portion	Current Portion	Long Term Portion
2013 Term Loans, net of debt discount	\$ 23,063	\$ 15,956	\$ 25,125	\$ 36,418
Prospect Loan	—	66,965	—	67,967
KBC Facilities	7,646	13,630	7,649	19,361
P2 Vendor Note	149	331	125	393
P2 Exhibitor Notes	78	127	74	186
Total non-recourse notes payable	30,936	97,009	32,973	124,325
Less: Unamortized debt issuance costs	—	(4,834)	—	(5,938)
Total non-recourse notes payable, net of unamortized debt issuance costs	\$ 30,936	\$ 92,175	\$ 32,973	\$ 118,387
5.5% Convertible Notes Due 2035	\$ —	\$ 64,000	\$ —	\$ —
Cinedigm Term Loans	—	—	—	17,965
Cinedigm Revolving Loans	—	21,927	24,294	—
2013 Notes	—	4,001	—	3,785
Total recourse notes payable	—	89,928	24,294	21,750
Less: Unamortized debt issuance costs	—	(3,231)	—	(750)
Total recourse notes payable, net of unamortized debt issuance costs	\$ —	\$ 86,697	\$ 24,294	\$ 21,000
Total notes payable, net of unamortized debt issuance costs	\$ 30,936	\$ 178,872	\$ 57,267	\$ 139,387

Non-recourse debt is generally defined as debt whereby the lenders' sole recourse with respect to defaults, is limited to the value of the asset, which is collateral for the debt. Certain of our subsidiaries are liable with respect to, and their assets serve as collateral for, certain indebtedness for which our assets and the assets of our other subsidiaries that are not parties to the transaction are generally not liable. We have referred to this indebtedness as "non-recourse debt" because the recourse of the lenders is limited to the assets of specific subsidiaries. Such indebtedness includes the Prospect Loan, the KBC Facilities, the 2013 Term Loans, the P2 Vendor Note and the P2 Exhibitor Notes.

2013 Term Loans

In February 2013, CDF I, our wholly owned subsidiary, entered into an amended and restated credit agreement (the "2013 Credit Agreement") with Société Générale and other lenders. Under the terms of the 2013 Credit Agreement, CDF I may borrow an aggregate principal amount of \$130.0 million, \$5.0 million of which was allowed to be assigned to an affiliate of CDF I.

Under the 2013 Credit Agreement, each of the 2013 Term loans bear interest, at the option of CDF I, based on a base rate (generally, the bank prime rate) or the one-month 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). 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. The one-month LIBOR rate at December 31, 2015 was 0.43%.

The 2013 Credit Agreement also requires each of CDF I's existing and future direct and indirect domestic subsidiaries (the "Guarantors") to guarantee the obligations under the 2013 Credit Agreement with 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, our wholly owned subsidiary and the direct holder of CDF I's equity. The 2013 Credit Agreement contains customary representations, warranties, affirmative covenants, negative covenants and events of default.

Collections of CDF I accounts receivable are deposited into accounts designated to pay certain operating expenses, principal, interest, fees, costs and expenses relating to the 2013 Credit Agreement. Amounts designated for these purposes totaled \$6.5

million and \$3.9 million as of December 31, 2015 and March 31, 2015 , respectively, and are included in cash and cash equivalents on our Condensed Consolidated Balance Sheets. We also maintain a debt service fund under the 2013 Credit Agreement for future principal and interest payments. As of December 31, 2015 and March 31, 2015 , the debt service fund had a balance of \$5.8 million , which is classified as restricted cash on our Condensed Consolidated Balance Sheets.

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

(In thousands)	December 31, 2015	March 31, 2015
2013 Term Loans, at issuance, net	\$ 125,087	\$ 125,087
Payments to date	(85,931)	(63,348)
Discount on 2013 Term Loans	(137)	(196)
2013 Term Loans, net	39,019	61,543
Less current portion	(23,063)	(25,125)
Total long term portion	<u>\$ 15,956</u>	<u>\$ 36,418</u>

Prospect Loan

In February 2013, our DC Holdings, AccessDM and Phase 2 DC subsidiaries entered into a term loan agreement (the “Prospect Loan”) with Prospect Capital Corporation (“Prospect”), pursuant to which DC Holdings borrowed \$70.0 million . The Prospect Loan bears interest at LIBOR plus 9.0% (with a 2.0% LIBOR floor), which is payable in cash, and at an additional 2.50% to be accrued as an increase to the aggregate principal amount of the Prospect Loan until the 2013 Credit Agreement is paid off, at which time all accrued interest will be payable in cash.

Collections of DC Holdings accounts receivable are deposited into accounts designated to pay certain operating expenses, principal, interest, fees, costs and expenses relating to the Prospect Loan. On a quarterly basis, if funds remain after the payment of all such amounts, they are applied to prepay the Prospect Loan. Amounts designated for these purposes, included in cash and cash equivalents on the Condensed Consolidated Balance Sheets, totaled \$1.8 million and \$6.5 million as of December 31, 2015 and March 31, 2015 , respectively. We also maintain a debt service fund under the Prospect Loan for future principal and interest payments. As of December 31, 2015 and March 31, 2015 , the debt service fund had a balance of \$1.0 million , which is classified as restricted cash on our Condensed Consolidated Balance Sheets.

The Prospect Loan matures on March 31, 2021 and may be accelerated upon a change in control (as defined in the agreement) or other events of default as set forth therein and would be subject to mandatory acceleration upon insolvency of DC Holdings. We are permitted to pay the full outstanding balance of the Prospect Loan at any time after the second anniversary of the initial borrowing, subject to the following prepayment penalties:

- 5.0% of the principal amount prepaid between the second and third anniversaries of issuance;
- 4.0% of the principal amount prepaid between the third and fourth anniversaries of issuance;
- 3.0% of the principal amount prepaid between the fourth and fifth anniversaries of issuance;
- 2.0% of the principal amount prepaid between the fifth and sixth anniversary of issuance;
- 1.0% of the principal amount prepaid between the sixth and seventh anniversaries of issuance; and
- No penalty if the balance of the Prospect Loan, including accrued interest, is prepaid thereafter.

The Prospect Loan is primarily secured by a first priority pledge of the stock of CDF2 Holdings, our wholly owned unconsolidated subsidiary, the stock of AccessDM, which is owned by DC Holdings, and the stock of our Phase 2 DC subsidiary. The Prospect Loan is also guaranteed by our AccessDM and Phase 2 DC subsidiaries. We provide limited financial support to the Prospect Loan not to exceed \$1.5 million per year in the event financial performance does not meet certain defined benchmarks.

The Prospect Loan contains customary representations, warranties, affirmative covenants, negative covenants and events of default. The following table summarizes the activity related to the Prospect Loan:

(In thousands)	December 31, 2015		March 31, 2015	
Prospect Loan, at issuance	\$	70,000	\$	70,000
PIK Interest		4,778		3,640
Payments to date		(7,813)		(5,673)
Prospect Loan, net		66,965		67,967
Less current portion		—		—
Total long term portion	\$	66,965	\$	67,967

KBC Facilities

In December 2008 we began entering into multiple credit facilities to fund the purchase of Systems to be installed in movie theatres as part of our Phase II Deployment. There were no borrowings under the KBC Facilities during the nine months ended December 31, 2015. The following table presents a summary of the KBC Facilities (dollar amounts in thousands):

Facility ¹	Credit Facility	Interest Rate ²	Maturity Date	Outstanding Principal Balance	
				December 31, 2015	March 31, 2015
1	\$ 22,336	3.75%	September 2018	\$ 7,978	\$ 10,371
2	13,312	3.75%	March 2018	5,230	6,656
3	11,425	3.75%	March 2019	5,304	6,528
4	6,450	3.75%	September 2018	2,764	3,455
	<u>\$ 53,523</u>			<u>\$ 21,276</u>	<u>\$ 27,010</u>

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

² Each of the facilities bears interest at the three-month LIBOR rate, which was 0.61% at December 31, 2015, plus the interest rate noted above.

5.5% Convertible Notes Due April 2035

On April 29, 2015, we issued \$64.0 million aggregate principal amount of unsecured senior convertible notes payable (the "Convertible Notes") that bear interest at a rate of 5.5% per year, payable semiannually. The Convertible Notes will mature on April 15, 2035, unless repurchased earlier, redeemed or converted and will be convertible at the option of the holders at any time until the close of business on the business day immediately preceding the maturity date. Upon conversion, we will deliver to holders in respect of each \$1,000 principal amount of Convertible Notes being converted a number of shares of our Class A common stock equal to the conversion rate, together with a cash payment in lieu of delivering any fractional share of Class A common stock. The conversion rate applicable to the Convertible Notes on the offering date was 824.5723 shares of Class A common stock per \$1,000 principal amount of notes (equivalent to an initial conversion price of approximately \$1.21 per share of Class A common stock), which is subject to adjustment if certain events occur. Holders of the Convertible Notes may require us to repurchase all or a portion of the Convertible Notes on April 20, 2020, April 20, 2025 and April 20, 2030 and upon the occurrence of certain fundamental changes at a repurchase price in cash equal to 100% of the principal amount of the Convertible Notes to be repurchased plus accrued and unpaid interest, if any. The Convertible Notes will be redeemable by us at our option on or after April 20, 2018 upon the satisfaction of a sale price condition with respect to our Class A common stock and on or after April 20, 2020 without regard to the sale price condition, in each case, at a redemption price in cash equal to 100% of the principal amount of the notes to be repurchased plus accrued and unpaid interest, if any.

The net proceeds from the Convertible Note offering was \$60.9 million, after deducting offering expenses. We used \$18.6 million of the net proceeds from the offering to repay borrowings under and terminate one of our term loans under our 2013 Credit Agreement, of which \$18.2 million was used to pay the remaining principal balance. Concurrently with the closing of the Convertible Notes transaction, we repurchased 2.7 million shares of our Class A common stock from certain purchasers of Convertible Notes in privately negotiated transactions for \$2.7 million. In addition, \$11.4 million of the net proceeds was used to fund the cost of repurchasing 11.8 million shares of our Class A common stock pursuant to the forward stock purchase agreement described in Note 6 - *Stockholders' Deficit*. We recorded interest expense of \$0.9 million and \$2.4 million during the three months and nine months ended December 31, 2015, respectively, related to the Convertible Notes.

We recorded debt issuance costs of \$3.7 million related to the issuance of the Convertible Notes during the nine months ended December 31, 2015.

Cinedigm Credit Agreement

On October 17, 2013, we entered into a credit agreement (the “Cinedigm Credit Agreement”) with Société Générale. Under the Cinedigm Credit Agreement, as amended in February 2015 and April 2015, we were permitted to borrow an aggregate principal amount of up to \$55.0 million, including term loans of \$25.0 million (the “Cinedigm Term Loans”) and revolving loans of up to \$30.0 million (the “Cinedigm Revolving Loans”). Interest under the Cinedigm Term Loans was charged at a base rate plus 5.0%, or the Eurodollar rate plus 6.0% until the Cinedigm Term Loan was repaid on April 29, 2015 in connection with the Convertible Notes offering. The Cinedigm Revolving Loans bear interest at a base rate of 6.25% or the Eurodollar rate of 1.0% plus 4.0%. The 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 4.0%.

We repaid the entire outstanding balance of the Cinedigm Term Loans and amended the terms of the Cinedigm Revolving Loans in connection with our issuance of the Convertible Notes. In connection with the repayment of the Cinedigm Term Loans, we wrote-off certain unamortized debt issuance costs and the discount that remained on the balance of the note payable. As a result, we recorded \$0.9 million as a loss on extinguishment of debt for the nine months ended December 31, 2015.

The April 2015 amendment to the Cinedigm Revolving Loans extended the term of the agreement to March 31, 2018, provided for the release of the equity interests in the subsidiaries that we had previously pledged as collateral, changed the interest rate and replaced all financial covenants with a single debt service coverage ratio test commencing at June 30, 2016 and a \$5.0 million minimum liquidity covenant. The Cinedigm Revolving Loans, as amended, bear interest at Base Rate (as defined in the amendment) plus 3% or LIBOR plus 4%, at our election, but in no event may the elected Base Rate or LIBOR rate be less than 1%. Availability under the Cinedigm Revolving Loans was \$25.5 million, of which we borrowed \$21.9 million as of December 31, 2015. We are permitted to repay the Cinedigm Revolving Loans, at our option, in whole or in part.

In accordance with the April 2015 amendment to the Cinedigm Revolving Loans, we maintain a debt service reserve account for the aggregate amount of scheduled interest and principal payments due on the Cinedigm Revolving Loans and Convertible notes over the next six months. As a result, the consolidated condensed balance sheet as of December 31, 2015 reflects an additional \$2.2 million of restricted cash related to the debt service reserve account. No such debt service account was maintained as of March 31, 2015.

2013 Notes

In October 2013, we entered into securities purchase agreements with certain investors, pursuant to which we sold notes in the aggregate principal amount of \$5.0 million (the “2013 Notes”) and warrants to purchase an aggregate of 1,500,000 shares of Class A Common Stock (the “2013 Warrants”) to such investors. The proceeds of the sales of the 2013 Notes and 2013 Warrants were primarily used for working capital and general corporate purposes, including financing an acquisition. We allocated a proportional value of \$1.6 million 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%

We have treated the implied fair value of the 2013 Warrants as a discount to the debt that was issued. The debt discount associated with the 2013 Notes is being amortized as interest expense, using the effective interest method, through the maturity of the 2013 Notes.

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 may be redeemed at any time on or after October 21, 2015, subject to certain premiums.

At December 31, 2015, we were in compliance with all of our debt covenants.

8. STOCKHOLDERS’ DEFICIT

COMMON STOCK

During the nine months ended December 31, 2015, we issued 1,164,527 shares of Class A common stock as payment for services rendered by our Board of Directors and certain other third-party advisory services, payment of preferred stock dividends and the exercise of employee stock options.

PREFERRED STOCK

Cumulative dividends in arrears on preferred stock at December 31, 2015 and March 31, 2015 were \$0.1 million. In November 2015, we paid preferred stock dividends accrued at September 30, 2015 in the form of 159,413 shares of Class A Common Stock.

TREASURY STOCK

In connection with the offering of Convertible Notes, on April 29, 2015, we repurchased 2,721,000 shares of our Class A common stock from certain purchasers of Convertible Notes in privately negotiated transactions for \$2.7 million, which is reflected as treasury stock in our Condensed Consolidated Balance Sheet as of December 31, 2015. In addition, we entered into a privately negotiated forward stock purchase transaction with a financial institution, which is one of the lenders under our credit agreement (the "Forward Counterparty"), pursuant to which we paid \$11.4 million to purchase 11,791,384 shares of our Class A common stock for settlement that may be settled at any time prior to the fifth year anniversary of the issuance date of the notes. The payment for the forward contract has been reflected as a reduction of Additional Paid-in Capital on our Condensed Consolidated Balance Sheet until such time that the forward contract is settled and the shares are legally delivered to and owned by us. Upon settlement of the forward contract and delivery of the stock, we will reclassify such amount to treasury stock.

