NuStar Energy L.P.
Form 424B3
June 25, 2018
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Filed pursuant to Rule 424(b)(3)
Registration No. 333-223671

NUSTAR GP HOLDINGS, LLC UNITHOLDERS

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear NuStar GP Holdings, LLC Unitholders:

On February 7, 2018, NuStar GP Holdings, LLC, a Delaware limited liability company (NSH), entered into an Agreement and Plan of Merger, dated as of February 7, 2018 (the merger agreement), by and among NuStar Energy L.P., a Delaware limited partnership (the Partnership), Riverwalk Logistics, L.P., a Delaware limited partnership and the general partner of the Partnership (the General Partner), NuStar GP, LLC, a Delaware limited liability company and the general partner of the General Partner (NuStar GP), Marshall Merger Sub LLC, a Delaware limited liability company and a wholly owned subsidiary of the Partnership (Merger Sub), NSH and Riverwalk Holdings, LLC, a Delaware limited liability company and a wholly owned subsidiary of NSH. Pursuant to the merger agreement, Merger Sub will merge with and into NSH (the merger), with NSH being the surviving entity (the surviving entity), such that, following the merger, the Partnership will be the sole member of the surviving entity, the surviving entity will be the sole member of NuStar GP and each outstanding unit representing a limited liability company interest in NSH (NSH unit) will be converted into the right to receive 0.55 of a common unit representing limited partner interests in the Partnership (common units).

Pursuant to the merger agreement and at the effective time of the merger, the Sixth Amended and Restated Agreement of Limited Partnership of the Partnership will be amended and restated (the amended and restated partnership agreement), to, among other things: (1) cancel the incentive distribution rights in the Partnership currently held by the General Partner; (2) convert the 2.0% general partner interest in the Partnership into a non-economic, management interest; and (3) provide the holders of common units (the common unitholders) with voting rights in the election of directors to the Board of Directors of NuStar GP (the Partnership Board). The merger agreement is attached as Annex A to this proxy statement/prospectus and is incorporated into this proxy statement/prospectus by reference. The form of the amended and restated partnership agreement is attached as Annex B to this proxy statement/prospectus and is incorporated into this proxy statement/prospectus by reference.

At the effective time of the merger, each NSH unit will be converted into the right to receive 0.55 of a common unit. All NSH units, when converted in the merger, will no longer be outstanding and will automatically be cancelled and cease to exist. No fractional common units will be issued in the merger; instead, each holder of NSH units (the NSH unitholders) who would otherwise be entitled to receive fractional common units will be entitled to receive a cash payment in lieu of such fractional common unit in an amount equal to the product of (1) the average of the volume weighted average price of the common units on the New York Stock Exchange (NYSE) on each of the five consecutive trading days ending on the trading day that is two trading days prior to the closing date of the merger and (2) the fraction of a common unit that such NSH unitholder would otherwise have been entitled to receive. As of February 8, 2018, there were 93,182,018 common units outstanding and 42,953,132 NSH units outstanding. Assuming

the number of NSH units outstanding on February 8, 2018 remains unchanged, the Partnership expects to issue, in the aggregate, 23,624,222 common units in the merger. Furthermore, the Partnership will cancel the 10,214,626 common units owned by subsidiaries of NSH and those common units will also cease to exist. The exchange ratio is fixed and will not be adjusted to reflect common unit price changes prior to the closing of the merger.

Common unitholders will continue to own their existing common units. Holders of preferred units representing limited partner interests in the Partnership will continue to own their respective preferred units. Assuming the number of NSH units outstanding on February 8, 2018 and the number of common units outstanding on February 8, 2018 remain unchanged and the cancellation of the 10,214,626 common units owned by subsidiaries of NSH, following the merger, approximately 78% of the common units will be owned by current common unitholders and approximately 22% by former NSH unitholders. NSH units currently trade on the NYSE under the symbol NSH, and common units currently trade on the NYSE under the symbol NS. **We urge you to obtain current market quotations of NSH units and common units.**

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YOUR VOTE IS VERY IMPORTANT. We cannot complete the merger and the transactions contemplated thereby unless, among other things, the merger agreement and the transactions contemplated thereby receive the affirmative vote of the NSH unitholders holding at least a majority of the outstanding NSH units. NSH has scheduled a special meeting of its unitholders (NSH special meeting) to vote on the merger agreement and the transactions contemplated thereby, including the merger, on July 20, 2018 at 10:30 a.m., local time, at its principal executive offices located at 19003 IH-10 West, San Antonio, Texas 78257. Voting instructions are set forth inside this proxy statement/prospectus.

The members of the Conflicts Committee (the NSH Conflicts Committee) of the board of directors of NSH (the NSH Board), comprised of independent directors and to which the NSH Board delegated authority to negotiate the terms and conditions of the merger and any definitive documentation related to the merger and the transactions contemplated thereby, subject to final approval by the NSH Board, have unanimously determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable, fair and reasonable to, and in the best interests of NSH and the NSH unaffiliated unitholders. NSH unaffiliated unitholders means NSH unitholders other than William E. Greehey and any others controlling, controlled by or under common control with NSH. Accordingly, the NSH Conflicts Committee approved the merger agreement and the transactions contemplated thereby and recommended that the NSH Board approve the merger agreement and the transactions contemplated thereby, including the merger. Based on the NSH Conflicts Committee s recommendation and approval and all of the information made available to the NSH Board and upon other relevant factors, the NSH Board unanimously (with Mr. Greehey and I having recused ourselves) determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable, fair and reasonable to, and in the best interests of NSH and the NSH unaffiliated unitholders and approved and declared the advisability of the merger agreement and the transactions contemplated thereby, including the merger. Accordingly, the NSH Board recommends that the NSH unaffiliated unitholders vote in favor of the merger proposal.

This proxy statement/prospectus provides you with detailed information about the NSH special meeting, the proposed merger and related matters. NSH encourages you to read the entire document carefully, including the annexes and the documents incorporated by reference. **In particular, please read Risk Factors beginning on page 21 of this proxy statement/prospectus for a discussion of risks relevant to the merger and the Partnership s business following the merger.**

Bradley C. Barron
President and Chief Executive Officer

NuStar GP Holdings, LLC

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this proxy statement/prospectus or has determined if this document is truthful or complete. Any representation to the contrary is a criminal offense.

All information in this document concerning the Partnership has been furnished by the Partnership. All information in this document concerning NSH has been furnished by NSH. The Partnership has represented to NSH, and NSH has represented to the Partnership, that the information furnished by and concerning it is true and correct in all material respects.

This proxy statement/prospectus is dated June 22, 2018 and is being first distributed to NSH unitholders on or about June 27, 2018.

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San Antonio, Texas

June 22, 2018

NOTICE OF SPECIAL MEETING OF

NUSTAR GP HOLDINGS, LLC UNITHOLDERS

To the Unitholders of NuStar GP Holdings, LLC:

A special meeting of unitholders (NSH special meeting) of NuStar GP Holdings, LLC (NSH) will be held on July 20, 2018 at 10:30 a.m., local time, at its principal executive offices located at 19003 IH-10 West, San Antonio, Texas 78257, for the following purposes:

to consider and vote upon the approval of the Agreement and Plan of Merger, dated as of February 7, 2018, by and among NuStar Energy L.P., a Delaware limited partnership (the Partnership), Riverwalk Logistics, L.P., a Delaware limited partnership and the general partner of the Partnership (the General Partner), NuStar GP, LLC, a Delaware limited liability company and the general partner of the General Partner, Marshall Merger Sub LLC, a Delaware limited liability company and a wholly owned subsidiary of the Partnership (Merger Sub), NSH and Riverwalk Holdings, LLC, a Delaware limited liability company and a wholly owned subsidiary of NSH, as it may be amended from time to time (the merger agreement) and the transactions contemplated by the merger agreement, including the merger of Merger Sub with and into NSH (the merger); and

to transact other business as may properly be presented at the NSH special meeting or any adjournments or postponements of the meeting.

A copy of the merger agreement is attached as Annex A to this proxy statement/prospectus.

The record date for the NSH special meeting is June 22, 2018. Only NSH unitholders of record as of the close of business on June 22, 2018 are entitled to notice of, and to vote at, the NSH special meeting. A list of unitholders entitled to vote at the meeting will be available for inspection by any NSH unitholder at NSH s offices in San Antonio, Texas for any purpose germane to the meeting during ordinary business hours for a period of 10 days before the meeting and at the meeting.

Pursuant to the NSH limited liability company agreement, approval of the merger agreement and the transactions contemplated thereby, including the merger, requires the affirmative vote of the NSH unitholders holding at least a majority of the outstanding NSH units. Failures to vote and abstentions will have the same effect as a vote against the merger proposal for purposes of the unitholder vote required under the NSH limited liability company agreement.

The members of the Conflicts Committee (the NSH Conflicts Committee) of the board of directors of NSH (the NSH Board), comprised of independent directors and to which the NSH Board delegated authority to negotiate the terms and conditions of the merger and any definitive documentation related to the merger and the transactions contemplated thereby, subject to final approval by the NSH Board, have unanimously determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable, fair and reasonable to, and in the best interests of NSH and the NSH unaffiliated unitholders. NSH unaffiliated

unitholders means NSH unitholders other than William E. Greehey and any others controlling, controlled by or under common control with NSH. Accordingly, the NSH Conflicts Committee approved the merger agreement and the transactions contemplated thereby and recommended that the NSH Board approve the merger agreement and the transactions contemplated thereby, including the merger. Based on the NSH Conflicts Committee s recommendation and approval and all of the information made available to the NSH Board and upon other relevant factors, the NSH Board unanimously (with Mr. Greehey and Bradley C. Barron, President and Chief Executive Officer, recusing themselves) determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable, fair and reasonable to, and in the best interests of NSH and the NSH unaffiliated unitholders and approved and declared the advisability of the merger agreement and the transactions contemplated thereby, including the merger. Accordingly, the NSH Board recommends that the NSH unaffiliated unitholders vote in favor of the merger proposal.

Whether or not you plan to attend the NSH special meeting, please submit your proxy with voting instructions as soon as possible. If you hold NSH units in your name as a unitholder of record, please complete, sign, date and return the accompanying proxy card in the enclosed self-addressed stamped envelope, use the toll-free telephone number shown on the proxy card or use the internet website shown on the proxy card. If you hold your NSH units through a broker or other nominee, please use the voting instructions you have received from your broker or other nominee. Submitting your proxy will not prevent you from attending the NSH special meeting and voting in person. Please note, however, that if you hold your NSH units through a broker or other nominee and you wish to vote in person at the NSH special meeting, you must obtain from your broker or other nominee a proxy issued in your name. You may revoke a proxy at any time before voting is closed at the NSH special meeting by: (1) submitting a written revocation to the Corporate Secretary of NSH at the address indicated on the cover page of this proxy statement/prospectus, if such proxy is received by the Corporate Secretary by 11:59 p.m. Eastern Time on July 19, 2018; (2) submitting your valid, signed and later-dated proxy by mail that is received by 11:59 p.m. Eastern Time on July 19, 2018; (3) submitting your valid proxy by telephone or over the internet by 11:59 p.m. Eastern Time on July 19, 2018; or (4) voting in person at the NSH special meeting by presenting a valid photo identification and a proxy. However, if the NSH special meeting is adjourned to solicit additional proxies, the time by which a proxy may be revoked may be extended. If instructions to the contrary are not given, NSH units will be voted as indicated on the proxy.

We urge you to carefully consider the information contained in the attached proxy statement/prospectus.

By order of the Board of Directors of NuStar GP Holdings, LLC

Amy L. Perry
Senior Vice President, General Counsel and

Corporate Secretary

NuStar GP Holdings, LLC

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ANNEX A Agreement and Plan of Merger, dated as of February 7, 2018
ANNEX B Form of Amended and Restated Agreement of Limited Partnership of NuStar Energy L.P.
ANNEX C Form of Second Amended and Restated Limited Liability Company Agreement of NuStar GP, LLC
ANNEX D Support Agreement, dated as of February 7, 2018
ANNEX E Opinion of NSH Conflicts Committee s Financial Advisor

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IMPORTANT NOTE ABOUT THIS PROXY STATEMENT/PROSPECTUS

This proxy statement/prospectus, which forms part of a registration statement on Form S-4 filed with the U.S. Securities and Exchange Commission, which is referred to as the SEC or the Commission, constitutes a proxy statement of NSH under Section 14(a) of the Securities Exchange Act of 1934, as amended, which is referred to as the Exchange Act, with respect to the solicitation of proxies for the special meeting of NSH unitholders (NSH special meeting) to, among other things, vote on the approval of the merger agreement and the merger. This proxy statement/prospectus is also a prospectus of the Partnership under Section 5 of the Securities Act of 1933, as amended, which is referred to as the Securities Act, for common units that will be issued to NSH unitholders in the merger pursuant to the merger agreement.

As permitted under the rules of the SEC, this proxy statement/prospectus incorporates by reference important business and financial information about the Partnership and NSH from other documents filed with the SEC. Please read Where You Can Find More Information beginning on page 140. You can obtain any of the documents incorporated by reference into this document from the Partnership or NSH, as the case may be, or from the SEC s website at *http://www.sec.gov*. This information is also available to you without charge upon your request in writing or by telephone from the Partnership or NSH at the following addresses and telephone numbers:

NuStar Energy L.P.	NuStar GP Holdings, LLC
19003 IH-10 West	19003 IH-10 West
Attention: Investor Relations	Attention: Investor Relations
San Antonio, Texas 78257	San Antonio, Texas 78257
Telephone: (210) 918-3507	Telephone: (210) 918-3507

Please note that copies of the documents provided to you will not include exhibits, unless the exhibits are specifically incorporated by reference into the documents or this proxy statement/prospectus.

You may obtain certain of these documents at the Partnership s website, *www.nustarenergy.com*, by selecting Investors and then selecting SEC Filings, and at NSH s website, *www.nustargpholdings.com*, by selecting Investors and then selecting SEC Filings. Information contained on NSH s and the Partnership s websites is expressly not incorporated by reference into this proxy statement/prospectus.

In order to receive timely delivery of the documents in advance of the NSH special meeting, your request should be received no later than July 13, 2018.

The Partnership and NSH have not authorized anyone to give any information or make any representation about the merger, the Partnership and/or NSH that is different from, or in addition to, that contained in this proxy statement/prospectus or in any of the materials that have been incorporated by reference into this proxy statement/prospectus. Therefore, if anyone disseminates this type of information, you should not rely on it. If you are in a jurisdiction where offers to exchange or sell, or solicitations of offers to exchange or purchase, the securities offered by this proxy statement/prospectus or the solicitation of proxies is unlawful, or you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this proxy statement/prospectus does not extend to you. The information contained in this proxy statement/prospectus speaks only as of the date of this proxy

statement/prospectus, or, in the case of information in a document incorporated by reference, as of the date of such document, unless the information specifically indicates that another date applies. All information in this document concerning the Partnership has been furnished by the Partnership. All information in this document concerning NSH has been furnished by NSH. The Partnership has represented to NSH, and NSH has represented to the Partnership, that the information furnished by and concerning it is true and correct in all material respects.

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DEFINITIONS

The following terms have the meanings set forth below for purposes of this proxy statement/prospectus, unless the context otherwise indicates:

amended and restated partnership agreement means the amended and restated agreement of limited partnership of the Partnership, in the form attached hereto as Annex A, to be entered into in connection with and at the effective time of the merger, as such form may be revised to make the changes that are necessary or advisable in connection with the authorization or issuance of additional equity securities of the Partnership;

acquisition proposal means any proposal or offer from or by any person other than the Partnership, the General Partner, NuStar GP, Riverwalk Holdings or Merger Sub relating to (1) any direct or indirect acquisition of (A) more than 20% of the assets of NSH and its subsidiaries, taken as a whole, (B) more than 20% of the voting power or the outstanding equity securities of NSH or (C) a business or businesses that constitute more than 20% of the cash flow, net revenues, net income or assets of NSH and its subsidiaries, taken as a whole; (2) any tender offer or exchange offer, as defined pursuant to the Exchange Act, that, if consummated, would result in any person beneficially owning more than 20% of the voting power or the outstanding equity securities of NSH; or (3) any direct or indirect merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving NSH or its subsidiaries, other than the merger;

common unitholders means holders of common units;

common units means common units representing limited partner interests in the Partnership;

DCF means distributable cash flow;

Delaware Act means the Delaware Revised Uniform Limited Partnership Act;

EBITDA means earnings before interest, taxes, depreciation and amortization;

effective time means the date and time that the certificate of merger with respect to the merger is filed with the Secretary of State of the State of Delaware, or such later date and time as may be set forth in such certificate of merger;

Exchange Act means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder;

General Partner means Riverwalk Logistics, L.P., the general partner of the Partnership;

merger means the merger of Merger Sub with and into NSH, with NSH being the surviving entity as contemplated by the merger agreement;

merger agreement means the Agreement and Plan of Merger, dated as of February 7, 2018, by and among the Partnership, the General Partner, NuStar GP, Merger Sub, NSH and Riverwalk Holdings, as it may be amended from time to time;

merger proposal means the proposal for approval of the merger agreement and the transactions contemplated thereby, including the merger;

Merger Sub means Marshall Merger Sub LLC;

Mr. Greehey means William E. Greehey;

new common units means the common units issued in connection with the conversion of each NSH unit into the right to receive 0.55 of a common unit as consideration for the merger;

NSH means NuStar GP Holdings, LLC;

NSH Board means the Board of Directors of NSH;

NSH Conflicts Committee means the Conflicts Committee of the NSH Board;

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NSH limited liability company agreement means the second amended and restated limited liability company agreement of NSH, as amended;

NSH unaffiliated unitholders means NSH unitholders other than Mr. Greehey, WLG Holdings and any others controlling, controlled by or under common control with NSH;

NSH unit means each outstanding unit representing a limited liability company interest in NSH;

NSH unitholders means holders of NSH units;

NuStar GP means NuStar GP, LLC, the general partner of the General Partner;

NYSE means the New York Stock Exchange;

Partnership means NuStar Energy L.P.;

Partnership acquisition proposal means any proposal or offer from or by any person other than NSH and its subsidiaries relating to (1) any direct or indirect acquisition of (A) more than 50% of the assets of the Partnership and its subsidiaries, taken as a whole, (B) more than 50% of the outstanding equity securities of the Partnership or (C) a business or businesses that constitute more than 50% of the cash flow, net revenues, net income or assets of the Partnership and its subsidiaries, taken as a whole; (2) any tender offer or exchange offer, as defined pursuant to the Exchange Act, that, if consummated, would result in any person beneficially owning more than 50% of the outstanding equity securities of the Partnership; or (3) any merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving the Partnership other than the merger; provided, however, that for the avoidance of doubt, an acquisition proposal involving the direct or indirect transfer or acquisition of NSH s interest in NuStar GP, the incentive distribution rights of the Partnership, Riverwalk Holdings and/or the common units held by subsidiaries of NSH shall not constitute a Partnership acquisition proposal;

partnership agreement means either the Sixth Amended and Restated Agreement of Limited Partnership of the Partnership, dated as of November 30, 2017, or the amended and restated partnership agreement, or both, as the context requires;

Partnership Board means the Board of Directors of NuStar GP;

Partnership Conflicts Committee means the Nominating/Governance & Conflicts Committee of NuStar GP;

Riverwalk Holdings means Riverwalk Holdings, LLC, a wholly owned subsidiary of NSH;

SEC or the Commission means the U.S. Securities and Exchange Commission;

Securities Act means the Securities Act of 1933, as amended;

subsidiary shall have the meaning ascribed to such term in Rule 1-02 of Regulation S-X under the Securities Act, except, in the case of NSH, neither the Partnership nor any of its subsidiaries shall be deemed to be a subsidiary of NSH;

support agreement means the support agreement, dated as of February 7, 2018, by and among the Partnership, Merger Sub, WLG Holdings, Mr. Greehey and NSH;

supporting unitholders means, collectively, Mr. Greehey and WLG Holdings;

surviving entity means NSH following the merger; and

WLG Holdings means WLG Holdings, LLC, a Texas limited liability company.

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE NSH SPECIAL MEETING

Important Information and Risks. *The following are brief answers to some questions that you may have regarding the proposed merger and the proposals being considered at the NSH special meeting. You should read and consider carefully the remainder of this proxy statement/prospectus, including the Risk Factors beginning on page 21 and the attached Annexes, because the information in this section does not provide all of the information that might be important to you. Additional important information and descriptions of risk factors are also contained in the documents incorporated by reference in this proxy statement/prospectus. Please read Where You Can Find More Information beginning on page 140.*

Q: Why am I receiving these materials?

A: The Partnership and NSH have agreed to combine by merging Merger Sub with and into NSH, with NSH surviving. The merger cannot be completed without the approval of the holders of a majority of the outstanding NSH units. The NSH special meeting is being held to obtain this approval. Approval of the merger by the common unitholders is not required. Therefore, the common unitholders are not being asked to approve the merger.

Q: Who is soliciting my proxy?

A: The NSH Board is sending you this proxy statement/prospectus in connection with its solicitation of proxies for use at the NSH special meeting. Certain directors, officers and employees of NSH and its affiliates and Morrow Sodali LLC (a proxy solicitor) may also solicit proxies on NSH s behalf by mail, telephone, fax or other electronic means, or in person.

Q: What are the proposed transactions?

A: The Partnership and NSH have agreed to combine by merging Merger Sub with and into NSH, with NSH surviving, under the terms of the merger agreement. As a result of the merger and the other transactions contemplated by the merger agreement, the Partnership will be the sole member of NSH and NSH will be the sole member of NuStar GP. Additionally, the 10,214,626 common units owned currently by subsidiaries of NSH will be cancelled and cease to exist. The merger agreement provides that each outstanding NSH unit at the effective time of the merger will be converted into the right to receive 0.55 of a common unit.

In addition, pursuant to the merger agreement and the amended and restated partnership agreement, (1) the incentive distribution rights in the Partnership held by the General Partner will be cancelled, (2) the 2.0% general partner interest in the Partnership held by the General Partner will be converted into a non-economic, management interest in the Partnership, and (3) the common unitholders will be provided with voting rights in the election of directors to the Partnership Board. The merger will become effective on the date and at the time that the certificate of merger is filed with the Secretary of State of the State of Delaware, or such later date and time as may be set forth in the certificate of merger.

Q: Why are the Partnership and NSH proposing the merger?

A: The Partnership and NSH believe that the merger will benefit both the common unitholders and the NSH unitholders by combining the Partnership and NSH into a single simplified partnership structure that is better positioned to compete in the marketplace.

Please read The Merger Recommendation of the NSH Conflicts Committee and the NSH Board and Reasons for the Merger and The Merger The Partnership s Reasons for the Merger.

Q: What is the recommendation of the NSH Board?

A: The NSH Board recommends that you vote **FOR** the merger agreement and the transactions contemplated thereby, including the merger.

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On February 7, 2018, the NSH Conflicts Committee unanimously determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable, fair and reasonable to, and in the best interests of NSH and the NSH unaffiliated unitholders, approved the merger agreement and the transactions contemplated thereby, including the merger, and recommended that the merger agreement and the transactions contemplated thereby, including the merger, be approved by the NSH Board.

Based on the NSH Conflicts Committee s recommendation and approval and all of the information made available to the NSH Board and upon such other matters as were deemed relevant by the NSH Board, the NSH Board, with Mr. Greehey and Mr. Bradley C. Barron (Mr. Barron) having recused themselves, approved the merger agreement and the transactions contemplated thereby, including the merger, and recommended that the NSH unaffiliated unitholders approve the merger proposal.

Q: What will happen to NSH as a result of the merger?

A: As a result of the merger, Merger Sub will merge with and into NSH, the separate existence of Merger Sub will cease, and NSH will survive and continue to exist, such that, following the merger, the Partnership will be the sole member of NSH and NSH will be the sole member of NuStar GP.

Q: What will NSH unitholders receive in the merger?

A: If the merger is completed, NSH unitholders will be entitled to receive 0.55 of a common unit in exchange for each NSH unit that the NSH unitholder owns. This exchange ratio is fixed and will not be adjusted, regardless of any change in price of either the common units or NSH units prior to completion of the merger. If the exchange ratio would result in an NSH unitholder being entitled to receive a fraction of a common unit, that unitholder will receive cash from the Partnership in lieu of such fractional interest. For additional information regarding exchange procedures, please read The Merger Agreement Exchange of Certificates; Fractional Units.

Q: Where will my NSH units and/or common units trade after the merger?

A: Common units will continue to trade on the NYSE under the symbol NS. NSH units will no longer be publicly traded.

Q: What will common unitholders receive in the merger?

A: Common unitholders will simply retain the common units that they currently own. They will not receive any additional units in the merger.

Q: What happens to my future distributions?

A: Once the merger is completed and NSH units are converted into common units, when distributions to common unitholders are approved and declared by the General Partner and paid by the Partnership, former NSH unitholders are expected to receive distributions paid with respect to the common units they receive in the merger in accordance with the amended and restated partnership agreement.

Assuming that the merger closes during the second quarter of 2018 and after the record date for the distributions with respect to the quarter ended March 31, 2018, NSH unitholders are expected to receive distributions on their NSH units for the quarter ended March 31, 2018, and then, thereafter, are expected to receive distributions paid with respect to the common units they receive in the merger. NSH unitholders who do not also own common units will not receive distributions from both NSH and the Partnership for the same quarter. For additional information, please read Risk Factors Risks Related to the Merger and Related Matters The right of NSH unitholders to distributions will be changed following the merger and Market Prices and Distribution Information.

Current common unitholders will continue to receive distributions on their common units in accordance with the partnership agreement. Distributions are made in accordance with the partnership agreement and at

the discretion of the General Partner. For a description of the distribution provisions of the partnership agreement, please read Partnership Cash Distribution Policy.

Q: When do you expect the merger to be completed?

A: A number of conditions must be satisfied before the Partnership and NSH can complete the merger, including approval of the merger agreement, the merger and the other transactions contemplated thereby by NSH unitholders holding a majority of the outstanding NSH units. Although the Partnership and NSH cannot predict with certainty when all of the conditions to the merger will be satisfied, the Partnership and NSH expect to complete the merger as soon as practicable following the NSH special meeting (assuming the merger proposal is approved by the NSH unitholders). For additional information, please read The Merger Agreement Conditions to the Merger.

Q: After completion of the merger, will I be able to vote to elect directors to the Partnership Board?

A: Yes, at the effective time of the merger, the amended and restated partnership agreement will be adopted, in the form attached to this proxy statement/prospectus as Annex B, and the First Amended and Restated Limited Liability Company Agreement of NuStar GP, effective as of March 21, 2007, as amended, will be amended and restated in the form attached to this proxy statement/prospectus as Annex C, both of which will provide for the election of directors to the Partnership Board by the common unitholders.

Q: What are the expected U.S. federal income tax consequences of the merger to NSH unitholders?

A: It is anticipated that, in general, no gain or loss should be recognized, for U.S. federal income tax purposes, by NSH unitholders that are U.S. holders (as defined under Material U.S. Federal Income Tax Consequences of the Merger) with respect to the exchange of NSH units for common units pursuant to the merger, other than (1) gain or loss, if any, resulting from any: (A) decrease in an NSH unitholder s share of partnership liabilities pursuant to Section 752 of the Internal Revenue Code of 1986, as amended (the Code); (B) amounts paid to NSH, the Partnership or any of their respective subsidiaries pursuant to certain provisions of the merger agreement; (C) actual or deemed distributions to NSH or NSH unitholders of cash or other property (other than common units); (D) receipt of cash in lieu of fractional common units in the merger; or (E) actual or deemed assumption by the Partnership of any liabilities of NSH or any of its subsidiaries; or (2) to the extent any NSH unitholder s adjusted tax basis in its NSH units is less than its share of NSH s adjusted tax basis in the common units deemed distributed by NSH.

Please read Risk Factors Tax Risks Related to the Merger and Material U.S. Federal Income Tax Consequences of the Merger Tax Consequences of the Merger to U.S. Holders.

Q: What are the expected U.S. federal income tax consequences for an NSH unitholder of the ownership of common units after the merger is completed?

A: Each NSH unitholder who becomes a common unitholder as a result of the merger will be required to report on its U.S. federal income tax return such unitholder s distributive share of the Partnership s income, gains, losses, deductions and credits. In addition to U.S. federal income taxes, such a holder will be subject to other taxes, including state and local income taxes, unincorporated business taxes, and estate, inheritance or intangibles taxes that may be imposed by the various jurisdictions in which the Partnership conducts business or owns property or in which the unitholder is a resident. Please read Material U.S. Federal Income Tax Consequences of Common Unit Ownership.

Q: If I am a holder of NSH units represented by a unit certificate, should I send in my certificates representing NSH units now?

A: No. After the merger is completed, NSH unitholders who hold their NSH units in certificated form will receive written instructions for exchanging their certificates representing NSH units. Please do not send in

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your certificates representing NSH units with your proxy card. If you own NSH units in street name, the merger consideration should be credited by your broker to your account soon after the closing of the merger.

Q: What constitutes a quorum?

A: The holders of a majority of outstanding NSH units represented in person or by proxy at the NSH special meeting will constitute a quorum and will permit NSH to conduct the proposed business at the NSH special meeting. Your NSH units will be counted as present at the NSH special meeting if you:

- are present in person at the meeting; or

- have submitted a proxy over the internet, by phone or by mail.

Proxies received but marked as abstentions will be counted as NSH units that are represented by proxy at the NSH special meeting for purposes of determining the presence of a quorum and will have the same effect as a vote against the merger proposal. In addition, if you hold your NSH units in street name through a broker or other nominee, your broker or other nominee cannot vote your NSH units in the absence of specific instructions from you on how to vote your NSH units. Because your broker or other nominee cannot vote at the NSH special meeting without your voting instructions, failure to provide those instructions will result in your NSH units not being counted as present at the NSH special meeting.