CINEDIGM'S EQUITY INCENTIVE PLAN

Stock Options

Awards issued under our equity incentive plan (the "Plan") may be in any of the following forms (or a combination thereof) (i) stock option awards; (ii) stock appreciation rights; (iii) stock or restricted stock or restricted stock units; or (iv) performance awards. The Plan provides for the granting of incentive stock options ("ISOs") with exercise prices not less than the fair market value of our Class A Common Stock on the date of grant. ISOs granted to shareholders having more than 10% of the total combined voting power of the Company must have exercise prices of at least 110% of the fair market value of our Class A Common Stock on the date of grant. ISOs and non-statutory stock options granted under the Plan are subject to vesting provisions, and exercise is subject to the continuous service of the participant. The exercise prices and vesting periods (if any) for non-statutory options are set at the discretion of our compensation committee. Upon a change of control of the Company, all stock options (incentive and non-statutory) that have not previously vested will vest immediately and become fully exercisable. In connection with the grants of stock options under the Plan, we and the participants have executed stock option agreements setting forth the terms of the grants. The Plan provides for the issuance of up to 14,300,000 shares of Class A Common Stock to employees, outside directors and consultants.

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, 2015	5,908,670	\$ 1.72
Granted	185,000	0.79
Exercised	(25,000)	1.51
Canceled/forfeited	(2,257,500)	1.69
Balance at December 31, 2015	<u>3,811,170</u>	1.71

Stock options granted under the Plan during the nine months ended December 31, 2015 vest and become exercisable in 25% increments over four years from their grant dates. The weighted average remaining contractual life for stock options outstanding as of December 31, 2015 was 6.46 years.

OPTIONS GRANTED OUTSIDE CINEDIGM'S EQUITY INCENTIVE PLAN

In October 2013, we issued options outside of the Plan to 10 individuals that became employees as a result of a business combination. The employees received options to purchase an aggregate of 620,000 shares of our Class A Common Stock at an exercise price of \$1.75 per share. The options vest and become exercisable in 25% increments over four years from their grant dates and expire 10 years from the date of grant, if unexercised. As of December 31, 2015, there were 232,500 unvested options outstanding.

In December 2010, we issued options to purchase 4,500,000 shares of Class A Common Stock outside of the Plan as part of our Chief Executive Officer's initial employment agreement with the Company. Such options have exercise prices per share between \$1.50 and \$5.00, all of which were vested as of December 2013 and will expire in December 2020. As of December 31, 2015, all such options remained outstanding.

WARRANTS

The following table presents information about outstanding warrants to purchase shares of our Class A common stock as of December 31, 2015. All of the outstanding warrants are fully vested and exercisable.

Recipient	Amount outstanding	Expiration	Exercise price per share
Sageview Capital, L.P	16,732,824	August 2016	\$1.31
Strategic management service provider	525,000	July 2021	\$1.72 - \$3.00
Warrants issued to creditors in connection with the 2013 Notes (the "2013 Warrants")	1,250,625	October 2018	\$1.85

Outstanding warrants held by Sageview Capital, L.P. ("Sageview") contain customary provisions for cashless exercises and anti-dilution adjustments. In addition, the warrants' expiration date may be extended in limited circumstances. On April 29, 2015, the number of shares underlying the warrants issued to Sageview and their related exercise price were adjusted from 16,000,000 and \$1.37 to 16,732,824 and \$1.31, respectively, to give effect to an anti-dilution adjustment that resulted from the issuance of the Convertible Notes.

Outstanding warrants held by the strategic management service provider were issued in connection with a consulting management services agreement ("MSA"). The warrants may be terminated with 90 days' notice in the event of termination of the MSA.

The 2013 Warrants and related 2013 Notes are subject to certain transfer restrictions.

9. COMMITMENTS AND CONTINGENCIES

LEASES

We have capital lease obligations covering a facility and computer equipment. In May 2011, we completed the sale of certain assets and liabilities of the Pavilion Theatre and ceased to operate it at that time. We have remained the primary obligor on the Pavilion capital lease and therefore, the capital lease obligation and the related assets under the capital lease continue to be reflected on our Consolidated Balance Sheets as of December 31, 2015 and March 31, 2015. We have entered into a sub-lease agreement with an unrelated third party purchaser who makes all payments related to the lease and therefore, we have no continuing involvement in the operation of the Pavilion Theatre.

We also operate from leased properties under non-cancelable operating lease agreements, certain of which contain escalating lease clauses.

LITIGATION

Gaiam Dispute

Since 2014, Cinedigm and Gaiam have been engaged in various legal disputes relating to Gaiam's sales of its entertainment media distribution business to Cinedigm. In a settlement agreement made effective as of September 29, 2015, Cinedigm and Gaiam agreed to the following: (1) a mutual release of all claims, with only one exception (described immediately below), that the parties held against each other; (2) the commencement of a further arbitration to resolve Cinedigm's single preserved claim that it did not receive all of the cash collected by Gaiam on Cinedigm's behalf during the transition period following the sale (the "Cash Reconciliation Claim"); and (3) Gaiam would pay \$2.3 million to Cinedigm. In a further settlement agreement executed in January

2016 and made effective as of December 31, 2015, Cinedigm and Gaiam agreed to resolve the Cash Reconciliation Claim in exchange for a further payment by Gaiam to Cinedigm in the amount of \$1.6 million. Cinedigm will record the impact of this final settlement in the fourth fiscal quarter.

As a result, all legal disputes between the parties have now been finally and fully settled. The parties' settlements do not constitute an admission by either party of any liability or wrongdoing whatsoever.

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.

10. SUPPLEMENTAL CASH FLOW INFORMATION

(in thousands)	For the Nine Months Ended December 31,	
	2015	2014
Cash interest paid	\$ 11,542	\$ 12,374
Accrued dividends on preferred stock	89	267
Issuance of common stock for payment of preferred stock dividends	267	267
Write-off of capital lease obligation	(769)	—

11. SEGMENT INFORMATION

We operate in four reportable segments: Phase I Deployment, Phase II Deployment, Services and Content & Entertainment or CEG. Our segments were determined based on the economic characteristics of our products and services, our internal organizational structure, the manner in which our operations are managed and the criteria used by our Chief Operating Decision Maker to evaluate performance, which is generally the segment's income (loss) from continuing operations before interest, taxes, depreciation and amortization. Certain Corporate assets, liabilities and operating expenses are not allocated to our reportable segments.

Operations of:	Products and services provided:
Phase I Deployment	Financing vehicles and administrators for our 3,724 Systems installed nationwide, for which we retain 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 II Deployment	Financing vehicles and administrators for our 8,904 Systems installed domestically and internationally, for which we retain 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.
Services	Provides monitoring, collection, verification and other management services to our Phase I Deployment, Phase II Deployment, CDF2 Holdings, as well as to exhibitors who purchase their own equipment. Services also collects and disburses VPFs from motion picture studios, distributors and ACFs from alternative content providers, movie exhibitors and theatrical exhibitors.
Content & Entertainment	Leading distributor of independent content, and collaborates with producers and other content owners to market, source, curate and distribute independent content to targeted and profitable audiences in theatres and homes, and via mobile and emerging platforms.

The following tables present certain financial information related to our reportable segments and Corporate:

As of December 31, 2015

(In thousands)	Intangible Assets, net	Goodwill	Total Assets	Notes Payable, Non-Recourse	Notes Payable	Capital Leases
Phase I Deployment	\$ 222	\$ —	\$ 56,946	\$ 101,577	\$ —	\$ —
Phase II Deployment	—	—	58,720	21,534	—	—
Services	—	—	1,544	—	—	—
Content & Entertainment	27,171	8,701	108,215	—	—	86
Corporate	11	—	16,780	—	86,697	4,268
Total	\$ 27,404	\$ 8,701	\$ 242,205	\$ 123,111	\$ 86,697	\$ 4,354

As of March 31, 2015

(In thousands)	Intangible Assets, net	Goodwill	Total Assets	Notes Payable, Non-Recourse	Notes Payable	Capital Leases
Phase I Deployment	\$ 252	\$ —	\$ 74,595	\$ 123,722	\$ —	\$ —
Phase II Deployment	—	—	61,350	27,638	—	—
Services	—	—	1,084	—	—	—
Content & Entertainment	31,520	26,701	122,610	—	—	84
Corporate	12	—	13,378	—	45,294	5,411
Total	\$ 31,784	\$ 26,701	\$ 273,017	\$ 151,360	\$ 45,294	\$ 5,495

Statements of Operations
For the Three Months Ended December 31, 2015
(Unaudited, in thousands)

	Phase I	Phase II	Services	Content & Entertainment	Corporate	Consolidated
Revenues	\$ 9,993	\$ 3,184	\$ 3,096	\$ 14,435	\$ —	\$ 30,708
Direct operating (exclusive of depreciation and amortization shown below)	341	57	1	8,113	—	8,512
Selling, general and administrative	118	20	213	3,405	3,854	7,610
Allocation of Corporate overhead	—	—	405	1,357	(1,762)	—
Restructuring, transition and acquisition expenses, net	—	—	—	102	474	576
Litigation settlement recovery, net of expenses	—	—	—	(225)	—	(225)
Depreciation and amortization of property and equipment	7,174	1,881	—	88	285	9,428
Amortization of intangible assets	12	—	—	1,450	1	1,463
Total operating expenses	7,645	1,958	619	14,290	2,852	27,364
Income (loss) from operations	\$ 2,348	\$ 1,226	\$ 2,477	\$ 145	\$ (2,852)	\$ 3,344

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	\$ —	\$ —	\$ 1	\$ 2	\$ —	\$ 3
Selling, general and administrative	—	—	—	66	281	347
Total stock-based compensation	\$ —	\$ —	\$ 1	\$ 68	\$ 281	\$ 350

Statements of Operations
For the Three Months Ended December 31, 2014
(Unaudited, in thousands)

	Phase I	Phase II	Services	Content & Entertainment	Corporate	Consolidated
Revenues	\$ 8,995	\$ 3,078	\$ 3,039	\$ 16,164	\$ —	\$ 31,276
Direct operating (exclusive of depreciation and amortization shown below)	287	105	4	8,714	—	9,110
Selling, general and administrative	19	28	176	4,007	3,254	7,484
Allocation of Corporate overhead	—	—	470	1,380	(1,850)	—
Provision for doubtful accounts	(300)	(78)	—	—	—	(378)
Restructuring, transition and acquisition expenses, net	61	—	—	350	76	487
Litigation and related expenses	—	—	—	578	—	578
Depreciation and amortization of property and equipment	7,137	1,881	53	49	280	9,400
Amortization of intangible assets	11	—	—	1,450	1	1,462
Total operating expenses	7,215	1,936	703	16,528	1,761	28,143
Income (loss) from operations	\$ 1,780	\$ 1,142	\$ 2,336	\$ (364)	\$ (1,761)	\$ 3,133

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	\$ —	\$ —	\$ 4	\$ 2	\$ —	\$ 6
Selling, general and administrative	—	—	—	86	355	441
Total stock-based compensation	\$ —	\$ —	\$ 4	\$ 88	\$ 355	\$ 447

Statements of Operations
For the Nine Months Ended December 31, 2015
(Unaudited, in thousands)

	Phase I	Phase II	Services	Content & Entertainment	Corporate	Consolidated
Revenues	27,856	9,252	8,898	35,234	—	81,240
Direct operating (exclusive of depreciation and amortization shown below)	899	257	8	23,028		24,192
Selling, general and administrative	456	84	648	14,401	10,348	25,937
Allocation of Corporate overhead	—	—	1,212	4,058	(5,270)	—
Provision for doubtful accounts	241	98	—	—	—	339
Restructuring, transition and acquisition expenses, net	—	—	—	102	670	772
Litigation settlement recovery, net of expenses	—	—	—	(635)	—	(635)
Goodwill impairment	—	—	—	18,000	—	18,000
Depreciation and amortization of property and equipment	21,478	5,643	—	239	852	28,212
Amortization of intangible assets	31	—	—	4,349	5	4,385
Total operating expenses	23,105	6,082	1,868	63,542	6,605	101,202
Income (loss) from operations	\$ 4,751	\$ 3,170	\$ 7,030	\$ (28,308)	\$ (6,605)	\$ (19,962)

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	—	—	9	5	—	14
Selling, general and administrative	—	—	1	202	1,207	1,410
Total stock-based compensation	—	—	10	207	1,207	1,424

Statements of Operations
For the Nine Months Ended December 31, 2014
(Unaudited, in thousands)

	Phase I	Phase II	Services	Content & Entertainment	Corporate	Consolidated
Revenues	27,291	9,287	8,962	32,314	—	77,854
Direct operating (exclusive of depreciation and amortization shown below)	752	379	56	19,738	—	20,925
Selling, general and administrative	297	101	588	13,107	9,202	23,295
Allocation of Corporate overhead	—	—	1,395	4,069	(5,464)	—
Provision for doubtful accounts	(204)	(23)	21	—	—	(206)
Restructuring, transition and acquisition expenses, net	61	—	—	1,768	421	2,250
Litigation and related expenses	—	—	—	780	—	780
Depreciation and amortization of property and equipment	21,412	5,643	159	141	812	28,167
Amortization of intangible assets	34	—	—	4,774	3	4,811
Total operating expenses	22,352	6,100	2,219	44,377	4,974	80,022
Income (loss) from operations	4,939	3,187	6,743	(12,063)	(4,974)	(2,168)

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	—	—	4	8	—	12
Selling, general and administrative	—	—	10	215	1,235	1,460
Total stock-based compensation	—	—	14	223	1,235	1,472

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

Since our inception, we have played a significant role in the digital distribution revolution that continues to transform the media landscape. In addition to our pioneering role in transitioning over 12,000 movie screens from traditional analog film prints to digital distribution, we have become a leading distributor of independent content, both through organic growth and acquisitions. We distribute a wide range of content from leading international and domestic content creators and suppliers, movie producers, television producers and other short form digital content producers. We collaborate with producers, major brands and other content owners to market, source, curate and distribute quality content to targeted audiences through (i) existing and emerging digital home entertainment platforms, including but not limited to, iTunes, Amazon Prime, Netflix, Hulu, Xbox, PlayStation, and cable video-on-demand (“VOD”), and (ii) physical goods, including DVD and Blu-ray Discs. In addition, we have expanded our distribution and leveraged our content library to compete in the Over-The-Top (“OTT”) channel business. Our three OTT channels, CONtv, Docurama and The Dove Channel are available on several platforms including Roku, Xbox and Amazon.

We report our 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 group (“Content & Entertainment” or “CEG”). The Phase I Deployment and Phase II Deployment segments are the non-recourse, financing vehicles and administrators for our digital cinema equipment (the “Systems”) installed in movie theatres throughout the United States and in Australia and New Zealand. Our Services segment provides fee based support to over 12,000 movie screens in our Phase I Deployment, Phase II Deployment segments as well as directly to exhibitors and other third party customers in the form of monitoring, billing, collection and verification services. Our Content & Entertainment segment is focused on: (1) ancillary market aggregation and distribution of entertainment content, and (2) branded and curated over-the-top (“OTT”) digital network business providing entertainment channels and applications.

We are structured so that our digital cinema business (collectively, the Phase I Deployment, Phase II Deployment and Services segments) operates independently from our Content & Entertainment segment. As of December 31, 2015, we had approximately \$128.1 million of scheduled principal payments outstanding on non-recourse debt, which exclude debt discounts and unamortized debt issuance costs, that are serviced by our digital cinema business. We also had approximately \$90.9 million of scheduled outstanding principal payments on recourse debt that are not attributable to a particular reportable segment and are reported as part of our corporate operations.