Q: What is the vote required of NSH unitholders to approve the merger agreement and the merger?

A: Under NSH s limited liability company agreement, the affirmative vote of the holders of at least a majority of outstanding NSH units is required to approve the merger proposal. Failures to vote and abstentions will have the same effect as a vote against the merger proposal for purposes of the unitholder vote required under the NSH limited liability company agreement. Pursuant to a support agreement, the supporting unitholders, owning 21.4% of the outstanding NSH units, have agreed to vote their NSH units in favor of the proposal to approve the merger agreement and the transactions contemplated thereby, including the merger.

Q: Are NSH unitholders entitled to appraisal rights?

A: No. NSH unitholders do not have appraisal rights under applicable law or contractual appraisal rights under the NSH limited liability company agreement or the merger agreement.

Q: How do I vote my NSH units if I hold my NSH units in my own name?

A:

You may submit your proxy over the internet, by phone or by mail. If you submit your proxy by telephone or over the internet or by returning a signed proxy card by mail, your NSH units will be voted as you indicate. If you sign your proxy card without indicating your vote, your NSH units will be voted in accordance with the recommendations of the NSH Board. If you attend the NSH special meeting and plan to vote in person, NSH will provide you with a ballot at the meeting. If your NSH units are registered directly in your name, you are considered the unitholder of record and you have the right to vote the NSH units in person at the meeting. If your NSH units are held in the name of your broker or other nominee, you are considered the beneficial owner of the NSH units held in street name. As a beneficial owner, if you wish to vote at the meeting, you will need to present valid photo identification and a legal proxy from the unitholder of record (*e.g.*, your broker) authorizing you to vote the NSH units. For more information, please read The NSH Special Meeting Submission and Voting Procedures Submission and Voting by NSH Unitholders beginning on page 28.

Q: If my NSH units are held in street name by my broker or other nominee, will my broker or other nominee vote my NSH units for me?

A: No. Your broker cannot vote your NSH units held in street name for or against the merger proposal unless you instruct the broker or other nominee how you wish to vote. To instruct your broker or other nominee

how to vote your NSH units, you should follow the directions that your broker or other nominee provides to you. Please note that you may not vote your NSH units held in street name by returning a proxy card by mail or by voting in person at the NSH special meeting unless you provide a legal proxy, which you must obtain from your broker or other nominee. If you do not instruct your broker or other nominee how to vote your NSH units, your broker or other nominee may not vote your NSH units, which will have the same effect as a vote against the merger proposal for purposes of the vote required under the NSH limited liability company agreement. You should, therefore, provide your broker or other nominee with instructions as to how to vote your NSH units.

Q: What if I do not vote?

A: If you do not submit your proxy or if you abstain from voting, it will have the same effect as a vote against the merger proposal for purposes of the vote required under the NSH limited liability company agreement. If you sign and return your proxy card, or submit your proxy by telephone or the internet, but do not indicate how you want to vote, your proxy will be counted as a vote in favor of the merger proposal.

Q: Who can attend and vote at the NSH special meeting?

A: All NSH unitholders of record as of the close of business on June 22, 2018, the record date for the NSH special meeting, are entitled to receive notice of and vote at the NSH special meeting.

Q: When and where is the NSH special meeting?

A: The NSH special meeting will be held on July 20, 2018, at 10:30 a.m., local time, at NSH s principal executive offices located at 19003 IH-10 West, San Antonio, Texas 78257.

Q: If I am planning on attending the NSH special meeting in person, should I still submit my proxy?

A: Yes. Whether or not you plan to attend the NSH special meeting, you should submit your proxy. Your NSH units will not be voted if you do not submit your proxy over the internet, by phone or by mail or if you do not vote in person at the NSH special meeting to be held on July 20, 2018. This would have the same effect as a vote against the merger proposal for purposes of the vote required under the NSH limited liability company agreement.

Q: Can I change my vote after I have voted by proxy?

A: You may revoke a proxy at any time before voting is closed at the NSH special meeting by:

- submitting a written revocation to the Corporate Secretary of NSH at the address indicated on the cover page of this proxy statement/prospectus that is received by the Corporate Secretary by 11:59 p.m. Eastern Time on July 19, 2018;
- submitting your valid, signed and later-dated proxy by mail that is received by 11:59 p.m. Eastern Time on July 19, 2018;
- submitting your valid proxy by telephone or over the internet by 11:59 p.m. Eastern Time on July 19, 2018; or
- voting in person at the NSH special meeting by presenting a valid photo identification and a legal proxy.

However, if the NSH special meeting is adjourned to solicit additional proxies, the time by which a proxy may be revoked may be extended. If instructions to the contrary are not given, NSH units will be voted as indicated on the proxy and your presence without voting at the meeting will not automatically revoke your proxy.

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Q: What should I do if I receive more than one set of voting materials for the NSH special meeting?

A: You may receive more than one set of voting materials for the NSH special meeting and the materials may include multiple proxy cards or voting instruction cards. For example, you will receive a separate voting instruction card for each brokerage account in which you hold NSH units. If you are a holder of record of NSH units registered in more than one name, you will receive more than one proxy card. Please complete and submit each proxy card and voting instruction card that you receive according to the instructions on it.

Q: Whom do I call if I have further questions about voting, the meeting or the merger?

A: NSH unitholders may call NSH s Investor Relations department at (210) 918-3507 for additional copies, without charge, of this proxy statement/prospectus or for questions about the merger, including the procedures for voting NSH units. Certain directors, officers and employees of NSH and its affiliates and Morrow Sodali LLC (a proxy solicitor) may also solicit proxies on NSH s behalf by mail, telephone, fax or other electronic means, or in person.

Morrow Sodali LLC

470 West Avenue, 3rd Floor

Stamford, Connecticut 06902

Unitholders call toll-free: (800) 662-5200

Banks and Brokerage Firms, please call (203) 658-9400

Email: *NSH.info@Morrowsodali.com*

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SUMMARY

This summary highlights some of the information in this proxy statement/prospectus. It may not contain all of the information that is important to you. To understand the merger fully and for a more complete description of the terms of the merger, you should read carefully this document, the documents incorporated by reference and the Annexes to this document, including the full text of the merger agreement and the form of the amended and restated partnership agreement included as Annex A and Annex B, respectively. Please also read Where You Can Find More Information.

The Parties to the Merger (page 94)

NuStar Energy L.P.

The Partnership, a Delaware limited partnership, was formed in 1999. The common units are traded on the NYSE under the symbol NS. The Partnership is engaged in the transportation of petroleum products and anhydrous ammonia and the terminalling, storage and marketing of petroleum products.

The Partnership s principal executive offices are located at 19003 IH-10 West, San Antonio, Texas 78257, and its phone number is (210) 918-2000.

NuStar GP Holdings, LLC

NSH, a Delaware limited liability company, was formed in 2000. NSH units are listed on the NYSE under the ticker symbol NSH. NSH has no operations or sources of income or cash flows other than its ownership interests in the Partnership.

NSH s principal executive offices are located at 19003 IH-10 West, San Antonio, Texas 78257, and its phone number is (210) 918-2000.

Marshall Merger Sub LLC

Merger Sub, a Delaware limited liability company and a wholly owned subsidiary of the Partnership, was formed solely for the purpose of facilitating the merger. Merger Sub has not carried on any activities or operations to date, except for those activities incidental to its formation and undertaken in connection with the transactions contemplated by the merger agreement. By operation of the merger, Merger Sub will merge with and into NSH, with Merger Sub ceasing to exist.

Merger Sub s principal executive offices are located at c/o NuStar Energy L.P., 19003 IH-10 West, San Antonio, Texas 78257, and its phone number is (210) 918-2000.

Relationship of the Partnership and NSH

NSH and the Partnership are closely related. NSH s subsidiaries own (1) 10,214,626 common units, constituting approximately 11% of the common units outstanding, (2) the 2.0% general partner interest in the Partnership, and (3) 100% of the incentive distributions rights issued by the Partnership, which entitle NSH to receive increasing percentages of the cash distributed by the Partnership, up to a maximum percentage of 23%.

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The following table summarizes the cash NSH received for the years ended December 31, 2015, 2016 and 2017 as a result of its indirect ownership of partnership interests in the Partnership (in thousands):

	Year Ended December 31,		
	2015	2016	2017
Common units	$ 45,073	$ 44,699	$ 44,740
General partner interest (2.0%)	7,844	7,877	9,252
Incentive distribution rights	43,220	43,407	45,669

Moreover, all executive officers of NSH are executive officers of NuStar GP and two directors of NSH are also directors of NuStar GP. For information about the common executive officers and directors of NuStar GP and NSH and the resulting interests of NSH directors and officers in the merger, please read Interests of Certain Persons in the Merger.

Structure of the Merger (page 63)

Pursuant to the merger agreement, at the effective time, Merger Sub will merge with and into NSH, and each outstanding NSH unit will be converted into the right to receive 0.55 of a common unit. This merger consideration represented a premium of approximately 1.7% based on the closing prices of the common units and of NSH units on February 7, 2018, the last trading day before the public announcement of the proposed merger.

If the exchange ratio would result in an NSH unitholder being entitled to receive a fraction of a common unit, that unitholder will receive cash from the Partnership in lieu of such fractional interest in an amount equal to such fractional interest multiplied by the average of the volume weighted average price of the common units on each of the five consecutive trading days ending on the trading day that is two trading days prior to the day the merger closes.

Once the merger is completed and NSH units are converted into the right to receive common units (and cash in lieu of fractional units, if applicable), when distributions on common units are declared by the General Partner and paid by the Partnership, former NSH unitholders will receive distributions on their common units in accordance with the partnership agreement. For a description of the distribution provisions of the partnership agreement, please read Partnership Cash Distribution Policy.

Transactions Related to the Merger (page 61)

Amended and Restated Agreement of Limited Partnership of the Partnership

At the effective time, the Partnership s existing partnership agreement will be amended and restated. Under the amended and restated partnership agreement, the incentive distribution rights in the Partnership held by the General Partner will be cancelled, the 2.0% general partner interest in the Partnership held by the General Partner will be converted into a non-economic, management interest and the common unitholders will be provided with voting rights for the election of directors to the Partnership Board.

Support Agreement

In connection with the merger agreement, the Partnership entered into the support agreement pursuant to which the supporting unitholders (including Mr. Greehey), owners of an aggregate 9,178,320 NSH units, agreed to vote their NSH units (1) in favor of the approval and adoption of the merger agreement and the transactions contemplated

thereby, including the merger, and any other action required or desirable in furtherance thereof submitted for the vote or written consent of NSH unitholders, (2) against any acquisition proposal and (3) against any action, agreement or transaction that would reasonably be expected to impede, interfere with, delay, postpone, discourage, frustrate the purposes of or adversely affect the merger or the other transactions contemplated by the merger agreement.

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The support agreement will terminate automatically upon the earliest to occur of (1) the effective time; (2) the termination of the merger agreement in accordance with its terms, other than as a result of a breach by a supporting unitholder of the terms of the support agreement; or (3) the written agreement of each supporting unitholder and the Partnership to terminate the support agreement.

The foregoing description of the support agreement is qualified in its entirety by reference to the full text of the support agreement, a copy of which is attached as Annex D to this proxy statement/prospectus and is incorporated into this proxy statement/prospectus by reference.

Second Amended and Restated Limited Liability Company Agreement of NuStar GP

At the effective time, the limited liability company agreement of NuStar GP will be amended and restated. Under the second amended and restated limited liability company agreement of NuStar GP (NuStar GP amended and restated company agreement), the Partnership Board will be elected in accordance with the amended and restated partnership agreement.

Directors and Executive Officers of NuStar GP (page 101)

NuStar GP, by virtue of being the general partner of the General Partner, will continue to manage the Partnership after the merger. The NuStar GP management team will continue in their current roles and will manage NuStar GP following the merger. After the effective time, the Partnership Board will consist of nine members, six of whom will be the current members of the Partnership Board and three of whom will be the three current members of the NSH Conflicts Committee.

The NSH Special Meeting (page 27)

Where and when: The NSH special meeting will take place at NSH s principal executive offices located at 19003 IH-10 West, San Antonio, Texas 78257 on July 20, 2018 at 10:30 a.m., local time.

What you are being asked to vote on: At the NSH special meeting, NSH unitholders will vote on the approval of the merger agreement and the transactions contemplated thereby, including the merger. NSH unitholders also may be asked to consider other matters as may properly come before the meeting. At this time, NSH knows of no other matters that will be presented for the consideration of its unitholders at the meeting.

Who may vote: You may vote at the NSH special meeting if you owned NSH units at the close of business on the record date, June 22, 2018. On that date, there were 42,953,132 NSH units outstanding. You may cast one vote for each outstanding NSH unit that you owned on the record date.

What vote is needed: The affirmative vote of the holders of a majority of outstanding NSH units is required to approve the merger agreement and the transactions contemplated thereby, including the merger.

The directors and executive officers of NSH beneficially own and are entitled to vote, in the aggregate, 9,360,098 million NSH units, representing approximately 21.8% of the outstanding NSH units as of the close of business on the record date. The directors and executive officers of NSH have informed NSH that they currently intend to vote all such NSH units **FOR** the adoption of the merger proposal.

Recommendation to NSH Unaffiliated Unitholders (page 39)

The NSH Board delegated authority to the NSH Conflicts Committee to negotiate the terms and conditions of the merger, subject to final approval by the NSH Board. The NSH Conflicts Committee unanimously

determined that the merger, the merger agreement, the associated transaction documents and the transactions contemplated thereby were advisable, fair and reasonable to, and in the best interest of, NSH and the NSH unaffiliated unitholders. Accordingly, the NSH Conflicts Committee recommended that the NSH Board approve the merger, the merger agreement, the associated transaction documents and the transactions contemplated thereby. Based on the NSH Conflicts Committee s determination and recommendation and all of the information made available to the NSH Board and upon other relevant factors, the NSH Board (other than Messrs. Greehey and Barron, who were not in attendance and recused themselves) unanimously approved and declared the advisability of the merger, the merger agreement, the associated transaction documents and the transactions contemplated thereby. The NSH Board also recommended that the NSH unaffiliated unitholders vote FOR the merger proposal.

The NSH Conflicts Committee engaged independent legal counsel and a financial advisor to assist it in its negotiations with the Partnership Conflicts Committee. NSH unitholders are urged to carefully review the background and reasons for the merger described under The Merger and the risks associated with the merger described under Risk Factors.