As we have previously disclosed, on June 8, 2015, we received a notice from the Listing Qualifications staff of The NASDAQ Stock Market LLC (“Nasdaq”) indicating that, based upon the closing bid price of our Class A common stock for 30 consecutive business days, we no longer met the requirement to maintain a minimum bid price of \$1 per share, as set forth in Nasdaq Listing Rule 5450(a)(1) (the “Bid Price Rule”). In accordance with the Nasdaq Listing Rules, we were afforded 180 calendar days, or until December 7, 2015, to regain compliance with the Bid Price Rule, during which time it would be required to maintain a closing bid price of at least \$1.00 for a minimum of 10 consecutive business days. We were unable to regain compliance with the Bid Price Rule by December 7, 2015. Accordingly, on December 10, 2015, we received a letter from Nasdaq notifying us that our Class A common stock would be subject to delisting from Nasdaq unless we timely requested a hearing before a Nasdaq Listing Qualifications Panel. We have requested such a hearing at which we will seek an extension of up to an additional 180 days to regain compliance. The delisting action is stayed during the hearing process. There can be no assurance that we will ultimately be granted an extension of the compliance period. However, we have already obtained the approval of our stockholders empowering our Board to effect a reverse stock split sufficient to regain compliance with the Bid Price Rule, and our Board of Directors intends to effectuate such a reverse split promptly if it becomes clear that the continued listing of the Class A common stock cannot otherwise be assured.

We reported consolidated net losses attributable to common stockholders' of \$2.6 million and \$35.9 million during the three and nine months ended December 31, 2015, respectively, and we have an accumulated deficit of \$336.3 million as of December 31, 2015. We also have significant contractual obligations related to our non-recourse and recourse debt. We may continue generating consolidated net losses for the foreseeable future. We believe the combination of: (i) our cash and restricted cash balances at December 31, 2015, (ii) the remaining availability under our revolving line of credit, (iii) planned cost reduction initiatives, and (iv) expected cash flows from operations will be sufficient to satisfy our liquidity and capital requirements for the next twelve months. Our capital requirements will depend on many factors, and we may need to use available capital resources and raise additional capital. As a result of our ongoing process of exploring and evaluating potential significant strategic and capital raising opportunities with the help of our financial advisor, we are in discussions with a potential investor to help meet our ongoing capital raising requirements. There can be no assurance that the transaction under discussion will be consummated. Failure to generate additional revenues, raise additional capital or manage discretionary spending could have an adverse effect on our financial position, results of operations and liquidity.

Results of Continuing Operations for the Three Months Ended December 31, 2015 and 2014

Revenues

(\$ in thousands)	For the Three Months Ended December 31,			
	2015	2014	\$ Change	% Change
Phase I Deployment	\$ 9,993	\$ 8,995	\$ 998	11 %
Phase II Deployment	3,184	3,078	106	3 %
Services	3,096	3,039	57	2 %
Content & Entertainment	14,435	16,164	(1,729)	(11)%
	<u>\$ 30,708</u>	<u>\$ 31,276</u>	<u>\$ (568)</u>	<u>(2)%</u>

Increased revenues in our Phase I and Phase II Deployment businesses reflect the wide release of 35 titles in three months ended December 31, 2015 compared to 33 of such titles in the December 31, 2014 period. In addition, two blockbuster titles released in the three months ended December 31, 2015, accounted for the increase over the prior period in which no blockbuster films were released on our deployed systems.

Revenue generated by our Services segment increased as a result of the higher VPFs earned by our Phase I and II deployment businesses. Our Services segment earns commissions on VPF revenue generated by the Phase I and Phase II deployment segments. Certain Phase I and Phase II Systems reached the conclusion of their deployment payment period in December 2015 and therefore, we expect VPF and Services revenue on those systems to decrease in the future.

Revenues at our Content & Entertainment segment decreased, due to weaker than expected digital performance due to industry leaders focusing more of their capital on original content, rather than third-party content, and agreements that were moved to subsequent periods. In addition, we continued to experience a decline in sales and shelf space allotted to our traditional DVD and Blu-ray business, which is negatively impacted by changes in technology and consumer behavior. We continue to shift our strategy toward developing a portfolio of narrowcast OTT channels. At the end of fiscal year 2015, we launched CONtv in cooperation with Wizard World, Inc., and in the second quarter of fiscal year 2016 we launched the Dove Channel, which targets families and kids seeking high quality and family friendly content approved by the Dove Foundation.

Direct Operating Expenses

(\$ in thousands)	For the Three Months Ended December 31,			
	2015	2014	\$ Change	% Change
Phase I Deployment	\$ 341	\$ 287	\$ 54	19 %
Phase II Deployment	57	105	(48)	(46)%
Services	1	4	(3)	(75)%
Content & Entertainment	8,113	8,714	(601)	(7)%
	<u>\$ 8,512</u>	<u>\$ 9,110</u>	<u>\$ (598)</u>	<u>(7)%</u>

Direct operating expenses decreased in the three months ended December 31, 2015 compared to the prior period, reflecting lower revenue in our CEG business, higher third party distribution costs, and higher OTT platform and content distribution costs. In addition, there were reduced costs related to theatrical releasing, marketing and content acquisitions costs as we made the strategic

decision to focus significantly less on theatrical film releases and we focused more on OTT channel entertainment in the 2015 fiscal year.

Selling, General and Administrative Expenses

(\$ in thousands)	For the Three Months Ended December 31,			
	2015	2014	\$ Change	% Change
Phase I Deployment	\$ 118	\$ 19	\$ 99	521 %
Phase II Deployment	20	28	(8)	(29)%
Services	213	176	37	21 %
Content & Entertainment	3,405	4,007	(602)	(15)%
Corporate	3,854	3,254	600	18 %
	<u>\$ 7,610</u>	<u>\$ 7,484</u>	<u>\$ 126</u>	<u>2 %</u>

Selling, general and administrative expenses increased in our Corporate operations compared to the prior period, primarily reflecting increased salaries, consulting fees and related expenses. Selling, general and administrative fees in our Content & Entertainment segment decreased as a result of lower salaries and related expenses, partially offset by higher operating expenses related to our OTT business, which we launched in the fourth quarter of the fiscal year ended March 31, 2015

Restructuring, Transition and Acquisitions Expenses

In the three months ended December 31, 2015 we recorded restructuring expenses in the amount of \$0.6 million, primarily related to workforce reduction related to our assessment of our resource requirements within Content & Entertainment and Corporate reporting segments.

For the three months ended December 31, 2014 , we recorded restructuring, transition and acquisitions expenses, net of \$0.5 million , primarily related to professional fees, workforce reduction and integration related to the GVE Acquisition .

Litigation settlement (recovery), net of expenses

In the three months ended December 31, 2015 , litigation recovery, net of related expenses, was \$0.2 million , resulting from a legal settlement arising from disputes related to our October 2013 GVE Acquisition. In connection with the settlement agreements, we recorded settlement income of \$2.3 million in our second fiscal quarter ended September 30, 2015 and expect to record additional settlement income of \$1.6 million in the fourth fiscal quarter.

Depreciation and Amortization Expense on Property and Equipment

(\$ in thousands)	For the Three Months Ended December 31,			
	2015	2014	\$ Change	% Change
Phase I Deployment	\$ 7,174	\$ 7,137	\$ 37	1 %
Phase II Deployment	1,881	1,881	—	— %
Services	—	53	(53)	(100)%
Content & Entertainment	88	49	39	80 %
Corporate	285	280	5	2 %
	<u>\$ 9,428</u>	<u>\$ 9,400</u>	<u>\$ 28</u>	<u>— %</u>

Depreciation and amortization expense was consistent with the prior period, as we have not had significant additions to our property and equipment balances.

Interest expense, net

(\$ in thousands)	For the Three Months Ended December 31,			
	2015	2014	\$ Change	% Change
Phase I Deployment	\$ 3,032	\$ 3,373	\$ (341)	(10)%
Phase II Deployment	304	374	(70)	(19)%
Corporate	1,822	1,182	640	54 %
	<u>\$ 5,158</u>	<u>\$ 4,929</u>	<u>\$ 229</u>	<u>5 %</u>

Interest expense reported by our Phase I and Phase II Deployment segments decreased primarily as a result of reduced debt balances compared to the prior period and the payoff of one of our KBC facilities. In addition, we paid a lower interest rate on the Phase I 2013 Term Loans compared to the prior year. We expect interest expense related to the KBC Facilities to continue to decrease due to the pay-down of such balances.

Interest expense at Corporate increased during the three months ended December 31, 2015, primarily as a result of the issuance of the Convertible Notes in April 2015. In the three months ended December 31, 2015, we recorded interest expense of \$0.9 million related to the Convertible Notes. We used a portion of the proceeds from the Convertible Notes to pay off the \$18.2 million Term Loan associated with the Cinedigm Credit Agreement. As a result, incremental interest expense recorded in connection with the Convertible Notes was slightly offset by the reduced amount of interest expense in connection with the extinguished Term Loans under the Cinedigm Credit Agreement. Although borrowings under our revolving line of credit decreased from the same period in the prior year, borrowings in the nine months ended December 31, 2015 were outstanding for a longer period of time and therefore resulted in an increase to interest expense compared to the prior period.

The change in fair value of the interest rate derivatives was a loss of approximately \$34.0 thousand for the three months ended December 31, 2015, compared to income of \$0.1 million for the same period in the prior year.

Income Tax Expense

We recorded income tax expense from continuing operations of \$0.4 million and \$0.1 million for the three months ended December 31, 2015, in our Phase I and Corp segments, respectively, which represents State income taxes and U.S. Federal alternative minimum income taxes. Our effective tax rates for the three months ended December 31, 2015 were 31.2%. Our increase in effective rates from the three months ended December 31, 2014 to the three months ended December 31, 2015, are mainly due to an increase in taxable income due to timing differences related to fixed asset depreciation.

Adjusted EBITDA

We define Adjusted EBITDA to be earnings before interest, taxes, depreciation and amortization, other income, net, stock-based compensation and expenses, merger and acquisition costs, restructuring, transition and acquisitions expense, net, goodwill impairment and certain other items.

Adjusted EBITDA (including the results of Phase I and Phase II Deployments segments) decreased 8% compared to the three months ended December 31, 2014. Adjusted EBITDA from our non-deployment businesses was \$1.9 million during the three months ended December 31, 2015, compared to \$3.7 million for the three months ended December 31, 2014. The reconciliation of Adjusted EBITDA for three months ended December 31, 2015, also takes into consideration \$0.1 million of legal and other professional fees, primarily related to activist shareholder proposals, and a reduced expenses related to the settlement of the GVE litigation of \$0.2 million, net of related expenses recorded in the period. The decrease in adjusted EBITDA compared to the prior period primarily reflects higher operating expenses in our Content & Entertainment business and Corporate, particularly advertising, marketing and consulting expenses.

Adjusted EBITDA is not a measurement of financial performance under GAAP and may not be comparable to other similarly titled measures of other companies. We use 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, we believe Adjusted EBITDA will also be useful to others, including its stockholders, as a valuable financial metric.

We present Adjusted EBITDA because we believe that Adjusted EBITDA is a useful supplement to net loss from continuing operations as an indicator of operating performance. We also believe that Adjusted EBITDA is a financial measure that is useful both to management and investors when evaluating our performance and comparing our performance with that of our competitors. We also use Adjusted EBITDA for planning purposes and to evaluate our financial performance because Adjusted EBITDA

excludes certain incremental expenses or non-cash items, such as stock-based compensation charges, that we believe are not indicative of our ongoing operating performance.

We believe that Adjusted EBITDA is a performance measure and not a liquidity measure, and therefore a reconciliation between net loss from continuing operations and Adjusted EBITDA has been 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. We do 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 our consolidated financial statements prepared in accordance with GAAP.

Following is the reconciliation of our consolidated Adjusted EBITDA to consolidated GAAP loss from continuing operations:

(\$ in thousands)	For the Three Months Ended December 31,	
	2015	2014
Loss from continuing operations	\$ (1,976)	\$ (1,933)
<u>Add Back :</u>		
Income tax expense	470	—
Depreciation and amortization of property and equipment	9,428	9,400
Amortization of intangible assets	1,463	1,462
Interest expense, net	5,158	4,929
Other income, net	(274)	31
Change in fair value of interest rate derivatives	(34)	106
Stock-based compensation and expenses	350	447
Restructuring, transition and acquisition expenses, net	576	487
Professional fees pertaining to activist shareholder proposals and compliance	56	190
Litigation settlement (recovery) net of expenses	(225)	578
Net income attributable to noncontrolling interest	(487)	—
Adjusted EBITDA	<u>\$ 14,505</u>	<u>\$ 15,697</u>
<u>Adjustments related to the Phase I and Phase II Deployments :</u>		
Depreciation and amortization of property and equipment	\$ (9,055)	\$ (9,018)
Amortization of intangible assets	(12)	(11)
Income from operations	<u>(3,574)</u>	<u>(2,983)</u>
Adjusted EBITDA from non-deployment businesses	<u>\$ 1,864</u>	<u>\$ 3,685</u>

Results of Continuing Operations for the Nine Months Ended December 31, 2015 and 2014

Revenues

(\$ in thousands)	For the Nine Months Ended December 31,			
	2015	2014	\$ Change	% Change
Phase I Deployment	\$ 27,856	\$ 27,291	\$ 565	2 %
Phase II Deployment	9,252	9,287	(35)	— %
Services	8,898	8,962	(64)	(1)%
Content & Entertainment	35,234	32,314	2,920	9 %
	<u>\$ 81,240</u>	<u>\$ 77,854</u>	<u>\$ 3,386</u>	<u>4 %</u>

Revenues in our Phase I Deployment businesses increased compared to the prior period, primarily because there were a greater number of wide titles released in the nine months ended December 31, 2015 than in the same period of the prior year. Systems deployed and screen utilization rates were consistent with the prior period.

Our Services segment earns commissions on VPF revenue generated by the Phase I and Phase II deployment segments. Revenue generated by our Services segment decreased as a result of the reduced VPFs earned by our Phase II deployment businesses. Certain Phase I Systems reached the conclusion of their deployment payment period in December 2015 and therefore, we expect VPF and Services revenue on those systems to decrease in the future.

Revenues at our Content & Entertainment segment increased, reflecting higher revenues related to digitally distributed content and significantly fewer product returns compared to the December 31, 2014 period. The increase was partially offset by the continued decline in sales and shelf space allotted to packaged goods for our traditional DVD and Blu-ray business, which has been negatively impacted by changes in technology and consumer behavior. To offset this secular trend, we continue to shift our strategy toward developing a portfolio of narrowcast OTT channels. Our first channel, Docurama, was launched in May 2014 and leverages our existing content library. In March 2015, we launched CONtv in cooperation with Wizard World, Inc., leveraging their large fan base and national convention presence, and in September 2015, we launched the Dove Channel, targeting families and kids seeking high quality and family friendly content approved by the Dove Foundation.