NSH s Reasons for the Merger (page 39)

The NSH Conflicts Committee considered many factors in determining the merger agreement and the transactions contemplated thereby to be advisable, fair and reasonable to, and in the best interest of, NSH and the NSH unaffiliated unitholders and recommending the approval of the merger agreement and the consummation of the transactions contemplated thereby to the NSH Board. The NSH Conflicts Committee considered the following factors, among others described in greater detail under The Merger Recommendation of the NSH Conflicts Committee and the NSH Board and Reasons for the Merger, as being generally positive or favorable to the approval and adoption of the merger, the merger agreement, the associated transaction documents and the transactions contemplated thereby:

- the NSH unitholders will receive common units representing limited partner interests in the Partnership and will participate in the long-term expected benefits of the operations of the combined entity, through the Partnership, including with respect to the following:
  - any future common unit price appreciation and/or distribution increases;
  - after the merger, the Partnership will no longer have any incentive distribution rights, and, as a result, the Partnership s long-term cost of capital will be reduced;
  - the enhancement of the Partnership s cash accretion through its ability to compete for new acquisitions and finance organic growth projects as a result of its reduced long-term cost of capital; and
  - allowing the Partnership to maintain its competitive position when pursuing growth opportunities by increasing access to the equity markets, while simultaneously decreasing the need to access the equity markets;

the common units have substantially more liquidity than NSH units because of the common units larger average daily trading volume, and the Partnership is a significantly larger entity with a broader investor base and a larger public float, along with less volatility in the trading market for the common units;

the NSH unitholders are receiving as consideration units in a public, non-controlled, widely held entity and, accordingly, will have an ongoing opportunity to receive a control premium in the future;

NSH unitholders, as common unitholders after the effective time, will be entitled to participate in the election of all of the directors of the Partnership Board;

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- the financial analysis reviewed and discussed with the NSH Conflicts Committee by representatives of Robert W. Baird & Co. Incorporated (Baird), as well as the oral opinion of Baird rendered to the NSH Conflicts Committee on February 7, 2018 (which was subsequently confirmed in writing by delivery of Baird s written opinion dated the same date) to the effect that, as of the date of such opinion and based upon and subject to the various assumptions, qualifications and limitations set forth in its written opinion, the merger consideration to be received by the NSH unaffiliated unitholders was fair, from a financial point of view, to such unitholders; and

- the favorable benefits of a streamlined organizational structure, capital structure and governance structure, including enhanced transparency for investors, greater tax simplicity, simplified future credit relationships and clearer responsibilities and duties of the Partnership to various stakeholders.

The NSH Conflicts Committee considered the following factors, among others described in greater detail under The Merger Recommendation of the NSH Conflicts Committee and the NSH Board and Reasons for the Merger, that weighed against approval and adoption of the merger, the merger agreement, the associated transaction documents and the transactions contemplated thereby:

- the possibility that NSH unitholders could be foregoing appreciation principally associated with the incentive distribution rights, which might be realized either in the form of increased distributions or appreciation in unit value if the business of the Partnership performs materially better than anticipated and the Partnership were to then increase its distribution to levels substantially higher than anticipated;

- the risk that the merger may not be completed in a timely manner or that the merger might not be consummated as a result of a failure to satisfy the conditions contained in the merger agreement, including the failure to receive NSH unitholder approval;

- the potential adverse effects on NSH s financial condition if the merger is not completed following public announcement of the execution of the merger agreement;

- the number of common units to be received by the NSH unitholders is fixed and the common unit price could decline relative to the NSH unit price prior to closing, which would reduce the premium available to NSH unitholders, and any such decrease in value will not be limited by any collar arrangement;

- the limitations on NSH soliciting other offers and considering unsolicited offers from third parties not affiliated with the Partnership;

- the risk that potential benefits sought in the merger might not be fully realized; and

- the elimination of certain control rights that NSH currently possesses with respect to the Partnership.

Overall, the NSH Conflicts Committee believed that the advantages of the merger outweighed the negative factors it considered.

Opinion of NSH Conflicts Committee s Financial Advisor (page 48)

The NSH Conflicts Committee retained Baird as its financial advisor in connection with the merger and with respect to the provision of an opinion to the NSH Conflicts Committee as to the fairness, from a financial point of view, to the NSH unaffiliated unitholders of the number of common units issuable for each NSH unit (the Consideration) to be received by such unitholders in the merger. At the meeting of the NSH Conflicts Committee held on February 7, 2018, Baird rendered its oral opinion to the NSH Conflicts Committee, subsequently confirmed by delivery of a written opinion dated February 7, 2018, to the effect that, as of such date and based upon and subject to the various assumptions, qualifications and limitations set forth in Baird s opinion, the Consideration to be received by the NSH unaffiliated unitholders was fair, from a financial point of view, to such unitholders.

The full text of the written opinion of Baird is attached hereto as Annex E and is incorporated by reference in its entirety into this proxy statement/prospectus. The opinion sets forth, among other things, the assumptions made, specified work performed, procedures followed, matters considered and qualifications and limitations on the scope of review undertaken by Baird in rendering its opinion. You are encouraged to read Baird s opinion carefully and in its entirety.

Baird s opinion was prepared at the request, and provided for the information, of the members of the NSH Conflicts Committee (solely in their capacity as such), in connection with their evaluation of the merger and addresses only the fairness, from a financial point of view, to the NSH unaffiliated unitholders of the Consideration to be received by such unitholders. Baird was not asked to express, and in its opinion does not express, any opinion with respect to any of the other financial or non-financial terms, conditions, determinations or actions with respect to the merger. Baird s opinion also does not address the relative merits or risks of: (1) the merger, the merger agreement or any other agreements or other matters provided for, or contemplated by, the merger, the merger agreement, or any tax strategy implemented or contemplated pursuant to the merger; (2) any other transactions that may be or might have been available as an alternative to the merger; or (3) the merger compared to any other potential alternative transactions or business strategies considered by NSH, the Partnership, the NSH Conflicts Committee or the NSH Board, and, accordingly, Baird has relied upon its discussions with the management of NSH and the Partnership with respect to the availability and consequences of any alternatives to the merger. Baird was not engaged or asked to provide, and has not provided, any advice concerning the advisability of entering into the merger. Baird s opinion does not constitute a recommendation to the NSH Conflicts Committee, the NSH Board or any other person as to how any such person should act with respect to the merger. The summary of the Baird opinion set forth herein is qualified in its entirety by reference to the full text of the opinion included as Annex E.

Interests of Certain Persons in the Merger (page 97)

NSH s directors and executive officers have interests in the merger that may be different from, or be in addition to, your interests as an NSH unitholder, including:

- All of the executive officers and directors of NSH currently own NSH units and will be receiving common units in exchange for those NSH units as a result of the merger. NSH units held by directors and executive officers will be converted into the right to receive common units at a ratio of 0.55 of a common unit per NSH unit, which is the same as the ratio applicable to all other NSH unitholders. In addition, certain of NSH s directors and all of NSH s executive officers currently own common units.

- All of the directors and executive officers of NSH will receive continued indemnification for their actions as directors and executive officers.

- Each of the outstanding NSH restricted units held by NSH s directors and executive officers pursuant to NSH s long-term incentive plan will be converted into 0.55 of a restricted common unit under the Partnership s long-term incentive plan and will continue to be subject to the terms and conditions of the NSH long-term incentive plan.

The executive officers who prepared projections with respect to the Partnership s and NSH s future financial and operating performance on a stand-alone basis and on a combined basis (1) are officers of each of NSH and NuStar GP, (2) hold the same positions at each entity, and (3) own both NSH units and common units.

Each of the directors and executive officers of NSH entered into a Change of Control Waiver Agreement with respect to certain awards, grants or benefits such that the merger would not be deemed to cause a change of control, as such term is defined in the applicable plan or agreement and the directors and executive officers would not receive the payments or benefits to which they otherwise may have been entitled.

NuStar GP, by virtue of being the general partner of the General Partner, will continue to manage the Partnership after the merger. The NuStar GP management team will continue in their current roles and will manage NuStar GP following the merger. After the effective time, the Partnership Board will consist of nine members, six of whom will be the existing members of the Partnership Board and three of whom will be the three existing members of the NSH Conflicts Committee.

Please see Interests of Certain Persons in the Merger beginning on page 97.

The Merger Agreement (page 63)

The merger agreement is attached to this proxy statement/prospectus as Annex A and is incorporated by reference into this document. You are encouraged to read the merger agreement because it is the legal document that governs the merger.

What Needs to be Done to Complete the Merger

The respective obligations of the parties to complete the merger are subject to the satisfaction or waiver, on or prior to the closing of the merger, of the following conditions:

- the approval of the merger agreement and the transactions contemplated thereby, including the merger, by the affirmative vote of holders of a majority of the outstanding NSH units;
- the effectiveness of, and absence of an initiated or threatened stop order with respect to, the registration statement on Form S-4 filed by the Partnership in respect of the common units to be issued in the merger, of which this proxy statement/prospectus forms a part;
- the absence of any order, decree or injunction of any court or agency or law that enjoins, prohibits or makes illegal any of the transactions contemplated by the merger agreement, and the absence of any action, proceeding or investigation by any regulatory authority regarding the merger or any of the transactions contemplated by the merger agreement; and
- the receipt by the Partnership of an opinion from Sidley Austin LLP, counsel to the Partnership (Sidley Austin), or another nationally recognized tax counsel reasonably acceptable to the Partnership and NSH, as to certain tax matters relating to the Partnership s qualifying income and partnership status.

The obligations of NSH to complete the merger are further subject to the satisfaction or waiver, on or prior to the closing of the merger, of each of the following conditions:

- the representations and warranties of the Partnership must, both on the date of the merger agreement and at the closing of the merger, be true and correct except to the extent that the failure to be true and correct would not cause a material adverse effect on the Partnership and its subsidiaries, taken as a whole;

the performance, in all material respects, by the Partnership of its obligations under the merger agreement on or prior to the closing date;

the receipt by NSH of a certificate signed by the Chief Executive Officer of NuStar GP to the effect that the conditions set forth in the two bullet points above have been satisfied;

the receipt by NSH of an opinion from Wachtell, Lipton, Rosen & Katz, legal counsel to the NSH Conflicts Committee (Wachtell Lipton), or another nationally recognized tax counsel reasonably acceptable to NSH, as to certain tax matters relating to the U.S. federal income tax consequences of the merger;

- the approval, upon official notice of issuance, of the listing on the NYSE of the new common units to be issued in the merger; and

- there shall not have occurred a material adverse effect with respect to the Partnership between the date of the merger agreement and the closing date.

The obligations of the Partnership and Merger Sub to complete the merger are further subject to the satisfaction or waiver, on or prior to the closing of the merger, of each of the following conditions:

- the representations and warranties of NSH must, both on the date of the merger agreement and at the closing of the merger, be true and correct except to the extent that the failure to be true and correct would not cause a material adverse effect on NSH;

- the performance, in all material respects, by NSH of its obligations under the merger agreement on or prior to the closing date;

- the receipt by the Partnership of a certificate signed by the Chief Executive Officer of NSH to the effect that the conditions set forth in the two bullet points above have been satisfied;

- the receipt by the Partnership of an opinion from Sidley Austin, or another nationally recognized tax counsel reasonably acceptable to the Partnership and NSH, as to certain tax matters relating to the U.S. federal income tax consequences of the merger;

- the NuStar GP amended and restated company agreement shall have been executed and made effective; and

- there shall not have occurred a material adverse effect with respect to NSH between the date of the merger agreement and the closing date.

For a more complete summary of the conditions that must be satisfied or waived prior to completion of the merger, please see The Merger Agreement Conditions to the Merger beginning on page 75.

No Solicitation

The merger agreement provides that none of NSH and its subsidiaries shall, and NSH shall cause its subsidiaries and shall use its commercially reasonable best efforts to cause its subsidiaries representatives not to, directly or indirectly:

- knowingly initiate, solicit, or encourage or facilitate any inquiries, proposals or offers with respect to, or the submission of any acquisition proposal or a proposal or offer relating to the acquisition of all or a portion of the 2.0% general partner interest or the incentive distribution rights; or

knowingly engage, participate in, encourage or facilitate any discussions or negotiations regarding, or knowingly furnish or make available or cause to be furnished or made available to any person any non-public information or data relating to NSH, the Partnership or its subsidiaries in connection with any acquisition proposal or a proposal or offer relating to the acquisition of all or a portion of the 2.0% general partner interest or the incentive distribution rights.

Notwithstanding the foregoing, if NSH receives a bona fide written acquisition proposal and (1) the NSH Board, after consultation with its outside legal counsel and financial advisors, determines in good faith: (A) that such acquisition proposal constitutes or is reasonably likely to result in a superior proposal, and (B) that failure to take such action would be inconsistent with its fiduciary duties under applicable law, as modified by the NSH limited liability company agreement, and (2) prior to furnishing any non-public information to such third party, NSH: (i) required such third party to execute a confidentiality agreement, (ii) furnished a copy of such

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confidentiality agreement to the Partnership and (iii) notified the Partnership of the identity of such third party, NSH may, prior to obtaining NSH unitholder approval of the merger agreement:

- furnish any information to, including information pertaining to the Partnership and its subsidiaries; and
- enter into or participate in discussions or negotiations with any Person that makes an unsolicited bona fide written acquisition proposal that did not result from an intentional and material breach of the merger agreement.

For a more complete summary of the no solicitation provisions of the merger agreement, please see The Merger Agreement Covenants Acquisition Proposals; Change in Recommendation beginning on page 70.

Change in Recommendation

Subject to certain exceptions described in the section entitled The Merger Agreement Covenants Acquisition Proposals; Change in Recommendation beginning on page 70, and without prejudice to NSH s right to terminate the merger agreement in order to accept a superior proposal, the NSH Board may not:

- withdraw, modify or qualify, or propose publicly to withdraw, modify or qualify in a manner adverse to the Partnership, its recommendation to the NSH unitholders;
- approve or recommend, or publicly propose to approve or recommend, any acquisition proposal;
- fail to include the NSH recommendation in the proxy statement;
- if any acquisition proposal has been made public, fail to issue a press release recommending against such acquisition proposal and reaffirming NSH s recommendation, if requested by the Partnership;
- resolve, publicly propose or agree to do any of the foregoing; or
- except for a confidentiality agreement, approve, adopt or recommend, or publicly propose to approve, adopt or recommend, or allow NSH or any of its subsidiaries to execute or enter into, any letter of intent, memorandum of understanding, agreement in principle, merger agreement, acquisition agreement, option agreement, joint venture agreement, partnership agreement, or other similar contract or any tender or exchange offer providing for, with respect to, or in connection with, any acquisition proposal.

However, at any time before the NSH unitholder approval of the merger agreement is obtained, the NSH Board may terminate the merger agreement in order to accept a superior proposal or make an NSH change in recommendation (x) following receipt of an acquisition proposal that did not result from an intentional and material breach of the merger agreement and that the NSH Board has concluded in good faith, after consultation with its outside legal

counsel and financial advisors, constitutes a superior proposal or (y) solely in response to an intervening event, and in each case referred to in clauses (x) and (y) above, the NSH Board has concluded in good faith, after consultation with its outside legal counsel and financial advisors, that failure to make a change in its recommendation would be inconsistent with its fiduciary duties under applicable law, as modified by the NSH limited liability company agreement.

The NSH Board will not be entitled to change its recommendation until after three business days following the Partnership s, the Partnership Board s and the Partnership Conflicts Committee s receipt of written notice from NSH advising that the NSH Board intends to take such action and the reasons for doing so, including all information required under the merger agreement. After providing such notice and prior to effecting such change in recommendation:

NSH must, if requested by the Partnership, be available to meet and engage in good faith negotiations, during such three business day period, with the Partnership and its representatives to modify the merger agreement; and

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in determining whether to make a change in recommendation, the NSH Board must take into account any agreed-on modifications to the merger agreement.

Termination of the Merger Agreement

The merger agreement may be terminated at any time prior to the effective time in any of the following ways:

- by mutual written consent of the Partnership and NSH;
- by either the Partnership or NSH upon written notice to the other if:
  - the merger is not completed on or before August 8, 2018, unless the failure of the closing to occur by this date is primarily due to the failure of the party seeking to terminate the merger agreement to fulfill any material obligation under the merger agreement or a material breach of the merger agreement by such party;
  - any regulatory authority has issued a final and nonappealable statute, rule, order, decree or regulation or taken any other action that permanently restrains, enjoins, makes illegal or prohibits the consummation of the merger or any of the merger transactions; *provided,* that the terminating party is not in breach of its obligation to use its reasonable efforts to complete the merger promptly;
  - NSH fails to obtain the NSH unitholder approval at the NSH special meeting, subject to certain limitations;
  - there has been a breach of or any inaccuracy in any of the representations or warranties of any of the other parties set forth in the merger agreement under certain circumstances; or
  - there has been a breach of any of the covenants or agreements of any of the other parties set forth in the merger agreement under certain circumstances;
- by the Partnership if NSH has materially and intentionally breached certain non-solicitation covenants or the NSH Board has changed its recommendation to the NSH unitholders in accordance with the merger agreement; or
- by NSH in order to accept a superior proposal if NSH has not intentionally and materially breached certain non-solicitation covenants, NSH has paid a termination fee in accordance with the merger agreement and substantially concurrently therewith, and in any event within the same day of such termination, NSH enters into a definitive agreement in connection with such superior proposal.

Material U.S. Federal Income Tax Consequences of the Merger (page 115)

Tax matters associated with the merger are complicated. The U.S. federal income tax consequences of the merger to an NSH unitholder will depend, in part, on such unitholder s particular circumstances. The tax discussions in this proxy statement/prospectus are limited to the U.S. federal income tax consequences generally applicable to U.S. holders that hold their NSH units as capital assets and acquired their NSH units in exchange for cash, and these discussions have only limited application to other unitholders, including those subject to special rules under the U.S. federal income tax laws. NSH unitholders are urged to consult their tax advisors for a full understanding of the U.S. federal, state, local and foreign tax consequences of the merger that will be applicable to them.

For U.S. federal income tax purposes, the merger is intended to qualify as a merger of NSH and the Partnership within the meaning of Treasury regulations promulgated under Section 708 of the Code, with the Partnership treated as the continuing partnership and NSH as the terminated partnership for U.S. federal income tax purposes following the merger.

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It is a condition to NSH s obligation to complete the merger that it receive a written opinion from Wachtell Lipton (or another nationally recognized tax counsel reasonably acceptable to NSH) to the effect that no gain or loss should be recognized, for U.S. federal income tax purposes, by NSH unitholders that are United States persons for U.S. federal income tax purposes with respect to the exchange of NSH units for common units pursuant to the merger, other than gain or loss, if any, resulting from any (1) decrease in an NSH unitholder s share of partnership liabilities pursuant to Section 752 of the Code, (2) amounts paid to NSH, the Partnership or any of their respective subsidiaries pursuant to certain provisions of the merger agreement, (3) actual or deemed distributions to NSH or NSH unitholders of cash or other property (other than common units), (4) receipt of cash in lieu of fractional common units in the merger, or (5) actual or deemed assumption by the Partnership of any liabilities of NSH or any of its subsidiaries. The opinion may be subject to customary limitations and exceptions, including that it will not apply to any NSH unitholder whose tax basis in its NSH units is less than its share of NSH s tax basis (including basis resulting from Section 743 adjustments) in common units deemed distributed by NSH.

It is a condition to the Partnership s obligation to effect the merger that it receive a written opinion from Sidley Austin (or another nationally recognized tax counsel reasonably acceptable to the Partnership and NSH) to the effect that no gain or loss should be recognized by existing unaffiliated common unitholders as a result of the merger, other than gain, if any, resulting from any (1) decrease in partnership liabilities pursuant to Section 752 of the Code, or (2) amounts paid to or on behalf of the Partnership by any other person pursuant to certain provisions of the merger agreement. In addition, it is a condition to each party s obligation to complete the merger that the Partnership receive a written opinion from Sidley Austin (or another nationally recognized tax counsel reasonably acceptable to the Partnership and NSH) to the effect that (1) at least 90% of the current gross income of the Partnership constitutes qualifying income within the meaning of Section 7704(d) of the Code and the Partnership is treated as a partnership for U.S. federal income tax purposes pursuant to Section 7704(c) of the Code, and (2) the adoption of the amended and restated partnership agreement, the merger, and the transactions contemplated by the merger agreement will not cause the Partnership to be treated as an association taxable as a corporation for U.S. federal income tax purposes.

Accordingly, U.S. holders of NSH units generally are not expected to recognize gain or loss, for U.S. federal income tax purposes, with respect to the exchange of NSH units for common units pursuant to the merger, other than (1) gain or loss, if any, resulting from any (A) decrease in an NSH unitholder s share of partnership liabilities pursuant to Section 752 of the Code, (B) amounts paid to NSH, the Partnership or any of their respective subsidiaries pursuant to certain provisions of the merger agreement, (C) actual or deemed distributions to NSH or NSH unitholders of cash or other property (other than common units), (D) receipt of cash in lieu of fractional common units in the merger, or (E) actual or deemed assumption by the Partnership of any liabilities of NSH or any of its subsidiaries, or (2) to the extent any NSH unitholder s adjusted tax basis in its NSH units is less than its share of NSH s adjusted tax basis in the common units deemed distributed by NSH.

These opinions will be based on representations made by NSH, the Partnership and others and on customary factual assumptions, as well as certain covenants and undertakings. Opinions of counsel are subject to certain limitations and are not binding on the Internal Revenue Service or any court. NSH and the Partnership have not sought and do not intend to seek any rulings from the IRS regarding any matters relating to the merger.

NSH unitholders should read the section entitled Material U.S. Federal Income Tax Consequences of the Merger for a more complete discussion of the U.S. federal income tax consequences of the merger. Tax matters can be complicated, and the tax consequences to a particular holder will depend on such holder s facts and circumstances. NSH unitholders should consult their own tax advisors to determine the specific tax consequences to them of the merger.

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Other Information Related to the Merger

No Appraisal Rights (page 61)

NSH unitholders do not have appraisal rights under applicable law or contractual appraisal rights under the NSH limited liability company agreement or the merger agreement. For additional information, please see The Merger No Appraisal Rights beginning on page 61.

Antitrust and Regulatory Matters (page 61)

The merger is subject to both state and federal antitrust lawsrflow:hidden;font-size:10pt;">

Gross Unrealized Losses

Fair Value
U.S. Treasury securities

$
—

$
—

$
—

$
—

Obligations of U.S.
government agencies and
FDIC guaranteed bank
debt

393

—

(19
)

373

Other interest bearing securities

4,616

—

(2
)

4,614

$
5,008

$
—

$
(21
)

$
4,987

The carrying value and fair value of restricted available-for-sale investments at March 31, 2011 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		Fair Value
U.S. Treasury securities	$710	$—	$(42	)	$668
Obligations of U.S. government agencies and FDIC guaranteed bank debt	1,270	—	(51	)	1,219
Other interest bearing securities	4,595	—	(2	)	4,593
	$6,575	$—	$(95	)	$6,480

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RESTRICTED CASH

Restricted cash was comprised of the following:

	As of June 30, 2011	As of March 31, 2011
Interest reserve account related to the 2010 Term Loans (see Note 5)	$5,753	$5,751

DEFERRED COSTS

Deferred costs primarily consist of unamortized debt issuance costs which are amortized on a straight-line basis over the term of the respective debt. The straight-line basis is not materially different from the effective interest method. Other deferred costs are advertising production, post production and technical support costs related to developing and displaying advertising that are expensed in conjunction with advertising revenue under advertising contracts.

DIRECT OPERATING COSTS

Direct operating costs consist of facility operating costs such as rent, utilities, real estate taxes, repairs and maintenance, insurance and other related expenses, direct personnel costs, amortization of capitalized software development costs, exhibitors payments for displaying cinema advertising and other deferred expenses, such as advertising production, post production and technical support related to developing and displaying advertising.

STOCK-BASED COMPENSATION

For the three months ended June 30, 2011 and 2010, the Company recorded stock-based compensation expense of $480 and $690, respectively.

The weighted-average grant-date fair value of options granted during the three months ended June 30, 2011 and 2010 was $1.26 and $0.91, respectively. There were 41,155 stock options exercised during the three months ended June 30, 2011 and there were no stock options exercised during the three months ended June 30, 2010.

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

	For the Three Months Ended June 30,	
Assumptions for Option Grants	2011	2010
Range of risk-free interest rates	1.7-2.1%	2.0-2.2%
Dividend yield	—	—
Expected life (years)	5	5
Range of expected volatilities	77.8-78.1%	78.5-78.8%

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

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

Employee stock-based compensation expense related to the Company's stock-based awards was as follows for the periods presented:

	For the Three Months Ended June 30,	
	2011	2010
Direct operating	9	17
Selling, general and administrative	454	661
Research and development	17	12
	$480	$690

GOODWILL AND INTANGIBLE ASSETS

Goodwill is the excess of the purchase price paid over the fair value of the net assets of the acquired business. Goodwill and intangible assets with indefinite lives are not amortized; rather, they are tested for impairment on at least an annual basis. Intangible assets with finite lives, primarily customer relationships, non-compete agreements, patents and software technology, are amortized over their useful lives.

In order to test goodwill, a determination of the fair value of our reporting units is required and is based, among other things, on estimates of future operating performance of the reporting unit and/or the component of the entity being valued. The Company is required to complete an impairment test for goodwill and record any resulting impairment losses at least on an annual basis or more often if warranted by events or changes in circumstances indicating that the carrying value may exceed fair value ("impairment indicators"). This impairment test includes the projection and discounting of cash flows, analysis of our market factors impacting the businesses the Company operates and estimating the fair values of tangible and intangible assets and liabilities. Estimating future cash flows and determining their present values are based upon, among other things, certain assumptions about expected future operating performance and appropriate discount rates determined by management.

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

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 the Company's strategic plans with regard to its operations. To the extent additional information arises, market conditions change or the Company's strategies change, it is possible that the conclusion regarding whether the Company's remaining goodwill is impaired could change and result in future goodwill impairment charges that will have a material effect on the Company's consolidated financial position or results of operations.

The discounted cash flow methodology establishes fair value by estimating the present value of the projected future cash flows to be generated from the reporting unit. The discount rate applied to the projected future cash flows to arrive at the present value is intended to reflect all risks of ownership and the associated risks of realizing the stream of projected future cash flows. The discounted cash flow methodology uses our projections of financial performance for a five-year period. The most significant assumptions used in the discounted cash flow methodology are the discount rate, the terminal value and expected future revenues and gross margins, which vary among reporting units. The discount rates utilized were 16.0% - 27.5% based on the estimated market participant weighted average cost of capital ("WACC") for each unit. The market participant based WACC for each unit gives consideration to factors including, but not limited to, capital structure, historic and projected financial performance, and size.

The market multiple methodology establishes fair value by comparing the reporting unit to other companies that are similar, from an operational or industry standpoint and considers the risk characteristics in order to determine the risk profile relative to the comparable companies as a group. The most significant assumptions are the market multiplies and the control premium. The Company has elected not to apply a control premium to the fair value conclusions for the purposes of impairment testing.

The Company then assigns a weighting to the discounted cash flows and market multiple methodologies to derive the fair value of the reporting unit. The income approach is weighted 70% and the market approach is weighted 30% to derive the fair value of the reporting unit. The weightings are evaluated each time a goodwill impairment assessment is performed and give consideration to the relative reliability of each approach at that time.

Information related to the goodwill allocated to the Company's continuing operations is detailed below:

	Phase I	Phase II	Services	Content & Entertainment	Corporate	Consolidated
As of June 30, 2011	$—	$—	$4,306	1,568	$—	$5,874
As of March 31, 2011	$—	$—	$4,306	1,568	—	$5,874

See Note 3 for information related to the goodwill allocated to the Company's discontinued operations.

The fair values derived in our impairment testing assume increases in revenue growth and profitability for the fiscal year ended March 31, 2012 and beyond and continued significant growth in revenue and profitability for the Services segment for fiscal year ended March 31, 2012 as a result of increased Systems for our Phase 2 Deployment. The number of Systems, and the use of alternative content on those Systems, are the primary revenue drivers for our goodwill reporting units. Growth in the number of deployed Systems is driven by many factors including audience demand for 3D content, the amount of digital content (including 3D and alternative content such as concerts and sporting events) being made available by the Hollywood studios and content owners, and the adoption rate of digital technology by exhibitors, all of which the Company sees as continuing its strong pace. The strong growth assumed, however, is the primary driver of the use of discount rates comparable to those typically applied to early-stage, venture capital backed companies.

During the three months ended June 30, 2011 and 2010, no impairment charge was recorded for goodwill related to the Company's continuing operations.

As of June 30, 2011, the Company's finite-lived intangible assets consisted of customer relationships and agreements, theatre relationships, covenants not to compete, trade names and trademarks and Federal Communications Commission licenses (for satellite transmission services), which are estimated to have useful lives ranging from two to ten years. During the three months ended June 30, 2011 and 2010, the Company acquired intangible assets of $10 and $0, respectively. During the three months ended June 30, 2011 and 2010, no impairment charge was recorded for intangible assets.

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

IMPAIRMENT OF LONG-LIVED ASSETS

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

discounted cash flows. During the three months ended June 30, 2011 and 2010, no impairment charge for long-lived assets was recorded.

NET LOSS PER SHARE

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

Basic and diluted net loss per common share =	Net loss – preferred dividends
	Weighted average number of common stock outstanding during the period

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Shares issued and any shares that are reacquired during the period are weighted for the portion of the period that they are outstanding.

The Company incurred net losses for each of the three months ended June 30, 2011 and 2010 and, therefore, the impact of dilutive potential common shares from outstanding stock options, warrants, restricted stock, and restricted stock units, totaling 23,454,240 shares and 22,065,591 shares as of June 30, 2011 and 2010, respectively, were excluded from the computation as it would be anti-dilutive.

ACCOUNTING FOR DERIVATIVE ACTIVITIES

Derivative financial instruments are recorded at fair value. In May 2010, the Company settled the interest rate swap in place with respect to its previous credit facility. In June 2010, the Company executed three separate interest rate swap agreements (the "Interest Rate Swaps") to limit the Company's exposure to changes in interest rates related to the 2010 Term Loans. Changes in fair value of derivative financial instruments are either recognized in accumulated other comprehensive loss (a component of stockholders' equity) or in the condensed consolidated statement of operations depending on whether the derivative qualifies for hedge accounting. The Company has not sought hedge accounting and therefore, changes in the value of its Interest Rate Swaps were recorded in the condensed consolidated statements of operations (see Note 5).