Direct Operating Expenses

(\$ in thousands)	For the Nine Months Ended December 31,			
	2015	2014	\$ Change	% Change
Phase I Deployment	\$ 899	\$ 752	\$ 147	20 %
Phase II Deployment	257	379	(122)	(32)%
Services	8	56	(48)	(86)%
Content & Entertainment	23,028	19,738	3,290	17 %
	<u>\$ 24,192</u>	<u>\$ 20,925</u>	<u>\$ 3,267</u>	<u>16 %</u>

Direct operating expenses increased in the nine months ended December 31, 2015, mainly driven by increased revenue in our CEG business, higher third party distribution costs, and OTT platform and content distribution costs compared to the period ended December 31, 2014. The increase was slightly offset by reduced theatrical releasing costs, marketing and content acquisitions, as we made the strategic decision to focus significantly less on theatrical film releases and more on OTT channel entertainment in the 2015 fiscal year.

Selling, General and Administrative Expenses

(\$ in thousands)	For the Nine Months Ended December 31,			
	2015	2014	\$ Change	% Change
Phase I Deployment	\$ 456	\$ 297	\$ 159	54 %
Phase II Deployment	84	101	(17)	(17)%
Services	648	588	60	10 %
Content & Entertainment	14,401	13,107	1,294	10 %
Corporate	10,348	9,202	1,146	12 %
	<u>\$ 25,937</u>	<u>\$ 23,295</u>	<u>\$ 2,642</u>	<u>11 %</u>

Selling, general and administrative expenses increased compared to the prior period, primarily reflecting higher salaries, consulting fees and related expenses at Corporate. In addition, advertising and marketing expenses in our Content & Entertainment business increased \$1.5 million compared to the prior period, reflecting our CONtv OTT channel, which launched in the fourth quarter of the prior fiscal year. For the nine months ended December 31, 2015 we recorded \$0.9 million of incremental legal and other professional fees related to certain activist shareholder proposals compared to \$0.2 million in the prior period.

In the nine months ended December 31, 2015, we also recorded a provision for doubtful accounts related to a customer that filed for Chapter 11 bankruptcy relief.

Restructuring, Transition and Acquisitions Expenses

Restructuring, transition and acquisitions expenses, net were \$0.8 million for the nine months ended December 31, 2015, which reflects the assessment of our resource requirements within Content & Entertainment and Corporate reporting segments compared to \$2.3 million in the prior period. Restructuring, transition and acquisitions expenses, primarily reflect workforce reduction for the nine months ended December 31, 2015.

Goodwill Impairment

In the nine months ended December 31, 2015, we recorded a goodwill impairment charge of \$18.0 million. We reassessed the fair value of our CEG reporting unit in the second fiscal quarter of 2015 because the reporting unit was expected to perform below the expectations that we established for fiscal year 2016 during our annual testing of goodwill at March 31, 2015. We faced challenges in the first half of fiscal 2016 that significantly impacted our ability to establish the new contracts, customer relationships and OTT channels that we had originally anticipated and shifted a portion of management's focus away from business operations. As a result, our fiscal 2016 projections for revenue and adjusted EBITDA are expected to fall materially below our original estimates, particularly those for the second half of the fiscal year. No goodwill impairment was recorded in the three and nine months ended December 31, 2014.

Litigation settlement (recovery), net of expenses

In the nine months ended December 31, 2015, litigation recovery, net of expenses, was \$0.6 million, resulting from a legal settlement arising from disputes related to our October 2013 GVE Acquisition. In connection with the settlement agreements, we recorded settlement income of \$2.3 million in our second fiscal quarter ended September 30, 2015 and expect to record additional settlement income of \$1.6 million in the fourth fiscal quarter.

Depreciation and Amortization Expense on Property and Equipment

(\$ in thousands)	For the Nine Months Ended December 31,			
	2015	2014	\$ Change	% Change
Phase I Deployment	\$ 21,478	\$ 21,412	\$ 66	— %
Phase II Deployment	5,643	5,643	—	— %
Services	—	159	(159)	(100)%
Content & Entertainment	239	141	98	70 %
Corporate	852	812	40	5 %
	<u>\$ 28,212</u>	<u>\$ 28,167</u>	<u>\$ 45</u>	<u>— %</u>

Depreciation and amortization expense was consistent with the comparable quarter in the prior fiscal year, as we have not added substantially to our property and equipment balances.

Amortization of intangible assets

Amortization of intangible assets decreased to \$4.4 million for the fiscal quarter ended December 31, 2015 from \$4.8 million as certain intangible assets became fully amortized in the prior fiscal year.

Interest expense, net

(\$ in thousands)	For the Nine Months Ended December 31,			
	2015	2014	\$ Change	% Change
Phase I Deployment	\$ 9,288	\$ 10,352	\$ (1,064)	(10)%
Phase II Deployment	958	1,183	(225)	(19)%
Corporate	5,234	3,422	1,812	53 %
	<u>\$ 15,480</u>	<u>\$ 14,957</u>	<u>\$ 523</u>	<u>3 %</u>

We made principal payments of \$48.7 million on our long-term debt arrangements and made payments (net of borrowings) under our revolving credit facility of \$2.4 million in the nine months ended December 31, 2015. On April 29, 2015 we issued \$64.0 million aggregate principal amount of unsecured senior convertible notes payable (the "Convertible Notes") that bear interest at a rate of 5.5% per year, payable semiannually.

Interest expense reported by our Phase I and Phase II Deployment segments decreased primarily as a result of reduced debt balances compared to the prior period and the payoff of a KBC facility. In addition, we paid a lower interest rate on the Phase I 2013 Term Loans compared to the prior year. We expect interest expense related to the KBC Facilities to continue to decrease due to the pay-down of such balances.

Interest expense at Corporate increased during the nine months ended December 31, 2015, primarily as a result of the issuance of the Convertible Notes. In the nine months ended December 31, 2015, we recorded interest expense of \$2.4 million related to the Convertible Notes. In April 2015, we used a portion of the proceeds from the Convertible Notes to pay off the \$18.2 million Term Loan associated with the Cinedigm Credit Agreement. As a result, incremental interest expense recorded in connection with the Convertible Notes and increased borrowings under the revolving credit facility was slightly offset by reduced interest expense in connection with the Term Loans under the Cinedigm Credit Agreement. Although borrowings under our revolving credit facility increased from the same period in the prior year, such borrowings were not outstanding for the entire period during the nine months ended December 31, 2015 and therefore did not add materially to the change from the prior period.

In connection with the repayment of the Term Loans under the Cinedigm Credit Agreement, we wrote-off certain debt issuance costs and the discount that remained on the balance of the Term Loans. As a result, we recorded \$0.9 million as a loss on the extinguishment of debt in the nine months ended December 31, 2015.

The change in fair value of the interest rate derivatives was a loss of approximately \$32.0 thousand and a loss of 0.3 million for the nine months ended December 31, 2015 and 2014, respectively.

Income Tax Expense

We recorded income tax expense from continuing operations of \$0.4 million and \$0.1 million for the nine months ended December 31, 2015, in our Phase I and Corp segments, respectively, which represents State income taxes and U.S. Federal alternative minimum income taxes. Our effective tax rates for the nine months ended December 31, 2015 were 1.3%. Our increase in effective rates from the nine months ended December 31, 2014 to the nine months ended December 31, 2015, are mainly due to an increase in taxable income due to timing differences related to fixed asset depreciation.

Adjusted EBITDA

We define Adjusted EBITDA to be earnings before interest, taxes, depreciation and amortization, other income, net, stock-based compensation and expenses, merger and acquisition costs, restructuring, transition and acquisitions expense, net, goodwill impairment and certain other items.

Adjusted EBITDA (including the results of Phase I and Phase II Deployments segments) for the nine months ended December 31, 2015 decreased 5% compared to same period in the prior fiscal year. Adjusted EBITDA from our non-deployment businesses also decreased compared to the nine months ended December 31, 2014. The reconciliation of Adjusted EBITDA for nine months ended December 31, 2015, also takes into consideration goodwill impairment of \$18.0 million, incremental legal and other professional fees of \$0.9 million, primarily related to activist shareholder proposals and a recovery related to a the settlement of the GVE litigation of \$0.6 million, net of related expenses recorded in the period. The decrease in adjusted EBITDA compared to the prior period primarily reflects higher selling, general and administrative expenses at Corporate compared to the same period in the prior fiscal year.

Adjusted EBITDA is not a measurement of financial performance under GAAP and may not be comparable to other similarly titled measures of other companies. We use 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, we believe Adjusted EBITDA will also be useful to others, including its stockholders, as a valuable financial metric.

We present Adjusted EBITDA because we believe that Adjusted EBITDA is a useful supplement to net loss from continuing operations as an indicator of operating performance. We also believe that Adjusted EBITDA is a financial measure that is useful both to management and investors when evaluating our performance and comparing our performance with that of our competitors. We also use Adjusted EBITDA for planning purposes and to evaluate our financial performance because Adjusted EBITDA excludes certain incremental expenses or non-cash items, such as stock-based compensation charges, that we believe are not indicative of our ongoing operating performance.

We believe that Adjusted EBITDA is a performance measure and not a liquidity measure, and therefore a reconciliation between net loss from continuing operations and Adjusted EBITDA has been 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. We do 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 our consolidated financial statements prepared in accordance with GAAP.

Following is the reconciliation of our consolidated Adjusted EBITDA to consolidated GAAP loss from continuing operations:

(\$ in thousands)	For the Nine Months Ended December 31,	
	2015	2014
Loss from continuing operations	\$ (36,369)	\$ (17,337)
<u>Add Back :</u>		
Income tax expense	470	—
Depreciation and amortization of property and equipment	28,212	28,167
Amortization of intangible assets	4,385	4,811
Interest expense, net	15,480	14,957
Loss on extinguishment of debt	931	—
Other income, net	(506)	(69)
Change in fair value of interest rate derivatives	32	281
Stock-based compensation and expenses	1,424	1,472
Goodwill impairment	18,000	—
Restructuring, transition and acquisition expenses, net	772	2,250
Professional fees pertaining to activist shareholder proposals and compliance	856	229
Litigation settlement (recovery) net of expenses	(635)	780
Net loss attributable to noncontrolling interest	688	—
Adjusted EBITDA	\$ 33,740	\$ 35,541
<u>Adjustments related to the Phase I and Phase II Deployments :</u>		
Depreciation and amortization of property and equipment	\$ (27,121)	\$ (27,055)
Amortization of intangible assets	(31)	(34)
Income from operations	(7,921)	(8,187)
Adjusted EBITDA from non-deployment businesses	\$ (1,333)	\$ 265

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In connection with the preparation of our financial statements, we are required to make assumptions and estimates about future events, and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our consolidated financial statements are prepared. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

Our significant accounting policies are discussed in Note 2 - *Summary of Significant Accounting Policies*, of the Notes to Condensed Consolidated Financial Statements, included in Item 1, *Financial Statements* of this Quarterly Report on Form 10-Q. Management believes that the following accounting policies are the most critical to aid in fully understanding and evaluating our reported

financial results, and they require management's most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. Management has reviewed these critical accounting estimates and related disclosures with the Audit Committee of our board of directors.

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 fiscal years ended March 31, 2015 and 2014, we have neither made any revisions to estimated useful lives, nor recorded any impairment charges from continuing operations on our property and equipment.

FAIR VALUE ESTIMATES

Goodwill and Intangible and Long-Lived Assets

We must estimate the fair value of assets acquired and liabilities assumed in a business combination. Our assessment of the estimated fair value of each of these can have a material effect on our reported results as intangible assets are amortized over various lives. Furthermore, a change in the estimated fair value of an asset or liability often has a direct influence on the amount to recognize as goodwill, which is an asset that is not amortized. Often determining the fair value of these assets and liabilities assumed requires an assessment of expected use of the assets and the expected costs to extinguish the liabilities. Such estimates are inherently difficult and subjective and can have a material influence on our consolidated financial statements.

We use either the income, cost or market approach to aid in our conclusions of such fair values and asset lives. The income approach presumes that the value of an asset can be estimated by the net economic benefit to be received over the life of the asset, discounted to present value. The cost approach presumes that an investor would pay no more for an asset than its replacement or reproduction cost. The market approach estimates value based on what other participants in the market have paid for reasonably similar assets. Although each valuation approach is considered in valuing the assets acquired, the approach ultimately selected is based on the characteristics of the asset and the availability of information.

We evaluate our goodwill for impairment in the fourth quarter of each fiscal year (as of March 31), or whenever events or changes in circumstances indicate the fair value of a reporting unit is below its carrying amount. The determination of whether or not goodwill has become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the value of our reporting units. Inherent in the fair value determination for each reporting unit are certain judgments and estimates relating to future cash flows, including management's interpretation of current economic indicators and market conditions, and assumptions about our strategic plans with regard to our operations. To the extent additional information arises, market conditions change or our strategies change, it is possible that the conclusion regarding whether goodwill is impaired could change and result in future goodwill impairment charges that could have a material effect on our consolidated financial position or results of operations.

When testing goodwill for impairment we are permitted to make a qualitative assessment of whether goodwill is impaired, or choose to bypass the qualitative assessment, and proceed directly to performing the first step of the two-step impairment test. If we perform a qualitative assessment and conclude it is more likely than not that the fair value of a reporting unit exceeds its carrying value, goodwill is not considered impaired and the two-step impairment test is unnecessary. However, if we conclude otherwise, we are then required to perform the first step of the two-step impairment test.

We review the recoverability of our long-lived assets and finite-lived intangible assets, when events or conditions occur that indicate a possible impairment exists. Determining whether impairment has occurred typically requires various estimates and

assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount and the asset's residual value, if any. The assessment for recoverability is based primarily on our 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. We then estimate the fair value of the asset to determine whether an impairment loss should be recognized. An impairment loss will be recognized if the asset's fair value is determined to be less than its carrying value. Fair value is determined by computing the expected future discounted cash flows.

Stock-based Compensation

Stock-based compensation expense is measured at the grant date based on the fair value of the award and is recognized as expense over the vesting period. Determining the fair value of stock-based awards at the grant date requires judgment in estimating expected stock volatility and the amount of stock-based awards that are expected to be forfeited. If actual results differ significantly from these estimates, stock-based compensation expense and our results of operations could be materially affected.

REVENUE RECOGNITION

Phase I Deployment and Phase II Deployment

VPFs are earned, net of administrative fees, 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 our 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, at which point the VPFs phase out. 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. Beginning in December 2015, certain Phase 1 DC Systems will have reached the conclusion of their deployment payment period. In accordance with existing agreements with distributors, a substantial portion of VPF revenues will cease to be recognized on such Systems. Because the Phase I deployment installation period ended in November 2007, a majority of the VPF revenue associated with the Phase I systems will end by November 2017. While the absence of such revenue is not expected to be material to the Condensed Consolidated Statements of Operations during the fiscal year ending March 31, 2016, it is expected to have a material cumulative impact in subsequent periods.

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 service fees, subject to maximum agreed upon amounts during the three-year rollout period and thereafter. Further, if cost recoupment occurs before the end of the eighth contract year, the studios will pay us a one-time "cost recoupment bonus." 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, we cannot estimate the timing or probability of the achievement of cost recoupment. Beginning in December 2018, certain Phase 2 DC Systems will have reached the conclusion of their deployment payment period, subject to earlier achievement of cost recoupment. In accordance with existing agreements with distributors, VPF revenues will cease to be recognized on such Systems. Because the Phase II deployment installation period ended in December 2012, a majority of the VPF revenue associated with the Phase I systems will end by December 2022 or earlier if cost recoupment is achieved.