FAIR VALUE MEASUREMENTS

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

- Level 1 – quoted prices in active markets for identical investments
- Level 2 – other significant observable inputs (including quoted prices for similar investments, market corroborated inputs, etc.)
- Level 3 – significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments)

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

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

	As of June 30, 2011			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$11,443	$—	$—	$11,443
Restricted available-for-sale investments	—	4,987	—	4,987
Restricted cash	5,753	—	—	5,753
Interest rate swaps	—	(2,759)	—	(2,759)
	$17,196	$2,228	$—	$19,424

	As of March 31, 2011			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$10,748	$—	$—	$10,748
Restricted available-for-sale investments	668	5,812	—	6,480
Restricted cash	5,751	—	—	5,751
Interest rate swaps	—	(1,971)	—	(1,971)
	$17,167	$3,841	$—	$21,008

3. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The Pavilion Theatre generates movie theatre admission and concession revenues. Movie theatre admission revenues are recognized on the date of sale, as the related movie is viewed on that date and the Company's performance obligation is met at that time. Concession revenues consist of food and beverage sales and are also recognized on the date of sale. The Pavilion Theatre, while once a digital cinema test site and showcase for digital cinema technology, was no longer needed in that capacity due to widespread adoption of the technology. Management decided to pursue its sale during the fourth quarter of the year

ended March 31, 2010. Accordingly, the Company classified the Pavilion Theatre as assets held for sale in the quarter ended March 31, 2010 and reported the results of Pavilion Theatre as discontinued operation for the years ended March 31, 2011 and 2010. In May 2011, the Company completed the sale of certain assets and liabilities of the Pavilion Theatre to an unrelated third party. The Company has remained the primary obligor on the Pavilion capital lease, and therefore, the capital lease obligation and related assets under the capital lease remain on the Company's consolidated financial statements as of June 30, 2011. The Company has, however, entered into a sub-lease agreement with the unrelated third party purchaser and as such, has no continuing involvement in the operation of the Pavilion Theatre.

The Company's other segment consists of Managed Services and Access Digital Server Assets. In August 2010, the Company sold the stock of Managed Services and the Access Digital Server Assets in exchange for $268 in cash and $1,150 in service credits under a 46-month service agreement (the "Managed Services Agreement").

The assets and liabilities of held for sale assets were comprised of the following:

	As of June 30, 2011	As of March 31, 2011
Accounts receivable, net	$—	$117
Prepaid expenses and other current assets	—	135
Security deposits	—	39
Property and equipment, net	—	4,302
Assets held for sale	$—	$4,593
Accounts payable and accrued expenses	$—	$437
Capital leases	—	5,580
Deferred revenue	—	5
Liabilities as part of held for sale assets	$—	$6,022

The results of the Pavilion Theatre, Managed Services and the Access Digital Server Assets have been reported as discontinued operations for all periods presented. The loss from discontinued operations was as follows:

	For the Three Months Ended June 30,	
	2011	2010
Revenues	$71	$2,081
Costs and Expenses:		
Direct operating (exclusive of depreciation and amortization shown below)	100	1,704
Selling, general and administrative	56	229
Gain on disposal of asset	(64)	—
Depreciation of property and equipment	389	48
Amortization of intangible assets	—	1
Total operating expenses	481	1,982
Income from operations	(410)	99
Interest expense	(164)	(254)
Other expense, net	2	—
Loss from discontinued operations	$(572)	$(155)

For the three months ended June 30, 2011, the loss from discontinued operations is comprised entirely from the Pavilion Theatre.

4. RECENT ACCOUNTING PRONOUNCEMENTS

In October 2009, the FASB issued ASU 2009-13, Multiple-Deliverable Revenue Arrangements (“ASU 2009-13”), which requires an entity to allocate consideration at the inception of an arrangement to all of its deliverables based on their relative selling prices. This consensus eliminates the use of the residual method of allocation and requires allocation using the relative-

selling-price method in all circumstances in which an entity recognizes revenue for an arrangement with multiple deliverables. ASU 2009-13 is effective for fiscal years beginning on or after June 15, 2010. On April 1, 2011, the Company adopted ASU 2009-13 and its adoption did not have a material impact on the Company's condensed consolidated financial statements.

In October 2009, the FASB issued ASU No. 2009-14, "Software (Topic 985): Certain Revenue Arrangements That Include Software Elements (a consensus of the FASB Emerging Issues Task Force)" ("ASU 2009-14"). ASU 2009-14 amends ASC 985-605, "Software: Revenue Recognition," such that tangible products, containing both software and non-software components that function together to deliver the tangible product's essential functionality, are no longer within the scope of ASC 985-605. It also amends the determination of how arrangement consideration should be allocated to deliverables in a multiple-deliverable revenue arrangement. ASU 2009-14 will become effective for the Company for revenue arrangements entered into or materially modified on or after April 1, 2011. On April 1, 2011, the Company adopted ASU 2009-14 and its adoption did not have a material impact on the Company's condensed consolidated financial statements.

In January 2010, the FASB issued ASU No. 2010-06, "Improving Disclosures about Fair Value Measurements" ("ASU 2010-06"). ASU 2010-06 requires some new disclosures and clarifies some existing disclosure requirements about fair value measurements codified within ASC 820, "Fair Value Measurements and Disclosures." ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009. The Company has adopted the requirements for disclosures about inputs and valuation techniques used to measure fair value. Additionally, these amended standards require presentation of disaggregated activity within the reconciliation for fair value measurements using significant unobservable inputs (Level 3) and is effective for fiscal years beginning after December 15, 2010. On April 1, 2011, the Company adopted ASU 2010-06 and the additional disclosure requirements did not have a material impact on the Company's condensed consolidated financial statements.

In March 2010, the FASB issued ASU No. 2010-11, Derivatives and Hedging (Topic 815) - Scope Exception Related to Embedded Credit Derivatives ("ASU 2010-11"). ASU 2010-11 clarifies the scope exception for embedded credit derivative features related to the transfer of credit risk in the form of subordination of one financial instrument to another. The amendments address how to determine which embedded credit derivative features, including those in collateralized debt obligations and synthetic collateralized debt obligations, are considered to be embedded derivatives that should not be analyzed for potential bifurcation and separate accounting. The amendments in this pronouncement are effective for each reporting entity at the beginning of its first fiscal quarter beginning after June 15, 2010. On April 1, 2011, the Company adopted ASU 2010-11 and its adoption did not have a material impact on the Company's condensed consolidated financial statements.

In April 2010, the FASB issued ASU No. 2010-17, Revenue Recognition — Milestone Method ("ASU 2010-17"). ASU 2010-17 establishes criteria for a milestone to be considered substantive and allows revenue recognition when the milestone is achieved in research or development arrangements. In addition, it requires disclosure of certain information with respect to arrangements that contain milestones. ASU 2010-17 is effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. ASU 2010-17 is effective for the Company prospectively beginning April 1, 2011. On April 1, 2011, the Company adopted ASU 2010-17 and its adoption did not have a material impact on the Company's condensed consolidated financial statements.

In May 2011, the FASB issued a new accounting standard update, which amends the fair value measurement guidance and includes some enhanced disclosure requirements. The most significant change in disclosures is an expansion of the information required for Level 3 measurements based on unobservable inputs. The standard is effective for fiscal years beginning after December 15, 2011. The Company will adopt this standard April 1, 2012 and does not expect the adoption of this standard to have a material impact on the consolidated financial statements and disclosures.

In June 2011, the FASB issued a new accounting standard, which eliminates the current option to report other comprehensive income and its components in the statement of stockholders' equity. Instead, an entity will be required to present items of net income and other comprehensive income in one continuous statement or in two separate, but consecutive, statements. The standard is effective for fiscal years beginning after December 15, 2011. The Company will adopt this standard as of April 1, 2012.

5.NOTES PAYABLE

Notes payable consisted of the following:

Notes Payable	As of June 30, 2011 Current Portion	As of June 30, 2011 Long Term Portion	As of March 31, 2011 Current Portion	As of March 31, 2011 Long Term Portion
2010 Term Loans	$24,151	$115,796	$24,151	$123,262
KBC Facilities	6,029	41,246	4,191	39,705
P2 Vendor Note	71	631	72	649
P2 Exhibitor Notes	57	440	69	455
Total non-recourse notes payable	$30,308	$158,113	$28,483	$164,071
NEC Facility	$97	$—	$142	$5
2010 Note, net of debt discount	—	80,414	—	78,170
Total recourse notes payable	$97	$80,414	$142	$78,175
Total notes payable	$30,405	$238,527	$28,625	$242,246

Non-recourse debt is generally defined as debt whereby the lenders' sole recourse with respect to defaults by the Company is limited to the value of the asset, which is collateral for the debt. The KBC Facility, the P2 Vendor Note and the P2 Exhibitor Notes are not guaranteed by the Company or its other subsidiaries, other than Phase 2 DC. The 2010 Term Loans are not guaranteed by the Company or its other subsidiaries, other than Phase 1 DC and CDF I.

In August 2009, the Company entered into a securities purchase agreement (the "Purchase Agreement") with an affiliate of Sageview Capital LP ("Sageview" or the "Purchaser") pursuant to which the Company agreed to issue a Senior Secured Note (the "2009 Note") in the aggregate principal amount of $75,000 and warrants (the "Sageview Warrants") to purchase 16,000,000 shares of its Class A Common Stock (the "2009 Private Placement"). The 2009 Note was later amended and restated on May 6, 2010 (as so amended and restated, the "2010 Note"). The balance of the 2010 Note, net of the discount associated with the issuance of the Sageview Warrants and the interest of 8% per annum on the 2010 Note to be accrued as an increase in the aggregate principal amount of the 2010 Note ("PIK Interest"), was as follows:

	As of June 30, 2011	As of March 31, 2011
2010 Note, at issuance	$75,000	$75,000
Discount on 2010 Note	(6,676)	(7,212)
PIK Interest	12,090	10,382
2010 Note, net	$80,414	$78,170
Less current portion	—	—
Total long term portion	$80,414	$78,170

In August 2007, Phase 1 DC obtained $9,600 of vendor financing (the "Vendor Note") for equipment used in Phase 1 DC's Phase I Deployment. The Vendor Note bears interest at 11% and may be prepaid without penalty. Interest is due semi-annually commencing February 2008 and is paid by Cinedigm. The balance of the Vendor Note, together with all unpaid interest is due on the maturity date of August 1, 2016. In May 2010, the Vendor Note was repaid in full from the proceeds of the 2010 Term Loans, as discussed below.

In May 2010, CDF I, an indirectly wholly-owned, special purpose, non-recourse subsidiary of the Company, formed in April 2010, entered into a definitive credit agreement (the "2010 Credit Agreement") with Société Générale, New York Branch ("SocGen"), as co-administrative agent and paying agent for the lenders party thereto and certain other secured parties, and General Electric Capital Corporation ("GECC"), as co-administrative agent and collateral agent (the "Collateral Agent"). Pursuant to the 2010 Credit Agreement, CDF I borrowed term loans (the "2010 Term Loans") in the

principal amount of $172,500. These 2010 Term Loans are non-recourse to the Company. The proceeds of the 2010 Term Loans were used by CDF I to pay all costs, fees and expenses relating to the transaction and to pay $157,456 to Phase 1 DC, as part of the consideration for the acquisition by CDF I of all of the assets and liabilities of Phase 1 DC pursuant to a Sale and Contribution Agreement between CDF I and Phase 1 DC. Phase 1 DC acquired all of the outstanding membership interests in CDF I pursuant to this Sale and Contribution Agreement. Phase 1 DC, in turn, extinguished all of its outstanding obligations with respect to the senior secured multi draw term loan (the "GE Credit Facility") and the Vendor Note, and its intercompany

obligations owed to the Company. Under the 2010 Credit Agreement, each of the 2010 Term Loans will bear interest, at the option of CDF I and subject to certain conditions, based on the base rate (generally, the bank prime rate) plus a margin of 2.50% or the Eurodollar rate (subject to a floor of 1.75%), plus a margin of 3.50%. All collections and revenues of CDF I are deposited into special blocked accounts. These amounts are included in cash and cash equivalents in the condensed consolidated balance sheets and are only available to pay certain operating expenses, principal, interest, fees, costs and expenses relating to the 2010 Credit Agreement according to certain designated priorities. On a quarterly basis, if funds remain after the payment of all such amounts, they will be applied to prepay the 2010 Term Loans. After certain conditions are met, CDF I may use up to 50% of the remaining funds to pay dividends or distributions to Phase 1 DC. The Company also set up a debt service fund under the 2010 Credit Agreement for future principal and interest payments, classified as restricted cash of $5,753 as of June 30, 2011.

The 2010 Term Loans mature and must be paid in full by April 29, 2016. In addition, CDF I may prepay the 2010 Term Loans, without premium or penalty, in whole or in part, subject to paying certain breakage costs, if applicable. The 2010 Credit Agreement also requires each of CDF I’s existing and future direct and indirect domestic subsidiaries (the "Guarantors") to guarantee, under a Guaranty and Security Agreement dated as of May 6, 2010 by and among CDF I, the Guarantors and the Collateral Agent (the “Guaranty and Security Agreement”), the obligations under the 2010 Credit Agreement, and all such obligations to be secured by a first priority perfected security interest in all of the collective assets of CDF I and the Guarantors, including real estate owned or leased, and all capital stock or other equity interests in Phase 1 DC, CDF I and CDF I’s subsidiaries. In connection with the 2010 Credit Agreement, AccessDM, the direct parent of Phase 1 DC, entered into a pledge agreement dated as of May 6, 2010 in favor of the Collateral Agent (the “ADM Pledge Agreement”) pursuant to which AccessDM pledged to the Collateral Agent all of the outstanding shares of common stock of Phase 1 DC, and Phase 1 DC entered into a pledge agreement dated as of May 6, 2010 in favor of the Collateral Agent (the “Phase 1 DC Pledge Agreement”) pursuant to which Phase 1 DC pledged to the Collateral Agent all of the outstanding membership interests of CDF I. The 2010 Credit Agreement contains customary representations, warranties, affirmative covenants, negative covenants and events of default, as well as conditions to borrowings. The balance of the 2010 Term Loans, net of the original issue discount, was as follows:

	As of June 30, 2011		As of March 31, 2011	
2010 Term Loans, at issuance	$172,500		$172,500	
Payments to date	(31,163	)	(23,626	)
Discount on 2010 Term Loans	(1,390	)	(1,461	)
2010 Term Loans, net	139,947		147,413	
Less current portion	(24,151	)	(24,151	)
Total long term portion	$115,796		$123,262	

In June 2010, CDF I executed three separate Interest Rate Swaps with counterparties for a total notional amount of approximately 66.67% of the amounts to be outstanding at June 15, 2011 under the 2010 Term Loans or an initial amount of $100,000. Under the Interest Rate Swaps, CDF I will effectively pay a fixed rate of 2.16%, to guard against CDF I’s exposure to increases in the variable interest rate under the 2010 Term Loans. SocGen arranged the transaction, which took effect commencing June 15, 2011 as required by the 2010 Term Loans and will remain in effect until at least June 15, 2013. As principal repayments of the 2010 Term Loans occur, the notional amount will decrease by a pro rata amount, such that approximately $80,000 of the remaining principal amount will be covered by the Interest Rate Swaps at any time. The Company has not sought hedge accounting and therefore, changes in the value of its Interest Rate Swaps are recorded in the condensed consolidated statements of operations (see Note 2).

CREDIT FACILITIES

In December 2008, Phase 2 B/AIX, a direct wholly-owned subsidiary of Phase 2 DC and an indirect wholly-owned subsidiary of the Company, entered into a credit facility of up to a maximum of $8,900 with KBC Bank NV (the “KBC

Facility #1") to fund the purchase of Systems from Barco, Inc. ("Barco"), to be installed in movie theatres as part of the Company's Phase II Deployment. The KBC Facility #1 required interest-only payments at 7.3% per annum through December 31, 2009. The principal is to be repaid in twenty-eight equal quarterly installments commencing in March 2010 and ending December 31, 2016 (the "Repayment Period") at an interest rate of 8.5% per annum during the Repayment Period. The KBC Facility #1 may be prepaid at any time without penalty and is not guaranteed by the Company or its other subsidiaries, other than Phase 2 DC. As of June 30, 2011, $8,885 has been drawn down on the KBC Facility #1.

In February 2010, Phase 2 B/AIX entered into an additional credit facility with KBC Bank NV (the "KBC Facility #2") to fund the purchase of Systems from Barco, to be installed in movie theatres as part of the Company's Phase II Deployment. The

KBC Facility #2 provides for borrowings of up to a maximum of $2,890 through December 31, 2010 (the "Draw Down Period") and requires interest-only payments based on the three month London Interbank Offered Rate ("LIBOR") plus 3.75% per annum during the Draw Down Period. For any funds drawn, the principal is to be repaid in twenty-eight equal quarterly installments commencing in March 2011 and ending December 2017 (the "Repayment Period") at an interest rate based on the three month LIBOR plus 3.75% per annum during the Repayment Period. The KBC Facility #2 may be prepaid at any time without penalty and is not guaranteed by the Company or its other subsidiaries, other than Phase 2 DC. As of June 30, 2011, $2,863 has been drawn down on the KBC Facility #2.

In May 2010, Phase 2 B/AIX entered into an additional credit facility with KBC Bank NV (the "KBC Facility #3") to fund the purchase of Systems from Barco, to be installed in movie theatres as part of the Company's Phase II Deployment. The KBC Facility #3 provides for borrowings of up to a maximum of $13,312 through December 31, 2010 (the "Draw Down Period") and requires interest-only payments based on the three month LIBOR plus 3.75% per annum during the Draw Down Period. For any funds drawn, the principal is to be repaid in twenty-eight equal quarterly installments commencing in December 2011 and ending September 2018 (the "Repayment Period") at an interest rate based on the three month LIBOR plus 3.75% per annum during the Repayment Period. The KBC Facility #3 may be prepaid at any time without penalty and is not guaranteed by the Company or its other subsidiaries, other than Phase 2 DC. As of June 30, 2011, $13,312 has been drawn down on the KBC Facility #3.

In May 2010, Phase 2 B/AIX entered into an additional credit facility with KBC Bank NV (the "KBC Facility #4") to fund the purchase of Systems from Barco, to be installed in movie theatres as part of the Company's Phase II Deployment. The KBC Facility #4 provides for borrowings of up to a maximum of $22,336 through December 31, 2010 (the "Draw Down Period") and requires interest-only payments based on the three month LIBOR plus 3.75% per annum during the Draw Down Period. For any funds drawn, the principal is to be repaid in twenty-eight equal quarterly installments commencing in December 2011 and ending September 2018 (the "Repayment Period") at an interest rate based on the three month LIBOR plus 3.75% per annum during the Repayment Period. The KBC Facility #4 may be prepaid at any time without penalty and is not guaranteed by the Company or its other subsidiaries, other than Phase 2 DC. As of June 30, 2011, $21,811 has been drawn down on the KBC Facility #4.

In June 2011, Phase 2 B/AIX entered into an additional credit facility with KBC Bank NV (the "KBC Facility #5") to fund the purchase of Systems from Barco, to be installed in movie theatres as part of the Company's Phase II Deployment. The KBC Facility #5 provides for borrowings of up to a maximum of $6,450 through December 31, 2011 (the "Draw Down Period") and requires interest-only payments based on the three month LIBOR plus 3.75% per annum during the Draw Down Period. For any funds drawn, the principal is to be repaid in twenty-eight equal quarterly installments commencing in March 2012 and ending December 2018 (the "Repayment Period") at an interest rate based on the three month LIBOR plus 3.75% per annum during the Repayment Period. The KBC Facility #5 may be prepaid at any time without penalty and is not guaranteed by the Company or its other subsidiaries, other than Phase 2 DC. As of June 30, 2011, $2,516 has been drawn down on the KBC Facility #5.

The Company was in compliance with all of its debt covenants that were in effect at June 30, 2011.

6. STOCKHOLDERS' EQUITY

CAPITAL STOCK

In April 2011, the Company issued 118,344 shares of Class A Common Stock, with an aggregate value of $200, as payment of bonuses to certain senior executives of the Company.

In April 2011, the Company issued 41,155 shares of Class A Common Stock, with an aggregate value of $56, for stock options exercised at a weighted average exercise price of $1.37 per share.

In the three months ended June 30, 2011, the Company issued 363,607 shares of Class A Common Stock for restricted stock awards that vested.

PREFERRED STOCK

There were no cumulative dividends in arrears on the Preferred Stock at June 30, 2011.

CINEDIGM'S EQUITY INCENTIVE PLAN

The Company's equity incentive plan ("the Plan") provides for the issuance of up to 7,000,000 shares of Class A Common Stock to employees, outside directors and consultants.

Stock Options

During the three months ended June 30, 2011, under the Plan, the Company granted stock options to purchase 161,000 shares of its Class A Common Stock to its employees at a weighted average exercise price of $2.19 per share. During the three months ended June 30, 2011, under the Plan, employees exercised stock options to purchase 41,155 shares of its Class A Common Stock to its employees at a weighted average exercise price of $1.37 per share. As of June 30, 2011, the weighted average exercise price for outstanding stock options is $2.97 and the weighted average remaining contractual life is 6.5 years.

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

	Shares Under Option		Weighted Average Exercise Price Per Share
Balance at March 31, 2011	2,614,987		$3.12
Granted	161,000		2.19
Exercised	(41,155	)	1.37
Cancelled	(137,600	)	4.53
Balance at June 30, 2011	2,597,232		$2.97

Restricted Stock Awards

The Plan also provides for the issuance of restricted stock and restricted stock unit awards. During the three months ended June 30, 2011, the Company did not grant any restricted stock unit awards. The Company may pay such restricted stock unit awards upon vesting in cash or shares of Class A Common Stock or a combination thereof at the Company's discretion.

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

	Restricted Stock Awards		Weighted Average Market Price Per Share
Balance at March 31, 2011	730,584		$1.40
Granted	—		—
Vested	(363,607	)	1.51
Forfeitures	(9,969	)	1.41
Balance at June 30, 2011	357,008		$1.29

WARRANTS

Warrants outstanding consisted of the following:

	As of June 30, 2011	As of March 31, 2011
Sageview Warrants	16,000,000	16,000,000

The Sageview Warrants were exercisable beginning on September 30, 2009 and contain customary cashless exercise provision and anti-dilution adjustments, and expire on August 11, 2016 (subject to extension in limited circumstances). The Company also entered into a Registration Rights Agreement with Sageview pursuant to which the Company agreed to register the resale of the Sageview Warrants and the underlying shares of the Sageview Warrants from time to time in accordance with the terms of such Registration Rights Agreement. Based on the terms of the warrant and the Registration Rights Agreement, the Company determined that the fair value of the Sageview Warrant represents a liability until such time when the underlying common shares are registered. The shares underlying the Sageview Warrant were registered with the SEC for resale in September 2010 and the Company reclassified the warrant liability of $16,054 to stockholders' equity.

7. COMMITMENTS AND CONTINGENCIES

As of June 30, 2011, in connection with the Phase II Deployment, Phase 2 DC has entered into digital cinema deployment agreements with eight motion picture studios for the distribution of digital movie releases to motion picture exhibitors equipped with Systems, and providing for payment of VPFs to Phase 2 DC. As of June 30, 2011, Phase 2 DC also entered into master license agreements with 113 exhibitors covering a total of 3,895 screens, whereby the exhibitors agreed to the placement of Systems as part of the Phase II Deployment. Included in the 3,895 contracted screens are contracts covering 2,937 screens with 103 exhibitors under the Exhibitor-Buyer Structure. As of June 30, 2011, the Company has 2,829 Phase 2 Systems installed, including 1,955 screens under the Exhibitor-Buyer Structure. For Phase 2 Systems that the Company will own and finance, installation of additional Systems in the Phase II Deployment is contingent upon the completion of financing for the purchase of Systems.

In November 2008, in connection with the Phase II Deployment, Phase 2 DC entered into a supply agreement with Christie, for the purchase of up to 10,000 Systems at agreed upon pricing, as part of the Phase II Deployment. As of June 30, 2011, the Company has purchased Systems under this agreement for $898 and has no purchase obligations for additional Systems.

In November 2008, in connection with the Phase II Deployment, Phase 2 DC entered into a supply agreement with Barco, for the purchase of up to 5,000 Systems at agreed upon pricing, as part of the Phase II Deployment. As of June 30, 2011, the Company has purchased Systems under this agreement for an accumulated total of $49,387 and has additional purchase obligations for approximately $7,300.

In March 2009, in connection with the Phase II Deployment, Phase 2 DC entered into a supply agreement with NEC Corporation of America (“NEC”), for the purchase of up to 5,000 Systems at agreed upon pricing, as part of the Phase II Deployment. As of June 30, 2011, the Company has not purchased any Systems under this agreement.

8. SUPPLEMENTAL CASH FLOW DISCLOSURE

	For the Three Months Ended June 30,	
	2011	2010
Interest paid	$6,078	$6,745
Assets acquired under capital leases	$20	$—
Accretion of preferred stock discount	$27	$27
Accrued dividends on preferred stock	$89	$100
Issuance of Class A Common Stock as payment of bonuses	$200	$—

9. SEGMENT INFORMATION

The Company is now comprised of four reportable segments: Phase I Deployment, Phase II Deployment, Services and Content & Entertainment. Our former Other segment has been reclassified as discontinued operations (see Notes 1 and 3). The segments were determined based on the products and services provided by each segment and how management reviews and makes decisions regarding segment operations. Performance of the segments is evaluated on the segment's income (loss) from continuing operations before interest, taxes, depreciation and amortization. All segment information has been restated to reflect the changes described above for all periods presented.

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

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

The Services segment consists of the following:

Operations of:	Products and services provided:
Services	Provides monitoring, billing, collection, verification and other management services to the Company's Phase I Deployment, Phase II Deployment as well as to exhibitors who purchase their own equipment. Collects and disburses VPFs from motion picture studios and distributors and ACFs from alternative content providers, movie exhibitors and theatrical exhibitors.
Software	Develops and licenses software to the theatrical distribution and exhibition industries, provides ASP Service, and provides software enhancements and consulting services.
DMS	Distributes digital content to movie theatres and other venues having digital cinema equipment and provides satellite-based broadband video, data and Internet transmission, encryption management services, video network origination and management services and a virtual booking center to outsource the booking and scheduling of satellite and fiber networks and provides forensic watermark detection services for motion picture studios and forensic recovery services for content owners.

The Content & Entertainment segment consists of the following:

Operations of:	Products and services provided:
USM	Provides cinema advertising services and entertainment.
CEG	Acquires, distributes and provides the marketing for programs of alternative content and feature films to movie exhibitors.

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

	As of June 30, 2011 (Unaudited)					
	Phase I	Phase II	Services	Content & Entertainment	Corporate	Consolidated
Total intangible assets, net	$424	$17	$56	$3,660	$—	$4,157
Total goodwill	$—	$—	$4,306	$1,568	$—	$5,874
Assets from continuing operations	$186,717	$65,383	$22,136	$12,066	$14,599	$300,901
Assets held for sale						—
Total assets						$300,901
Notes payable, non-recourse	$139,947	$48,474	$—	$—	$—	$188,421
Notes payable	—	—	97	—	80,414	80,511
Capital leases (1)	—	11	13	39	5,545	5,608
Total debt	$139,947	$48,485	$110	$39	$85,959	$274,540

(1) The Company has remained the primary obligor on the Pavilion capital lease, and therefore, the capital lease obligation and related assets under the capital lease remain on the Company's consolidated financial statements as of June 30, 2011. The Company has, however, entered into a sub-lease agreement with the unrelated third party purchaser and as such, has no continuing involvement in the operation of the Pavilion Theatre. This capital lease was previously included in discontinued operations.

	As of March 31, 2011					
	Phase I	Phase II	Services	Content & Entertainment	Corporate	Consolidated
Total intangible assets, net	$435	$—	$72	$4,365	$1	$4,873
Total goodwill	$—	$—	$4,306	$1,568	$—	$5,874
Assets from continuing operations	$193,318	$59,704	$22,435	$13,760	$13,678	$302,895
Assets held for sale						4,593
Total assets						$307,488
Notes payable, non-recourse	$147,413	$45,141	$—	$—	$—	$192,554
Notes payable	—	—	148	—	78,169	78,317
Capital leases	—	14	16	31	—	61
Total debt	$147,413	$45,155	$164	$31	$78,169	$270,932

	Capital Expenditures For the Three Months Ended June 30, (Unaudited)					
	Phase I	Phase II	Services	Content & Entertainment	Corporate	Consolidated
2011	$—	$3,070	$511	$39	$12	$3,632
2010	$—	$1,710	$90	$6	$—	$1,806

Statements of Operations
For the Three Months Ended June 30, 2011
(Unaudited)

	Phase I	Phase II	Services	Content & Entertainment	Corporate	Consolidated
Revenues from external customers	$11,583	$2,985	$5,547	$3,385	$—	$23,500
Intersegment revenues (1)	1	—	1,675	134	—	1,810
Total segment revenues	11,584	2,985	7,222	3,519	—	25,310
Less: Intersegment revenues	(1)	—	(1,675)	(134)	—	(1,810)
Total consolidated revenues	$11,583	$2,985	$5,547	$3,385	$—	$23,500
Direct operating (exclusive of depreciation and amortization shown below) (2)	109	74	3,325	2,164	—	5,672
Selling, general and administrative	117	58	1,338	1,766	1,921	5,200
Plus: Allocation of Corporate overhead	—	—	1,624	178	(1,802)	—
Provision for doubtful accounts	—	—	—	88	—	88
Research and development	—	—	65	—	—	65
Depreciation and amortization of property and equipment	7,139	1,633	528	125	67	9,492
Amortization of intangible assets	12	1	7	706	—	726
Total operating expenses	7,377	1,766	6,887	5,027	186	21,243
Income (loss) from operations	$4,206	$1,219	$(1,340)	$(1,642)	$(186)	$2,257

(1) Included in intersegment revenues of the Services segment is $1,367 for service fees earned from the Phase I and Phase II Deployments.