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 earned in connection with up front exhibitor contributions are deferred and recognized over the expected cost recoupment period.

Services

Exhibitors who purchased and own Systems using their own financing in the Phase II Deployment paid us an upfront activation fee of approximately \$2.0 thousand per screen (the "Exhibitor-Buyer Structure"). Upfront activation fees were recognized in the period in which these Systems were delivered and ready for content, as we had no further obligations to the customer after that time and collection was reasonably assured. In addition, we recognize activation fee revenue of between \$1.0 thousand and \$2.0 thousand on Phase 2 DC Systems and for Systems installed by CDF2 Holdings upon installation and such fees are generally collected upfront upon installation. Our Services segment manages and collects VPFs on behalf of exhibitors, for which it earns an administrative fee equal to 10% of the VPFs collected.

Our Services segment earns an administrative fee of approximately 5% of Phase I Deployment VPFs collected and earns 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 Discs). Fees earned are typically based on the gross amounts billed to our customers less the amounts owed to the media studios or content producers under distribution agreements, and gross media sales of owned or licensed content. Depending upon the nature of the agreements with the platform and content providers, the fee rate that we earn varies. Generally, revenues are recognized when content is available for subscription on the digital platform, at the time of shipment for physical goods, or point-of-sale for transactional and video-on-demand services. Reserves for sales returns and other allowances are provided based upon past experience. If actual future returns and allowances differ from past experience, adjustments to our allowances may be required. Sales returns and allowances are reported net in accounts receivable and as a reduction of revenues.

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 are 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.

Revenue is deferred in cases where a portion or the entire contract amount cannot be recognized as revenue due to non-delivery of services. Such amounts are classified as deferred revenue and are recognized as earned revenue in accordance with our revenue recognition policies described above.

PARTICIPATIONS AND ROYALTIES PAYABLE

We record liabilities within accounts payable and accrued expenses on the Condensed Consolidated Balance Sheet, that represent amounts owed to studios or content producers for which we provide content distribution services for royalties owed under licensing arrangements. We identify and record as a reduction to the liability any expenses that are to be reimbursed to us by such studios or content producers.

Recent Accounting Pronouncements

In May 2014, the FASB issued new accounting guidance on revenue recognition. The new standard provides for a single five-step model to be applied to all revenue contracts with customers as well as requires additional financial statement disclosures that will enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows relating to customer contracts. Companies have an option to use either a retrospective approach or cumulative effect adjustment approach to implement the standard. The guidance will be effective during our fiscal year ending March 31, 2019 with early adoption permitted. We are evaluating the impact of the adoption of this accounting standard update on our consolidated financial statements.

In June 2014, the FASB issued an accounting standards update, which provides additional guidance on how to account for share-based payments where the terms of an award may provide that the performance target could be achieved after an employee completes the requisite service period. The amendments require that a performance target that affects vesting and that could be achieved after the requisite period is treated as a performance condition. The guidance will be effective during our fiscal year ending March 31, 2017. We are currently evaluating the impact of the adoption of this accounting standard update on our consolidated financial statements. The standards update may be applied (a) prospectively to all awards granted or modified after the effective date or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

In August 2014, the FASB amended accounting guidance pertaining to going concern considerations by company management. The amendments in this update state that in connection with preparing financial statements for each annual and interim reporting period, an entity's management should evaluate whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). The guidance will be effective during our fiscal year ending March 31, 2018. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

In February 2015, the FASB issued an accounting standards update, which amended accounting guidance on consolidation. The amendments affect reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. The update will be effective during our fiscal year ending March 31, 2017. We are evaluating the impact of the adoption of this accounting standard update on our consolidated financial statements.

In April 2015, the FASB issued new guidance related to the customer's accounting for fees paid in a cloud computing arrangement, which provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The new guidance is effective for annual and interim reporting periods beginning after December 15, 2015. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

In July 2015, the FASB issued an accounting standards update that requires an entity to measure inventory balances at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments in this update are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. The Company is currently evaluating the impact of the new guidance to the consolidated financial statements.

In September 2015, the FASB issued new guidance with respect to Business Combinations. The new guidance requires the acquirer in a Business Combination to recognize provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. Prior to the new guidance, acquirers were required to retrospectively adjust the provisional amounts recognized at the acquisition date with a corresponding adjustment to goodwill. This amendment eliminates the requirement to retrospectively account for those adjustments. The new guidance goes into effect for those public entities whose fiscal year begins after December 15, 2016. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

In November 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes" ("ASU 2015-17"). The standard requires that deferred tax assets and liabilities be classified as noncurrent on the balance sheet rather than being separated into current and noncurrent. ASU 2015-17 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early adoption is permitted and the standard may be applied either retrospectively or on a prospective basis to all deferred tax assets and liabilities. The Company does not believe the adoption of the new financial instruments standard will have a material impact on its consolidated financial statements.

In January 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-01, Financial Instruments - Overall (Subtopic 825-10) ("ASU 2016-01"), which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for the Company beginning in its first quarter of 2019 and early adoption is not permitted. The Company does not believe the adoption of the new financial instruments standard will have a material impact on its consolidated financial statements.

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.

We may continue to generate net losses in the future primarily due to depreciation and amortization, interest on the Convertible Notes, 2013 Term Loans, Prospect Loan and Cinedigm Credit Agreement, marketing and promotional activities and content acquisition and marketing costs. Certain of these costs, including costs of content acquisition, marketing and promotional activities, could be reduced if necessary. The restrictions imposed by the 2013 Term Loans and 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 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 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.

Our business is primarily driven by the growth in global demand for video 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. Our primary revenue drivers are expected to be the increasing number of digitally equipped devices/screens and the demand for entertainment content in theatrical, home and mobile ancillary markets. According to the Motion Picture Association of America, during 2014 there were approximately 43,000 domestic (United States and Canada) movie theatre screens and approximately 142,000 screens worldwide, of which approximately 42,000 of the domestic screens were equipped with digital cinema technology, and 12,628 of those screens contained our Systems. Historically, the number of digitally equipped screens in the marketplace has been a significant determinant of our potential revenue. Going forward, the expansion of our content business into ancillary distribution markets and digital distribution of narrowcast OTT content are expected to be the primary drivers of our revenues.

Beginning in December 2008, Phase 2 B/AIX, our indirect wholly owned subsidiary, began entering into credit facilities with KBC to fund the purchase of Systems to be installed in movie theatres as part of our Phase II Deployment. As of December 31, 2015, the outstanding commitments related to the KBC Facilities were \$21.3 million.

In February 2013, we entered into a \$125.0 million senior non-recourse credit facility led by Société Générale and a \$70.0 million non-recourse credit facility provided by Prospect Capital Corporation. These two non-recourse credit facilities are supported by the cash flows of the Phase 1 deployment, Phase I and our digital cinema servicing business. As of December 31, 2015, the scheduled outstanding principal payments on these non-recourse credit facilities, which exclude the impacts of debt discounts and unamortized debt issuance costs, were \$106.1 million.

In October 2013, we entered into the Cinedigm Credit Agreement pursuant to which we borrowed term loans of \$25.0 million (which were repaid in April 2015 in connection with the issuance of the Convertible Notes described below) and revolving loans of up to \$30.0 million, of which \$21.9 million of the revolving loans were drawn upon as of December 31, 2015. The Cinedigm Credit Agreement, which further enhances our working capital needs and ability to further invest in entertainment content, will be supported by the cash flows of our media library. Additionally, in 2013, we entered into a mezzanine financing agreement providing \$5.0 million of financing.

In April 2015, we issued \$64.0 million aggregate principal amount of 5.5% convertible senior notes (the "Convertible Notes"), due April 15, 2035, unless earlier repurchased, redeemed or converted. The net proceeds from the note offering were approximately \$60.9 million, after deducting the initial purchaser's discount and estimated offering expenses payable. In connection with the closing of the offering, we used approximately \$18.6 million of the net proceeds to repay and terminate the term loan under the Cinedigm Credit Agreement. In addition, we used \$11.4 million of the net proceeds to enter into a structured forward stock purchase transaction to acquire approximately 11.8 million shares of our Class A common stock for settlement on or about the fifth year anniversary of the issuance date of the Convertible Notes and approximately \$2.6 million to repurchase approximately 2.7 million shares of our Class A common stock from certain purchasers of the Convertible Notes in privately negotiated transactions.

As of December 31, 2015, the scheduled outstanding principal payments on our recourse notes payable, which exclude the impact of debt discounts and unamortized debt issuance costs, was \$90.9 million.

As of December 31, 2015, we had working capital, defined as current assets less current liabilities, of \$6.5 million and cash and cash equivalents and restricted cash totaling \$35.2 million.

Changes in our cash flows were as follows:

(\$ in thousands)	For the Nine Months Ended December 31,	
	2015	2014
Net cash provided by operating activities	\$ 15,078	\$ 11,505
Net cash (used in) provided by investing activities	(362)	884
Net cash used in financing activities	(7,478)	(33,010)
Net decrease in cash and cash equivalents	\$ 7,238	\$ (20,621)

Net cash provided by operating activities is primarily driven by income or loss from operations, excluding non-cash expenses such as goodwill impairment, depreciation, amortization, bad debt provisions and stock-based compensation, offset by changes in working capital. We expect cash received from VPFs to begin to decrease in the fourth quarter of our current fiscal year as certain Phase I and Phase II Systems reached the conclusion of their deployment payment period in December 2015. Changes in accounts receivable from our studio customers and others largely impact cash flows from operating activities and vary based on the seasonality of movie release schedules by the major studios. Operating cash flows from CEG are typically higher during our fiscal third and fourth quarters, resulting from revenues earned during the holiday season, and lower in the following two quarters as we pay royalties on such revenues. In addition, we make advances on theatrical releases and to certain home entertainment distribution clients, for which initial expenditures are generally recovered within six to twelve months. To manage working capital fluctuations, we have a revolving line of credit that allows for borrowings of up to \$30.0 million, of which \$25.5 million was available for borrowing as of December 31, 2015. Timing and volume of our trade accounts payable can also be a significant factor impacting cash flows from operations. Certain non-cash expense fluctuations, primarily resulting from the change in the fair value of interest rate derivative arrangements, can also impact the timing and amount of cash flows from operations. We expect operating activities to continue to be a positive source of cash. We expect to receive a litigation settlement payment in the amount of \$1.6 million in the fourth quarter of fiscal 2016.

Cash flows from investing activities consisted of purchases of property and equipment, offset by capital contributions of \$1.1 million from the noncontrolling interest partner in CONtv.

For the nine months ended December 31, 2015, cash flows used in financing activities primarily reflects:

- payments of \$48.7 million on our long-term debt arrangements;
- net payments made on our revolving credit facility of \$2.4 million ;
- a payment of \$11.4 million to purchase a forward contract related to our structured stock repurchase program;
- repurchases of common stock of \$2.7 million ; and
- repayments capital lease obligations; offset by:
- the issuance of \$64.0 million aggregate amount of 5.5% Senior Convertible Notes, due April 2035.
- deferred financing payments of \$3.7 million ;
- and restricted cash payment of \$2.3 million for debt service reserve for Cinedigm Revolving Loans and Convertible Notes.

We used \$18.2 million of the proceeds from the Convertible Notes offering to repay the remaining outstanding principal balance of the term loan under the Cinedigm Credit Agreement.

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, 2015 :

Contractual Obligations (in thousands)	Payments Due				
	Total	2016	2017 & 2018	2019 & 2020	Thereafter
Long-term recourse debt	\$ 90,927	\$ —	\$ 21,927	\$ 5,000	\$ 64,000
Long-term non-recourse debt ⁽¹⁾	128,084	30,877	29,811	431	66,965
Capital lease obligations ⁽²⁾	4,304	330	934	1,460	1,580
Debt-related obligations, principal	\$ 223,315	\$ 31,207	\$ 52,672	\$ 6,891	\$ 132,545
Interest on recourse debt	\$ 71,777	\$ 3,971	\$ 7,940	\$ 7,066	\$ 52,800
Interest on non-recourse debt ⁽¹⁾	44,017	9,472	15,860	14,961	3,724
Interest on capital leases ⁽²⁾	3,067	717	1,262	844	244
Total interest	\$ 118,861	\$ 14,160	\$ 25,062	\$ 22,871	\$ 56,768
Total debt-related obligations	\$ 342,176	\$ 45,367	\$ 77,734	\$ 29,762	\$ 189,313
Total non-recourse debt including interest	\$ 172,101	\$ 40,349	\$ 45,671	\$ 15,392	\$ 70,689
Operating lease obligations	\$ 7,362	\$ 312	\$ 2,457	\$ 2,610	\$ 1,983

- (1) Non-recourse debt is generally defined as debt whereby the lenders' sole recourse, with respect to defaults, is limited to the value of the asset that is collateral for the debt. The 2013 Term Loans are not guaranteed by us or our other subsidiaries, other than Phase 1 DC and CDF I, the Prospect Loan is not guaranteed by us or our other subsidiaries, other than Phase 1 DC and DC Holdings and the KBC Facilities are not guaranteed by us or our other subsidiaries, other than Phase 2 DC.
- (2) Represents the capital lease and capital lease interest for the Pavilion Theatre and capital leases on information technology equipment. We have remained the primary obligor on the Pavilion capital lease, and therefore, the capital lease obligation and related assets under the capital lease remain on our consolidated financial statements as of December 31, 2015. However, we have entered into a sub-lease agreement with the unrelated third party purchaser which pays the capital lease and as such, we have no continuing involvement in the operation of the Pavilion Theatre. This capital lease was previously included in discontinued operations.

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. Our CEG segment benefits from the winter holiday season, and as a result, revenues in the segment are typically highest in our fiscal third quarter, however we believe the seasonality of motion picture exhibition is becoming less pronounced as the motion picture studios are releasing movies more evenly throughout the year.

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 CDF2 Holdings, LLC ("CDF2 Holdings"), our wholly owned unconsolidated subsidiary. As discussed further in Note 4 - *Other Interests* to the Consolidated Financial Statements included in Item 1 of this Report on Form 10-Q, we hold a 100% equity interest in CDF2 Holdings, which is an unconsolidated variable interest entity ("VIE"), which wholly owns Cinedigm Digital Funding 2, LLC; however, we are 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.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Gaiam Dispute

Since 2014, Cinedigm and Gaiam have been engaged in various legal disputes relating to Gaiam's sales of its entertainment media distribution business to Cinedigm. In a settlement agreement made effective as of September 29, 2015, Cinedigm and Gaiam agreed to the following; (1) a mutual release of all claims, with only one exception (described immediately below), that the parties held against each other; (2) the commencement of a further arbitration to resolve Cinedigm's single preserved claim that it did not receive all of the cash collected by Gaiam on Cinedigm's behalf during the transition period following the sale (the "Cash Reconciliation Claim"); and (3) Gaiam would pay \$2.3 million to Cinedigm. In a further settlement agreement executed in January 2016 and made effective as of December 31, 2015, Cinedigm and Gaiam agreed to resolve the Cash Reconciliation Claim in exchange for a further payment by Gaiam to Cinedigm in the amount of \$1.6 million. Cinedigm will record the impact of this final settlement in the fourth fiscal quarter.

As a result, all legal disputes between the parties have now been finally and fully settled. The parties' settlements do not constitute an admission by either party of any liability or wrongdoing whatsoever.

ITEM 1A. RISK FACTORS

There have been no material changes to the Risk Factors disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended March 31, 2015.

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

a) Sales of Unregistered Securities

None.

b) Use of Proceeds from Public Offering of Common Stock

None.

c) Issuer Purchases of Equity Securities

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 46 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 9, 2016 By: _____
Christopher J. McGurk
Chief Executive Officer and Chairman of the Board of Directors
(Principal Executive Officer)

Date: February 9, 2016 By: _____
Jeffrey S. Edell
Chief Financial Officer (Principal Financial Officer)

EXHIBIT INDEX

Exhibit Number	Description of Document
10.1	-- Confidential Settlement Agreement and Release dated as of September 30, 2015, among Gaiam Inc., Gaiam Americas, Inc., Cinedigm Corp. and Cinedigm Entertainment Holdings, LLC.
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.
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.
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.

AMENDED AND RESTATED

BY-LAWS

OF

CINEDIGM CORP.

ADOPTED April 11, 2000

AMENDED AND RESTATED June 30, 2015

BY-LAWS
OF
CINEDIGM CORP.

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BY-LAWS
OF
CINEDIGM CORP.

ARTICLE I
MEETINGS OF STOCKHOLDERS

Section 1.1 Place of Meetings. Meetings of the stockholders shall be held at such place within or without the State of Delaware as shall be designated by the Board of Directors or the person or persons calling the meeting.

Section 1.2 Annual Meetings. The annual meeting of the stockholders for the election of directors and the transaction of such other business as may properly come before the meeting shall be held after the close of the Corporation's fiscal year on such date and at such time as shall be designated by the Board of Directors.

Section 1.3 Special Meetings. Special meetings may be called at any time by the President or the Board of Directors. Business transacted at each special meeting shall be confined to the purposes stated in the notice of such meeting.

Section 1.4 Notice of Meetings. A written notice stating the place, date, and hour of each meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called shall be given by, or at the direction of, the Secretary or the person or persons authorized to call the meeting to each stockholder of record entitled to vote at such meeting, not less than ten (10) days nor more than sixty (60) days before the date of the meeting, unless a greater period of time is required by law in a particular case.

Section 1.5 Record Date for Meeting of Stockholders. In order to determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date.

Section 1.6 Informal Action. Any action required to be taken at any annual or special meeting of stockholders of the Corporation, or any action which may be taken at any annual or special meeting of the stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

Section 1.7 Record Date for Informal Action. In order to determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors shall be entitled to fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the board of directors.

Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the board of directors to fix a

record date. Such written notice must set forth as to each action that the stockholder proposes to take by consent (a) the text of the proposal (including the text of any resolutions to be adopted by consent), (b) the name and address, as they appear on the Corporation's books, of such stockholder and the name and address of the beneficial owner, if any, on whose behalf the proposal is made, and (c) the number of shares of each class or series of capital stock of the Corporation that are owned beneficially (and proof of any such beneficial ownership) or of record by such stockholder or such beneficial owner. If the proposed action by consent involves the election of directors, the notice shall set forth all information that is required to be disclosed in solicitations of proxies for election of directors, including information about the stockholder (and, if applicable, the beneficial owner) setting forth the proposal and each nominee whom the stockholder proposes to elect, or is otherwise required, in each case pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (including the nominees' written consent to being named in the proxy or information statement as a potential director and to serving as a director if elected). During the ten (10) day period following the date of receipt of the notice required under this Section 1.7, the Corporation may require the stockholder and/or beneficial owner requesting a record date for proposed stockholder action by consent to furnish such other information as it may reasonably require to determine the validity of the request for a record date.

The Board of Directors shall be entitled to adopt promptly a resolution fixing the record date; provided that if the Board of Directors determines to so fix a record date it must adopt such resolution within ten (10) days after the date on which the request is received. If no record date has been fixed by the Board of Directors within ten (10) days of the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business or to any officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded, to the attention of the Secretary of the Corporation. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the board of directors and prior action by the Board of Directors is required by applicable law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the date on which the board of directors adopts the resolution taking such prior action.

Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the earliest dated written consent delivered in accordance with this Section 1.7, a written consent or consents signed by a sufficient number of stockholders to take such action are delivered to the Corporation in the manner prescribed hereunder.

Section 1.8 Action by Stockholders Not Solicited by the Board of Directors. Prior and as a condition to the effectiveness of any action taken pursuant to Section 1.7 of the By-laws by the Board of Directors, which has not been solicited or recommended by the Board of Directors, the Board of Directors shall have ten (10) business days from the receipt of notice of the action taken by the Stockholders, to verify the validity and legality of the action taken by the Stockholders.

Section 1.9 Quorum and Voting. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings or the stockholders for the transaction of business, except as otherwise expressly provided by statute, by the Certificate of Incorporation or by these By-laws. If, however, such majority shall not be

present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting (except as otherwise provided by statute). At such adjourned meeting at which the requisite amount of voting stock shall be represented any business may be transacted which might have been transacted at the meeting as originally notified. At all meetings of the stockholders each stockholder having the right to vote shall be entitled to vote in person, or by proxy appointed by an instrument in writing subscribed by such stockholder and bearing a date not more than three years prior to said meeting, unless such instrument lawfully provides for a longer period. At each meeting of the stockholders each stockholder shall have one vote for each share of capital stock having voting power, registered in his name on the books of the Corporation at the record date fixed in accordance with these By-laws, or otherwise determined, with respect to such meeting. Except as otherwise expressly provided by statute, by the Certificate of Incorporation or by these By-laws, all matters coming before any meeting of the stockholders shall be decided by the vote of a majority of the number of shares of stock present in person or represented by proxy at such meeting and entitled to vote thereat, a quorum being present.

Section 1.10 Conduct of Stockholder Meetings. The Board of Directors shall appoint a chairman of the meeting of stockholders, or if no such chairman is appointed prior to the meeting, the Chairman of the Board shall serve as the chairman of the meeting. The order of business at each meeting of stockholders shall be as determined by the chairman of the meeting. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts and things as are necessary or desirable for the proper conduct of the meeting, including, without limitation, the establishment of procedures for the maintenance of order and safety, limitations on the time allotted to presenting proposals or to questions or comments on the affairs of the Corporation, restrictions on entry to such meeting after the time prescribed for the commencement thereof and the opening and closing of the voting polls. The chairman of the meeting, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a matter or business was not properly brought before the meeting and if the chairman should so determine, shall so declare to the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered.

Section 1.11 Inspectors of Election. The Corporation may, and shall if required by law, in advance of any meeting of stockholders, appoint one or more inspectors of election, who may (unless otherwise required by applicable law) be employees of the Corporation, to act at the meeting or any adjournment thereof and to make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. In the event that no inspector so appointed or designated is able to act at a meeting of stockholders, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath to execute faithfully the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector or inspectors so appointed or designated shall (i) ascertain the number of shares of capital stock of the Corporation outstanding and the voting power of each such share, (ii) determine the shares of capital stock of the Corporation represented at the meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares of capital stock of the Corporation represented at the meeting and such inspectors' count of all votes and ballots. Such certification and report shall specify such other information as may be required by law. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders of the Corporation, the inspectors may consider such information as is

permitted by applicable law. No person who is a candidate for an office at an election may serve as an inspector at such election.

ARTICLE II DIRECTORS

Section 2.1 Powers of Directors. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, which shall exercise all powers that may be exercised or performed by the Corporation and that are not by statute, the Certificate of Incorporation or these By-laws directed to be exercised or performed by the stockholders.

Section 2.2 Number, Election and Term of Office. The Board of Directors shall consist of not less than two (2) nor more than eleven (11) members as fixed from time to time by the Board of Directors. Directors need not be stockholders of the Corporation. The directors shall be elected by the stockholders at the annual meeting or any special meeting called for such purpose. Each director shall hold office until his or her successor shall be duly elected and qualified or until his or her earlier resignation or removal. A director may resign at any time upon written notice to the Corporation.

Section 2.3 Vacancies. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority vote of the directors then in office, although less than a quorum, or by a sole remaining director. The occurrence of a vacancy which is not filled by action of the Board of Directors shall constitute a determination by the Board of Directors that the number of directors is reduced so as to eliminate such vacancy, unless the Board of Directors shall specify otherwise. When one or more directors shall resign from the Board, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective.

Section 2.4 Meetings of Directors. Regular meetings of the Board of Directors shall be held at such time and place as the Board of Directors shall from time to time by resolution appoint; and no notice shall be required to be given of any such regular meeting. A special meeting of the Board of Directors may be called by the President or any director by giving two (2) days' notice to each director by letter, telegram, telephone or other oral message. Except as otherwise provided by these By-laws, a majority of the total number of directors shall constitute a quorum for the transaction of business, and the vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors.

Section 2.5 Informal Action. Any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

Section 2.6 Telephone Participation in Meetings. Members of the Board of Directors, or any committee designated by the Board, may participate in a meeting of the Board of Directors or such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section shall constitute presence in person at such meeting.

Section 2.7 Committees of Directors. By resolutions adopted by a majority of the whole Board of Directors, the Board may designate an Executive Committee and one or more other committees, each such committee to consist of one or more directors of the Corporation. The Executive Committee shall

have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation (except as otherwise expressly limited by statute), including the power and authority to declare dividends and to authorize the issuance of stock, and may authorize the seal of the corporation to be affixed to all papers which may require it. Each such committee shall have such of the powers and authority of the Board as may be provided from time to time in resolutions adopted by a majority of the whole Board. The requirements with respect to the manner in which the Executive Committee and each such other committee shall hold meetings and take actions shall be set forth in the resolutions of the Board of Directors designating the Executive Committee or such other committee.

Section 2.8 Removal. A director may be removed by a majority vote of the Board for cause, as such term is generally used and defined under Delaware General Corporate Law.

Section 2.9 Compensation. The directors shall receive such compensation for their services as may be authorized by resolution of the Board of Directors. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE III OFFICERS

Section 3.1 Enumeration. The officers of the Corporation shall be elected by the Board of Directors and shall consist of a President, such number of Vice Presidents (if any) as the Board of Directors shall from time to time elect, a Secretary, a Treasurer, and such other officers (if any) as the Board of Directors shall from time to time elect. The Board of Directors may at any time elect one of its members as Chairman of the Board of the Corporation, who shall preside at meetings of the Board of Directors and of the stockholders and shall have such powers and perform such duties as shall from time to time be prescribed by the Board of Directors. Any two or more offices may be held by the same person.

Section 3.2 President. The President shall be the chief executive officer of the Corporation, and shall have general and active charge and control over the business and affairs of the Corporation, subject to the Board of Directors. If there shall be no Chairman of the Board, or in his or her absence or inability to act, the President shall preside at meetings of the Board of Directors and of the stockholders.

Section 3.3 Vice President. The Vice President or, if there shall be more than one, the Vice Presidents, in the order of their seniority unless otherwise specified by the Board of Directors, shall have all of the powers and perform all of the duties of the President during the absence or inability to act of the President. Each Vice President shall also have such other powers and perform such other duties as shall from time to time be prescribed by the Board of Directors or the President.

Section 3.4 Secretary. The Secretary shall record the proceedings of the meetings of the stockholders and directors in a book to be kept for that purpose, and shall give notice as required by statute or these By-laws of all such meetings. The Secretary shall have custody of the seal of the Corporation and of all books, records, and papers of the Corporation, except such as shall be in the charge of the Treasurer or of some other person authorized to have custody and possession thereof by resolution of the Board of Directors. The Secretary may, together with the President, execute on behalf of the Corporation any contract which has been approved by the Board of Directors. The Secretary shall also have such other powers and perform such other duties as are incident to the office of the secretary of a corporation or as shall from time to time be prescribed by, or pursuant to authority delegated by, the Board of Directors.

Section 3.5 Treasurer. The Treasurer shall keep full and accurate accounts of the receipts and disbursements of the Corporation in books belonging to the Corporation, shall deposit all moneys and other valuable effects of the Corporation in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors, and shall also have such other powers and perform such other duties as are incident to the office of the treasurer of a corporation or as shall from time to time be prescribed by, or pursuant to authority delegated by, the Board of Directors.

Section 3.6 Other Officers and Assistant Officers. The powers and duties of each other officer or assistant officer who may from time to time be chosen by the Board of Directors shall be as specified by, or pursuant to authority delegated by, the Board of Directors at the time of the appointment of such other officer or assistant officer or from time to time thereafter. In addition, each officer designated as an assistant officer shall assist in the performance of the duties of the officer to which he or she is assistant, and shall have the powers and perform the duties of such officer during the absence or inability to act of such officer.

Section 3.7 Term and Compensation. Officers shall be elected by the Board of Directors from time to time, to serve at the pleasure of the Board. Each officer shall hold office until his or her successor is elected and qualified, or until his or her earlier resignation or removal. The compensation of all officers shall be fixed by, or pursuant to authority delegated by, the Board of Directors from time to time.

ARTICLE IV INDEMNIFICATION

Section 4.1 Directors and Officers. The Corporation shall indemnify, to the fullest extent now or hereafter permitted by law, each director, officer and other persons who the Corporation is empowered to indemnify (including each former director or officer) of the Corporation who was or is made a party to or witness in or is threatened to be made a party to or a witness in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was an authorized representative of the Corporation, against all expenses (including attorneys' fees and disbursements), judgments, fines (including excise taxes and penalties) and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding.

Section 4.2 Payment of Expenses. The Corporation shall pay expenses (including attorneys' fees and disbursements) incurred by a director or officer of the Corporation referred to in Section 4.1 hereof in defending or appearing as a witness in any civil or criminal action, suit or proceeding described in Section 4.1 hereof in advance of the final disposition of such action, suit or proceeding. The expenses incurred by such director or officer in his capacity as a director or officer of the Corporation shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding only upon receipt of an undertaking by or on behalf of such director or officer to repay all amounts in advance if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation because he has not met the standard or conduct set further in the first sentence of Section 4.5 hereof.

Section 4.3 Permissive Indemnification and Advancement of Expenses. The Corporation may, as determined by the Board of Directors from time to time, indemnify to the fullest extent now or hereafter permitted by law, any person who was or is a party to or a witness in or is threatened to be made a party to or a witness in, or is otherwise involved in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was an authorized representative of the Corporation, against all expenses (including attorneys' fees and disbursements),

judgments, fines (including excise taxes and penalties), and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding. Subject to Section 4.2 hereof, the Corporation may, as determined by the Board of Directors from time to time, pay expenses incurred by any such person by reason of his participation in an action, suit or proceeding referred to in this Section 4.3 in advance of the final disposition of such action, suit or proceeding. Section 4.4. Basis of Rights; Other Rights. Each director and officer of the Corporation shall be deemed to act in such capacity in reliance upon such rights of indemnification and advancement of expenses as are provided in this Article. The rights of indemnification and advancement of expenses provided by this Article shall not be deemed exclusive of any other rights to which any person seeking indemnification or advancement of expenses may be entitled under any agreement, vote of stockholders or disinterested directors, statute or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office or position, and shall continue as to a person who has ceased to be an authorized representative of the Corporation and shall inure to the benefit of the heirs, executors and administrators of such person.

Section 4.4 Determination of Indemnification. Any indemnification under this Article shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the authorized representative is proper in the circumstances because such person has acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of Directors who were not parties to such action, suit or proceeding, or (2) quorum of disinterested Directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, or itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person's conduct was unlawful.

Section 4.5 Insurance. The Corporation shall purchase and maintain insurance on behalf of each director and officer against any liability asserted against or incurred by such director or officer in any capacity, or arising out of such director's or officer's status as such, whether or not the Corporation would have the power to indemnify such director or officer against such liability under the provisions of this Article. The Corporation shall not be required to maintain such insurance if it is not available on terms satisfactory to the Board of Directors or if, in the business judgment of the Board of Directors, either (i) the premium cost for such insurance is substantially disproportionate to the amount of coverage, or (ii) the coverage provided by such insurance is so limited by exclusions that there is insufficient benefit from such insurance. The Corporation may purchase and maintain insurance on behalf of any person referred to in Section 4.3 hereof against any liability asserted against or incurred by such person in any capacity, whether or not the Corporation would have the power to indemnify such persons against such liability under the provisions of this Article.

Section 4.6 Powers of the Board. The Board of Directors, without approval of the stockholders, shall have the power to borrow money on behalf of the Corporation, including the power to pledge the assets of the Corporation, from time to time to discharge the Corporation's obligations with respect to indemnification, the advancement and reimbursement of expenses, and the purchase and maintenance of insurance referred to in this Article IV.

Section 4.7 Definition - Corporation. For purposes of this Article, references to “the Corporation” shall include, in addition to the resulting corporation, and constituent corporation (including any constituent of a constituent) absorbed in consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its authorized representatives so that any person who is or was an authorized representative of such constituent corporation shall stand in the same position under this Article with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

Section 4.8 Definition - Authorized Representative. For the purposes of this Article, the term “authorized representative” shall mean a director, officer, employee or agent of the Corporation or of any subsidiary of the Corporation, or a trustee, custodian, administrator, committeeman or fiduciary of any employee benefit plan established and maintained by the Corporation or by any subsidiary of the Corporation, or a person serving another corporation, partnership, joint venture, trust or other enterprise in any of the foregoing capacities at the request of the Corporation.

ARTICLE V SHARES OF CAPITAL STOCK

Section 5.1 Issuance of Stock. Shares of capital stock of any class now or hereafter authorized, securities convertible into or exchangeable for such stock, or options or other rights to purchase such stock or securities may be issued or granted in accordance with authority granted by resolution of the Board of Directors.

Section 5.2 Stock Certificates. Certificates for shares of the capital stock of the Corporation shall be in the form adopted by the Board of Directors, shall be signed by the Chief Executive Officer, President or Vice President and by the Secretary, Assistant Secretary, Treasurer or Assistant Treasurer and may be sealed with the seal of the Corporation. All such certificates shall be numbered consecutively, and the name of the person owning the shares represented thereby, with the number of such shares and the date of issue, shall be entered on the books of the Corporation.

Section 5.3 Transfer of Stock. Shares of capital stock of the Corporation shall be transferred only on the books of the Corporation, by the holder of record in person or by the holder’s duly authorized representative, upon surrender to the Corporation of the certificate for such shares duly endorsed for transfer, together with such other documents (if any) as may be required to effect such transfer.

Section 5.4 Lost, Stolen, Destroyed, or Mutilated Certificates. New stock certificates may be issued to replace certificates alleged to have been lost, stolen, destroyed, or mutilated, upon such terms and conditions, including proof of loss or destruction, and the giving of a satisfactory bond of indemnity, as the Board of Directors from time to time may determine.

Section 5.5 Regulations. The Board of Directors shall have power and authority to make all such rules and regulations not inconsistent with these By-laws as it may deem expedient concerning the issue, transfer, and registration of shares of capital stock of the Corporation.

Section 5.6 Holders of Record. The Corporation shall be entitled to treat the holder of record of any share or shares of capital stock of the Corporation as the holder and owner in fact thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or right, title, or interest in, such share or shares on the part of any other person, whether or not the Corporation shall have express or other notice thereof, except as otherwise provided by the laws of the State of Delaware.

Section 5.7 Restriction on Transfer. A restriction on the hypothecation, transfer or registration of transfer of shares of the corporation may be imposed either by these By-laws or by an agreement among any number of stockholders or such holders and the corporation. No restriction so imposed shall be binding with respect to those securities issued prior to the adoption of the restriction unless the holders of such securities are parties to an agreement or voted in favor of the restriction.

ARTICLE VI

GENERAL PROVISIONS

Section 6.1 Corporate Seal. The Corporation may adopt a seal in such form as the Board of Directors shall from time to time determine.

Section 6.2 Fiscal Year. The fiscal year of the Corporation shall be as designated by the Board of Directors from time to time.

Section 6.3 Authorization. All checks, notes, vouchers, warrants, drafts, acceptances, and other orders for the payment of moneys of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 6.4 Financial Reports. Financial statements or reports shall not be required to be sent to the stockholders of the Corporation, but may be so sent in the discretion of the Board of Directors, in which event the scope of such statements or reports shall be within the discretion of the Board of Directors, and such statements or reports shall not be required to have been examined by or to be accompanied by an opinion of an accountant or firm of accountants.

Section 6.5 Effect of By-laws. No provision in these By-laws shall vest any property right in any stockholder.

ARTICLE VII

AMENDMENTS

The authority to adopt, amend or repeal By-laws of the Corporation is expressly conferred upon the Board of Directors, which may take such action by the affirmative vote of a majority of the whole Board of Directors at any regular or special meeting duly convened after notice of that purpose, subject always to the powers of the stockholders to adopt, amend or repeal By-laws.

**AMENDMENT NO. 1
TO
AMENDED AND RESTATED BY-LAWS
OF
CINEDIGM CORP.**

Amendment No. 1 to the amended and restated by-laws (the “By-laws”) of Cinedigm Corp., a Delaware corporation (the “Corporation”).

Pursuant to the resolution of the Board of Directors of the Corporation (the “Board of Directors”), dated July 30, 2015, Section 2.2 of the By-laws is hereby amended as follows:

1. The first sentence of Section 2.2 shall be revised and amended to read as follows:

“The Board of Directors shall consist of not less than two (2) nor more than twelve (12) members as fixed from time to time by the Board of Directors.”

2. This Amendment shall be effective as of July 30, 2015.

3. In all respects not amended, the By-laws are hereby ratified and confirmed and remain in full force and effect.

CINEDIGM CORP.

By: /s/ Gary S. Loffredo
Name: Gary S. Loffredo
Title: President, Digital Cinema, General Counsel and
Secretary

**Amendment No. 1
TO
AMENDED AND RESTATED By-laws
Of
Cinedigm Corp.**

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CINEDIGM CORP.

By: /s/ Gary S. Loffredo

Name: Gary S. Loffredo

Title: President, Digital Cinema, General Counsel and Secretary

CONFIDENTIAL SETTLEMENT AGREEMENT AND RELEASE

This Confidential Settlement Agreement and Release (the "Settlement Agreement") is made and entered into by and between Gaiam, Inc. and Gaiam Americas, Inc. (collectively referred to as "Gaiam") and Cinedigm Corp. and Cinedigm Entertainment Holdings, LLC (collectively referred to as "Cinedigm") as of September 29, 2015 (the "Effective Date"). Gaiam and Cinedigm are referred to in this Settlement Agreement individually as a "Party" and collectively as the "Parties."

1. BACKGROUND FACTS

This Settlement Agreement is made in light of the following facts:

- 1.1 As of approximately October 17, 2013, the Parties entered into the Membership Interest Purchase Agreement ("MIPA"), the Transition Services Agreement ("TSA"), the Cash Allocation Agreement ("CAA"), the Escrow Agreement, and the Contribution Agreement (collectively, and including any amendments to the foregoing, the "Agreements") in connection with Cinedigm's acquisition of Gaiam's entertainment media business (or "EMB") (herein, the "Acquisition");
- 1.2 After the Acquisition's closing, Gaiam provided certain services to Cinedigm pursuant to the TSA and the CAA (the "TSA/CAA Services");
- 1.3 On January 19, 2015, Gaiam filed a Demand for Arbitration with the American Arbitration Association ("AAA"), and several days later Cinedigm filed a Counterclaim (which was subsequently amended), and the action was styled as *Gaiam, Inc., et al. v. Cinedigm Corp.*, et al., Case No. 01-15-0002-4437 (the "AAA Arbitration");
- 1.4 On February 11, 2015, Cinedigm filed a state court complaint to compel Gaiam to participate in a working capital arbitration, which was removed on March 4, 2015 to the United States District Court for the Central District of California and was thereafter styled as *Cinedigm Corp., et al. v. Gaiam, Inc., et al.*, Case No. 2:15-cv-01557-SJO-AS (the "Court Litigation").
- 1.5 Pursuant to an engagement letter entered into as of May 15, 2015, the parties commenced a working capital arbitration before Mr. Troy Dahlberg of KPMG ("KPMG"), and a Final Determination was issued as of September 11, 2015 (the "Working Capital Arbitration");

Now, therefore, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

2. SETTLEMENT OBLIGATIONS

- 2.1 Within three (3) business days after the Effective Date, the Parties shall file a joint stipulation and proposed order with the arbitrator in the AAA Arbitration to dismiss all claims and counterclaims in the AAA Arbitration with prejudice, and with each side bearing its own fees and costs.
- 2.2 Gaiam will not seek to confirm the arbitration award issued by KPMG in the Working Capital Arbitration, or to otherwise demand payment thereunder. The Parties agree to bear their own fees and costs in connection with the Working Capital Arbitration.

2.3 Within fourteen (14) business days after the Effective Date, Gaiam will pay \$2.3 million (Two Million Three Hundred Thousand Dollars) to Cinedigm via wire payment to the following account, as follows:

ACCOUNT NAME :

CINEDIGM CORPORATION CONCENTRATION ACCOUNT

ACCOUNT NUMBER :

ABA NUMBER :

322270288

SWIFT CODE :

OWBKUS6L

BANK :

CIT Bank, N.A.,

888 East Walnut Street

Pasadena, CA 91101

Contact: Joel Martinez, Assistant Vice President Client Banking Services

Tel: 626-535-2331

2.4 The Parties agree that they will conduct a further arbitration (herein, the “Reconciliation Arbitration”). In this regard, Cinedigm alleges that Gaiam has improperly retained cash received after the Acquisition’s closing relating to the EMB and which is owed to Cinedigm, as reflected by the amounts identified in lines A through T of the chart entitled “Accounts Receivable Reconciliation” and submitted by Cinedigm in connection with the September 13, 2015 mediation, and which is attached hereto as **Exhibit A**. Gaiam, for its part, denies that Cinedigm’s allegations have any merit and further disagrees with (1) the dollar amounts listed on lines A through T of **Exhibit A**; (2) the descriptions and categorizations that appear on lines A through T of **Exhibit A**; and (3) Cinedigm’s assertion that lines A through T of **Exhibit A** constitute the entire universe of transactions relevant to its contentions. The Parties, however, have agreed that the following provisions shall govern the Reconciliation Arbitration:

2.4.1 The arbitrator’s sole task (and sole authority) in the Reconciliation Arbitration shall be to calculate the Cash Remittance Shortfall (if any).

2.4.2 “Cash Remittance Shortfall” shall mean the amount (if any) by which Gaiam’s EMB Post-Closing Cash Receipts exceed Gaiam’s EMB Post-Closing Remittances. “Gaiam’s EMB Post-Closing Cash Receipts” shall mean cash actually received by Gaiam after closing in payment of “Media Co. Receivables” (as defined by the MIPA and by the CAA). Gaiam’s EMB Post-Closing Cash Receipts expressly include cash receipts for receivables identified in the final calculation of Closing Working Capital and cash receipts for Media Co Receivables from post-Acquisition sales, but expressly exclude the \$2,000,000 that Gaiam was contractually entitled to retain under the MIPA with respect to Netflix receivables. For the avoidance of doubt, Gaiam’s allocation of and accounting for Gaiam’s EMB Post-Closing Cash Receipts shall be considered by the arbitrator in order to calculate the Cash Remittance Shortfall (if any). “Gaiam’s EMB Post-Closing Remittances” shall mean monies that Gaiam remitted directly to Cinedigm or to the “Escrow Account” (as defined in the MIPA) for distribution to Cinedigm as specified by the CAA.

- 2.4.3 For the avoidance of doubt, the purported validity or invalidity of any receivable (including any chargeback debit memo) under GAAP or otherwise, including whether a receivable (or chargeback debit memo) is “collectible,” shall not be considered by the arbitrator. By way of example, and not by limitation, the arbitrator shall not consider lines U through Z of **Exhibit A** to this Settlement Agreement. It is expressly agreed that such matters are outside the scope of the Reconciliation Arbitration.
- 2.4.4 The Parties shall mutually select a single arbitrator (“Arbitrator”), who must be a CPA presently employed by a recognized firm capable of serving as an accounting expert and who must have experience with accounting for sales of retail consumer products, to preside over the Reconciliation Arbitration. This selection shall occur within 15 days after the Effective Date. The Parties further agree that the Arbitrator may, in his or her discretion, retain an independent consultant (who must be jointly approved by the Parties) who has knowledge regarding the physical and digital distribution of retail consumer products, including the process of reconciling accounts receivable with chargebacks and other debits, in order to assist with the Reconciliation Arbitration (“Independent Consultant”).
- 2.4.5 The Parties agree that any documents that they produced or used in the Working Capital Arbitration and/or in the AAA Arbitration may be used in the Reconciliation Arbitration. Additionally, subject to the entry of a non-disclosure agreement, the Parties agree to provide the Arbitrator with access to any non-attorney-client-privileged information that the Arbitrator deems necessary to conduct the Reconciliation Arbitration and to calculate the Cash Remittance Shortfall, including non-privileged information related to Gaiam’s separate fitness business and Gaiam’s accounting records and information related to Cinedigm’s consolidated entertainment business and Cinedigm’s accounting records. The Parties will also provide all such information provided to the Arbitrator to the other Party.
- 2.4.6 The Arbitrator shall have the authority to conduct the Reconciliation Arbitration in the manner that he or she deems appropriate. The Parties, however, will be afforded the opportunity to submit initial briefs setting forth their respective positions in writing, as well as the opportunity to file replies to the initial briefs. To the extent the Arbitrator deems oral argument to be necessary, oral argument in the Reconciliation Arbitration shall be held as requested by the Arbitrator. The Arbitrator will use his or her best efforts to complete the arbitration process no later than 60 days after the Arbitrator has been selected. The Parties shall also request that the Arbitrator issue a reasoned award.
- 2.4.7 Gaiam will pay to Cinedigm an amount equal to the Cash Remittance Shortfall, provided that in no event shall such payment be less than \$1 million or more than \$5 million. By way of example, and for purposes of illustration only:
- ▲ If the Arbitrator determines that the Cash Remittance Shortfall is \$10,000, then Gaiam will pay \$1 million to Cinedigm;
 - ▲ If the Arbitrator determines that the Cash Remittance Shortfall is \$3 million, then Gaiam will pay \$3 million to Cinedigm; or
 - ▲ If the Arbitrator determines that the Cash Remittance Shortfall is \$7 million, then Gaiam will pay \$5 million to Cinedigm.

Neither the existence nor the amounts of the foregoing minimum and maximum awards shall be disclosed to the Arbitrator.

- 2.4.8 Within five (5) business days after the Arbitrator renders the final award in the Reconciliation Arbitration, the Parties will notify each other as to whether they intend to file a petition to vacate and/or modify the final award. If neither Party provides notice of its intent to file such a petition within the foregoing period, Gaiam will, within five (5) business days thereafter, pay to Cinedigm the Cash Remittance Shortfall, consistent with and subject to the limitations identified in paragraph 2.4.7 above, via wire payment as described in paragraph 2.3 above. If Gaiam provides notice of its intent to file such a petition within the foregoing period, Gaiam will pay to Cinedigm \$1.0 million of the Cash Remittance Shortfall identified in the Arbitrator's final award, representing the minimum award allowable under paragraph 2.4.7 above, within five (5) business days after providing such notice of intent.
- 2.4.9 Each side shall bear its own fees and costs in connection with the Reconciliation Arbitration, and shall split the Arbitrator's fees equally (as well as any fees incurred by an Independent Consultant).

3. RELEASE

3.1 Release of Claims.

- 3.1.1 Except for the obligations under this Settlement Agreement, Gaiam, on behalf of itself and on behalf of each of its predecessors, successors, parents, subsidiaries, and affiliated or related companies, and each of their respective present and former officers, directors, employees, representatives, agents, attorneys, insurers, and assigns, and each of them (the "Gaiam Releasing Parties"), hereby knowingly and voluntarily fully and forever releases and discharges Cinedigm and its predecessors, successors, parents, subsidiaries, and affiliated or related companies,
- 3.1.2 and each of their respective present and former officers, directors, employees, representatives, agents, attorneys, insurers, and assigns, and each of them (the "Cinedigm Releasees"), from any and all claims, demands, liens, actions, suits, causes of action, obligations, controversies, debts, costs, attorneys' fees, expenses, damages, judgments, orders, and liabilities of whatever kind or nature in law, equity, or otherwise, by reason of any matter, cause, or thing whatsoever, whether now known or unknown, suspected or unsuspected, subject to dispute or otherwise, from the beginning of time through the Effective Date, that the Gaiam Releasing Parties, or any of them, may have had, now have, or may hereafter purport to have against the Cinedigm Releasees, or any of them, including, without limitation, with respect to any matters arising out of, in connection with, or related to the Agreements, the Acquisition, the TSA/CAA Services, the AAA Arbitration, the Court Litigation, and/or the Working Capital Arbitration (the "Gaiam Released Claims").
- 3.1.3 Except for the obligations under this Settlement Agreement, Cinedigm, on behalf of itself and on behalf of each of its predecessors, successors, parents, subsidiaries, and affiliated or related companies, and each of their respective present and former officers, directors, employees, representatives, agents, attorneys, insurers, and assigns, and each of them (the "Cinedigm Releasing Parties"), hereby knowingly and voluntarily fully and forever releases and discharges Gaiam and its predecessors, successors, parents, subsidiaries, and affiliated or related companies, and each of their respective present and former officers, directors, employees, representatives, agents, attorneys, insurers, and assigns, and each of them (the "Gaiam Releasees"), from any and all claims, demands, liens, actions, suits, causes of action, obligations, controversies, debts, costs, attorneys' fees, expenses, damages, judgments, orders, and liabilities of whatever kind or nature in law, equity, or otherwise, by reason of any matter, cause, or thing whatsoever, whether now known or unknown, suspected or unsuspected, subject to dispute or otherwise, from the beginning of time through the Effective Date, that the Cinedigm Releasing Parties, or any of them, may have had, now have, or

may hereafter purport to have against the Gaiam Releasees, or any of them, including, without limitation, with respect to any matters arising out of, in connection with, or related to the Agreements, the Acquisition, the TSA/CAA Services, the AAA Arbitration, the Court Litigation, and/or the Working Capital Arbitration (the “Cinedigm Released Claims”).

- 3.1.4 The term “Releasing Parties” means, as applicable, the Gaiam Releasing Parties and/or the Cinedigm Releasing Parties. The term “Releasees” means, as applicable, the Gaiam Releasees and/or the Cinedigm Releasees. The term “Released Claims” means, as applicable, the Gaiam Released Claims and/or the Cinedigm Released Claims.
- 3.2 Other or Additional Facts . The Releasing Parties expressly and knowingly acknowledge that they may hereafter discover facts different from or in addition to those which they now know or believe to be true with respect to the Released Claims, and which, if known to them at the time they executed this Settlement Agreement, may have materially affected their decision to execute this Settlement Agreement. The Releasing Parties acknowledge and agree that by reason of this Settlement Agreement and the releases contained herein, they are voluntarily, knowingly, and after receiving the advice of counsel assuming any risk of such unknown facts and such unknown and unsuspected claims and that this Settlement Agreement shall be and shall remain in full force and effect in all respects.
- 3.3 Unknown Claims . The Releasing Parties further acknowledge that they have been advised of the existence of § 1542 of the California Civil Code, which provides:
- A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.**
- Notwithstanding such provision, this Settlement Agreement shall constitute a full release of the Released Claims in accordance with its terms. The Releasing Parties knowingly and voluntarily waive the provisions of § 1542, as well as any other statute, law, or rule of similar effect.
- 3.4 Covenant Not to Sue . Except for the Reconciliation Arbitration and/or for the purpose of otherwise enforcing the terms of this Settlement Agreement, the Releasing Parties agree to refrain and forbear forever from commencing, instituting, prosecuting, or directly or indirectly participating in, or filing any claim for damages or demand in connection with, any lawsuit, action, or proceeding against the Releasees, or any of them, based upon any of the Released Claims.

4. GENERAL PROVISIONS

- 4.1 Successors in Interest . This Settlement Agreement, including the releases herein contained, shall be binding upon and inure to the benefit of the Parties and each of their successors-in-interest, including, without limitation, heirs, permitted assigns, and beneficiaries.
- 4.2 No Assignment or Transfer .
- 4.2.10 Gaiam represents and warrants that no other person or entity has, or has had, any interest in any of the Gaiam Released Claims; that it has the sole rights and exclusive authority to execute this Settlement Agreement on behalf of the Gaiam Releasing Parties; and that it has not sold, assigned, transferred, conveyed, or otherwise disposed of any of the Gaiam Released Claims.
- 4.2.11 Cinedigm represents and warrants that no other person or entity has, or has had, any interest in any of the Cinedigm Released Claims; that it has the sole rights and exclusive authority to execute this

Settlement Agreement on behalf of the Cinedigm Releasing Parties; and that it has not sold, assigned, transferred, conveyed, or otherwise disposed of any of the Cinedigm Released Claims.

- 4.2.12 Each Party agrees to indemnify, defend, and hold harmless any person or entity released by such Party in this Settlement Agreement, against all claims, demands, controversies, liabilities, damages, debts, obligations, costs, expenses, losses, compensation, reasonable outside attorneys' fees, and causes of action of any kind or nature, in law or in equity, incurred by such person or entity as a result of any other person or entity asserting any such claim, complaint, or right, or any such assignment, transfer, conveyance, or other disposition of any of the Released Claims by such Party.
- 4.3 No Admission of Liability. This Settlement Agreement does not constitute an admission by any of the Releasees of any liability or wrongdoing whatsoever.
- 4.4 Mutually Drafted Settlement Agreement. Each of the Parties has been fully and competently represented by counsel of their own choosing in the negotiations and drafting of this Settlement Agreement. Accordingly, the Parties agree that any rule of construction of contracts resolving any ambiguities against the drafting Party shall be inapplicable to this Settlement Agreement. Each term of this Settlement Agreement is contractual, not a mere recital, and is the result of negotiations between the Parties.
- 4.5 Final Written Expression. This Settlement Agreement is integrated and once accepted according to its terms is intended by the Parties as a final and complete expression of their agreement with respect to the subject matter addressed herein. This Settlement Agreement supersedes any and all prior or contemporaneous agreements, negotiations, or understandings, written or oral, between the Parties regarding the subject matter addressed herein. The Parties hereto, and each of them, acknowledge that no other Party nor any agent or attorney for any other Party has made any promise, representation, or warranty whatsoever, express or implied, written or oral, not contained herein, concerning the subject matter hereof to induce the execution of this Settlement Agreement, and each of the Parties acknowledges that it has not executed this Settlement Agreement in reliance on any promise, representation, or warranty not contained herein.
- 4.6 Amendment. This Settlement Agreement may not be amended, modified, or terminated, in whole or in part, except by an instrument in writing duly executed by the Parties or their authorized representatives.
- 4.7 Confidentiality. Except as set forth below, the Parties agree to keep confidential and not disclose, describe, or discuss, either directly or indirectly, in any manner whatsoever, any information regarding the terms or substance of this Settlement Agreement to or with any person or entity. The Parties may disclose only that the dispute was satisfactorily resolved.
- 4.7.1 Notwithstanding the provisions of paragraph 4.7 above, the Parties may disclose in confidence to their Board of Directors, employees, lawyers, accountants, insurers, financial advisors, creditors, and consultants such information concerning the terms of this Settlement Agreement as is necessary for such individuals to perform their professional functions, such information as may be required for compliance with statute or regulation or requested by governmental or regulatory authorities, such information as may be necessary to defend legal action brought by third parties, and such information as may be necessary to enforce this Settlement Agreement.
- 4.7.2 If disclosure of the terms of this Settlement Agreement is sought by court order, subpoena, or via some other discovery request, the Party from whom such disclosure is sought may make such disclosure, provided that said Party first notifies the other Party in writing as soon as practicable, but in no event later than five (5) business days from the date of service or the receipt of the court

order, subpoena, or other discovery request, and, to the extent possible, no later than three (3) business days prior to the requested production. The Party from whom disclosure is sought shall not oppose any effort by the other Party for a protective order or other relief from the court order or subpoena.

- 4.8 Non-Disparagement. The Parties shall not disparage the Releasees regarding the subject matter of the Released Claims or the Reconciliation Arbitration.
- 4.9 Waiver. Any waiver of any term of this Settlement Agreement must be in writing and signed by the Party waiving its rights hereunder. Conduct that is arguably or actually inconsistent with rights granted under this Settlement Agreement shall not constitute a waiver unless an intent to waive rights under this Settlement Agreement is clearly expressed in writing as required by this paragraph. The waiver of any term or condition contained in this Settlement Agreement shall not be construed as a waiver of any other term or condition contained in this Settlement Agreement.
- 4.10 Warranty of Independent Advice. Each Party warrants and represents that it has received independent legal advice from such Party's attorney with respect to the rights and obligations arising from, and the advisability of executing, this Settlement Agreement and with respect to the waiver of Section 1542 of the California Civil Code.
- 4.11 Warranty of Due Authorization. Each Party warrants and represents that such Party is fully entitled and duly authorized to enter into and deliver this Settlement Agreement. In particular, and without limiting the generality of the foregoing, each Party warrants and represents that it is fully entitled to grant the releases and undertake the obligations set forth herein.
- 4.12 Warranty of Power. Each Party warrants and represents that it is duly organized and validly existing under the laws of the state or nation of its incorporation or formation, and that it has full power and authority to enter into this Settlement Agreement and carry out the provisions hereof.
- 4.13 No Third Party Beneficiaries. No person or entity shall be considered a third party beneficiary of, or otherwise entitled to any rights or remedies under this Settlement Agreement, except with respect to the releases expressly provided for herein.
- 4.14 Governing Law. This Settlement Agreement shall be governed by, construed, and enforced in accordance with the laws of the State of California, without giving effect to its choice of law provisions.
- 4.15 Severability. If any provision of this Settlement Agreement is declared invalid by any tribunal, then such provision shall be deemed automatically adjusted to the minimum extent necessary to conform to the requirements for validity as declared at such time and, as so adjusted, shall be deemed a provision of this Settlement Agreement as though originally included herein. In the event that the provision invalidated is of such a nature that it cannot be so adjusted, the provision shall be deemed deleted from this Settlement Agreement as though such provision had never been included herein. In either case, the remaining provisions of this Settlement Agreement shall remain in full force and effect.
- 4.16 Gender/Plural/Connectives. Whenever in this Settlement Agreement the context may require, the masculine gender shall be deemed to include the feminine and/or neuter, and vice versa, the singular to include the plural, and vice versa, and (to give the releases herein the broadest interpretation and scope, as is desired by the Parties hereto) the connectives "and" and "or" to mean "and/or."

- 4.17 Attorneys' Fees/Costs. All Parties shall bear their own attorneys' fees, expenses, and costs in connection with, related to, or arising from this Settlement Agreement or otherwise relating to the matters released herein.
- 4.18 Headings. Headings as used in this Settlement Agreement are for convenience only and are not a part of this Settlement Agreement. The Parties acknowledge that they have read the full substance of each paragraph and are not relying upon the headings.
- 4.19 Notices. Any notice appropriate or required to be given hereunder shall be by Federal Express and email, or, in the alternative, at the option of the sender, by messenger, and shall be to the following addresses, or such other address as is subsequently noticed in writing to all Parties:

If to Gaiam:

Bert H. Deixler
Kendall Brill & Kelly LLP
Santa Monica Blvd., Suite 1725
Los Angeles, CA 90067
bdeixler@kbkfirm.com

AND

John Jackson|
Gaiam, Inc.
833 W. South Boulder Road
Louisville, CO 80027
john.jackson@gaiam.com

If to Cinedigm:

Patricia Glaser
Glaser Weil Fink Howard Avchen & Shapiro LLP
Constellation Blvd., 19th Floor
Los Angeles, CA 90067
pglaser@glaserweil.com

AND

Gary S. Loffredo
Cinedigm Corp.
Broadway, 9th Floor
New York, NY 10010
gloffredo@cinedigm.com

- 4.20 Execution in Counterparts. The Parties may execute this Settlement Agreement by facsimile or PDF and in counterparts, each one of which shall have the same force and effect as an original, and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have each caused this Settlement Agreement to be duly executed as of the Effective Date.

Dated: September 30, 2015

GAIAM, INC.

By: /s/ J. Johnson

Its: EVP

Dated: September 30, 2015

GAIAM AMERICAS, INC.

By: /s/ J. Johnson

Its: EVP

Dated: September 29, 2015

CINEDIGM CORP.

By: /s/ Adam M. Mizel

Its: COO

Dated: September 29, 2015

CINEDIGM ENTERTAINMENT
HOLDINGS, LLC

By: /s/ Adam M. Mizel

Its: COO

CERTIFICATION

I, Christopher J. McGurk, certify that:

1. I have reviewed this Form 10-Q of Cinedigm Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2015

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

CERTIFICATION

I, Jeffrey S. Edell, certify that:

1. I have reviewed this Form 10-Q of Cinedigm Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2015

By: /s/ Jeffrey S. Edell

Jeffrey S. Edell
Chief Financial Officer (Principal Financial Officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with Form 10-Q of Cinedigm Corp. (the "Company") for the period ended September 30, 2015 as filed with the SEC (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: November 9, 2015

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

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with Form 10-Q of Cinedigm Corp. (the "Company") for the period ended September 30, 2015 as filed with the SEC (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: November 9, 2015

By: /s/ Jeffrey S. Edell
Jeffrey S. Edell
Chief Financial Officer (Principal Financial Officer)