(2) Included in direct operating of the Services segment is $212 for the amortization of capitalized software development costs.

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

	Phase I	Phase II	Services	Content & Entertainment	Corporate	Consolidated
Direct operating	$—	$—	$7	$2	$—	$9
Selling, general and administrative	—	—	56	12	386	454
Research and development	—	—	17	—	—	17
Total stock-based compensation	$—	$—	$80	$14	$386	$480

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Statements of Operations
For the Three Months Ended June 30, 2010
(Unaudited)

	Phase I	Phase II	Services	Content & Entertainment	Corporate	Consolidated
Revenues from external customers	$11,513	$601	$2,877	$4,359	$—	$19,350
Intersegment revenues (1)	—	—	1,285	2	—	1,287
Total segment revenues	11,513	601	4,162	4,361	—	20,637
Less: Intersegment revenues	—	—	(1,285)	(2)	—	(1,287)
Total consolidated revenues	$11,513	$601	$2,877	$4,359	$—	$19,350
Direct operating (exclusive of depreciation and amortization shown below) (2)	38	15	2,222	2,664	—	4,939
Selling, general and administrative	18	8	886	1,565	2,999	5,476
Plus: Allocation of Corporate overhead	—	—	1,184	159	(1,343)	—
Provision for doubtful accounts	—	—	—	104	—	104
Research and development	—	—	65	—	—	65
Depreciation and amortization of property and equipment	7,139	326	495	191	10	8,161
Amortization of intangible assets	12	—	4	705	—	721
Total operating expenses	7,207	349	4,856	5,388	1,666	19,466
Income (loss) from operations	$4,306	$252	$(1,979)	$(1,029)	$(1,666)	$(116)

(1) Included in intersegment revenues of the Services segment is $1,022 for service fees earned from the Phase I and Phase II Deployments.
(2) Included in direct operating of the Services segment is $175 for the amortization of capitalized software development costs.

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

	Phase I	Phase II	Services	Content & Entertainment	Corporate	Consolidated
Direct operating	$—	$—	$13	$4	$—	$17
Selling, general and administrative	—	—	61	17	583	661
Research and development	—	—	12	—	—	12
Total stock-based compensation	$—	$—	$86	$21	$583	$690

10. SUBSEQUENT EVENTS

In July 2011, the Company issued 50,000 shares of Class A Common Stock and warrants to purchase up to 525,000 shares of its Class A Common Stock, vesting over 18 months and subject to termination with 90 days notice, for strategic management services related to CEG.

In July 2011, the Company entered into a common stock purchase agreement (the “Purchase Agreement”) with certain investors party thereto (the “Investors”) pursuant to which the Company agreed to sell to the Investors an aggregate of 4,338,750 shares of Class A Common Stock for an aggregate purchase price in cash of $6,942 priced at $1.60 per share. The proceeds will be used for general working capital purposes and strategic opportunities. The Company also entered into a Registration Rights Agreement with the Purchaser (the “Registration Rights Agreement“) pursuant to which the Company agreed to register the resale of these shares from time to time in accordance with the terms of the Registration Rights Agreement. The Company filed a registration statement for the resale of these shares on August 3, 2011.

In July 2011, the Company entered into a binding letter of intent for Technicolor to acquire the assets of Cinedigm's physical and electronic distribution business, as well as to create a strategic software design partnership between the two companies which is expected to close within 45 days, subject to the execution of definitive documentation. The initial phase of the software partnership will commence with Technicolor's global licensing of the Cinedigm digital distribution software platform. Technicolor will also become a strategic software design partner with Cinedigm, supporting the development of next generation entertainment industry software products to leverage the opportunities created by the rapidly accelerating global digital cinema conversion. The transaction is subject to the execution of definitive documentation.

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

The following is a discussion of the historical results of operations and financial condition of Cinedigm Digital Cinema Corp. (the "Company") and factors affecting the Company's financial resources. This discussion should be read in conjunction with the condensed consolidated financial statements, including the notes thereto, set forth herein under Item 1 "Financial Statements" and the Form 10-K for the year ended March 31, 2011.

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties, many of which are beyond our control. Our actual results could differ materially and adversely from those anticipated in such forward-looking statements as a result of certain factors, including those set forth in our Annual Report on Form 10-K for the year ended March 31, 2011. 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-loo 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.

In this report, "Cinedigm," "we," "us," "our" refers to Cinedigm Digital Cinema Corp. f/k/a Access Integrated Technologies, Inc. and the "Company" refers to Cinedigm and its subsidiaries unless the context otherwise requires.

OVERVIEW

Cinedigm Digital Cinema Corp. was incorporated in Delaware on March 31, 2000 ("Cinedigm", and collectively with its subsidiaries, the "Company").

The Company is a digital cinema services, software and content marketing and distribution company driving the conversion of the exhibition industry from film to digital technology. The Company provides a digital cinema platform that combines technology solutions, provides financial advice and guidance, software services and electronic delivery services to content owners and distributors and to movie exhibitors. Cinedigm leverages this digital cinema platform with a series of business applications that utilize the platform to capitalize on the new business opportunities created by the transformation of movie theaters into networked entertainment centers. The three main applications currently provided by Cinedigm include (i) its digital entertainment origination, marketing and distribution business focused on alternative content and independent film; (ii) its operational and analytical software applications; and (iii) its pre-show advertising and theatrical marketing business. Historically, the conversion of an industry from analog to digital has created new revenue and growth opportunities as well as an opening for new players to emerge for capitalizing on this technological shift at the expense of incumbents.

We have four primary businesses as follows: the first digital cinema deployment ("Phase I Deployment"), the second digital cinema deployment ("Phase II Deployment"), services ("Services") and media content and entertainment ("Content & Entertainment"). The Company's Phase I Deployment and Phase II Deployment segments are the non-recourse, financing vehicles and administrators for the Company's digital cinema equipment (the "Systems") installed in movie theatres nationwide. The Company's Services segment provides the digital cinema platform that services and supports the Phase I Deployment and Phase II Deployment segments as well as is being offered to other third party customers. Included in these services are asset management services for a specified fee via service agreements with Phase I Deployment and Phase II Deployment; software license, maintenance and consulting services; and electronic content delivery services via satellite and hard drive to the motion picture industry. These services primarily facilitate the conversion from analog (film) to digital cinema and have positioned the Company at what it believes to be the forefront of a rapidly developing industry relating to the delivery and management of digital cinema and other content to theatres and other remote venues worldwide. The Company's Content & Entertainment segment provides content marketing and distribution services to alternative and theatrical content owners and to theatrical exhibitors and in-theatre advertising. In June 2010, the Company decided to discontinue the motion

picture exhibition to the general public, information technology consulting services and managed network monitoring services, and hosting services and network access for other web hosting services, which are all separate reporting units previously included in our former Other segment. Overall, the Company's goal is to aid in the transformation of movie theatres to entertainment centers by providing a platform of hardware, software and content choices.

The following organizational chart provides a graphic representation of our four primary businesses:
We have incurred consolidated net losses, including the results of our non-recourse deployment subsidiaries, of $6.4 million and $7.1 million in the three months ended June 30, 2011 and 2010, respectively, and we have an accumulated deficit of $204.1 million as of June 30, 2011. We also have significant contractual obligations related to our non-recourse and recourse debt for the next fiscal year 2012 and beyond. We expect to continue generating consolidated net losses, including our non-recourse deployment subsidiaries, for the foreseeable future. Based on our cash position at June 30, 2011, and expected cash flows from operations, we believe that we have the ability to meet our obligations through at least June 30, 2012. We have signed commitment letters for additional non-recourse debt capital, primarily to meet equipment requirements related to our Phase II Deployment, however there is no assurance that financing for the Phase II Deployment will be completed as contemplated or under terms acceptable to us or our existing stockholders. Failure to generate additional revenues, raise additional capital or manage discretionary spending could have a material adverse effect on our ability to continue as a going concern. The accompanying condensed consolidated financial statements do not reflect any adjustments which may result from our inability to continue as a going concern.

Results of Operations for the Three Months Ended June 30, 2011 and 2010

	Revenues For the Three Months Ended June 30,			
($ in thousands)	2011	2010	Change	
Phase I Deployment	$11,583	$11,513	1	%
Phase II Deployment	2,985	601	397	%
Services	5,547	2,877	93	%
Content & Entertainment	3,385	4,359	(22	)%
	$23,500	$19,350	21	%

Revenues increased $4.2 million or 21%. The increase in revenues in the Phase II Deployment segment was due to an increase in the number of Phase 2 DC's financed Systems installed and ready for content to 874 at June 30, 2011 from 237 at June 30, 2010. The 93% increase in revenues in the Services segment was primarily due to (i) a 32% increase in DMS revenues, due to a concentration of features released by its customers in the quarter and strong growth in the number of deliveries per feature distributed as industry digital deployments have driven site growth partially offset by an 8% decrease in non-theatrical satellite services revenues as macroeconomic factors reduced revenues from existing customers; (ii) increased Phase 2 DC service fees as 634 Phase 2 DC and Exhibitor-Buyer systems were installed during the quarter and a total of 2,829 installed systems were

generating service fees in the quarter; (iii) an 8% increase in Phase 1 DC service fees earned due to higher screen turns during the quarter; and (iv) a 207% increase in Software license fee and maintenance revenues due to the previously described increase in Phase 2 systems deployed as well as an increase in license and maintenance fees from other software customers due to the recently announced new business. We expect continued growth in services from (i) increased deployments from our current backlog as well as from new exhibitor customer signings as we enter the final 15-18 months of the contractual digital cinema deployment period; (ii) additional revenues from recently signed software customers upon installation in the second half of this fiscal year; and (iii) new potential software customers based on our active domestic and international pipeline.

As of June 30, 2011 Cinedigm provides its digital cinema services through both its Phase 2 deployment subsidiary and third party exhibitor-buyer customers to a total of 2,829 Phase 2 DC screens in comparison to 619 at June 30, 2010 and 2,195 at March 31, 2011. Cinedigm also services an additional 3,724 screens in its Phase 1 deployment subsidiary, identical to the number serviced in the previous year. We will deploy additional Phase 2 DC Systems under various non-recourse credit facility commitments and through the Exhibitor-Buyer Structure.

In the Content & Entertainment segment, USM's in-theatre advertising revenues decreased 13% from the previous year as local advertising revenues declined 5%, national advertising revenues generated by the partnership with Screenvision decreased 44% and non-cash inter-company barter revenues related to content acquisition were eliminated. The local advertising sales environment continues to be challenging due to macro-economic factors and the national advertising decline was the result of a change of national revenue accrual timing by Screenvision which will shift national revenue recognition to our third and fourth fiscal quarters. CEG's content distribution revenues decreased 48% due to an expected reduction in events and independent film distribution in this fiscal quarter in contrast to the prior year which included content distribution-related revenues earned by CEG from events such as PHISH in 3-D and the NCAA Final Four® live 3D sporting event. The primary driver of CEG revenues is the number of programs CEG is distributing, together with the nationwide (and anticipated worldwide) conversion of theatres to digital capabilities, a trend the Company expects to continue. CEG has recently released several events including Life in a Day with YouTube and National Geographic, John Carpenter's The Ward and a Sarah Palin documentary as well as announced several film and events for the remainder of the fiscal year in including an 8 picture independent movie release agreement with Arc Entertainment.

Direct Operating Expenses

	For the Three Months Ended June 30,			
($ in thousands)	2011	2010	Change	
Phase I Deployment	$109	$38	187	%
Phase II Deployment	74	15	393	%
Services	3,325	2,222	50	%
Content & Entertainment	2,164	2,664	(19	)%
	$5,672	$4,939	15	%

Direct operating expenses increased 15% tied to our overall revenue increase. The increase in direct operating costs in the Phase I and Phase II Deployment segments was primarily due to increased property taxes and insurance incurred on deployed Systems. The increase in the Services segment was primarily related to increased DMS feature and trailer hard drive delivery volumes and higher Federal Express delivery rates as well as additional personnel costs to manage our increased delivery volume as well as for software development. The decrease in the Content & Entertainment segment was primarily related to reduced non-cash content acquisition expenses for CEG related to the fair value of barter advertising provided by USM and a 22% decrease in minimum guaranteed obligations under theatre advertising agreements with exhibitors for displaying cinema advertising. We expect direct operating expenses to remain consistent at the current level with any future increases associated with additional revenue growth.

Selling, General and Administrative Expenses

($ in thousands)	For the Three Months Ended June 30, 2011	2010	Change	
Phase I Deployment	$117	$18	550	%
Phase II Deployment	58	8	625	%
Services	1,338	886	51	%
Content & Entertainment	1,766	1,565	13	%
Corporate	1,921	2,999	(36	)%
	$5,200	$5,476	(5	)%

Selling, general and administrative expenses decreased $0.3 million or (5)% as corporate expense levels offset the growth at the operating units tied to revenue growth. The increase in the Services segment was mainly due to payroll and related employee expenses for increased staffing as we added sales resources to support the expanding digital cinema exhibitor sales efforts as well as additional management, software development and quality assurance staff to support the significant recent software customer additions. The increase in the Content & Entertainment segment was related to a budgeted increase in staffing levels within the sales force at USM. The decrease within Corporate was mainly due to the elimination of transition costs related to the retirement of our prior CEO this year compared to $0.9 million in the prior year and partially offset by increased travel costs. As of June 30, 2011 and 2010 and excluding employees in our discontinued operations, we had 205 and 169 employees, of which 4 and 3 were part-time employees and 65 and 56 were salespersons, respectively. We expect a modest increase in selling, general and administrative expenses as we support our recent new software business contracts and expanding sales pipeline with additional sales and service headcount.

Depreciation and Amortization Expense on Property and Equipment

($ in thousands)	For the Three Months Ended June 30, 2011	2010	Change	
Phase I Deployment	$7,139	$7,139	—	%
Phase II Deployment	1,633	326	401	%
Services	528	495	7	%
Content & Entertainment	125	191	(35	)%
Corporate	67	10	570	%
	$9,492	$8,161	16	%

Depreciation and amortization expense increased $1.3 million or 16%. The increase in the Phase II Deployment segment represents depreciation on the increased number of Phase 2 DC Systems which were not in service during the three months ended June 30, 2010. The decrease in the Content & Entertainment segment reflects reduced depreciation expense on assets which are fully depreciated or amortized at June 30, 2011. We expect the depreciation and amortization expense in the Phase II Deployment and the Services segment to generally increase as new Phase 2 DC Systems and additional satellite systems are installed.

Interest expense

($ in thousands)	For the Three Months Ended June 30, 2011	2010	Change	
Phase I Deployment	$2,728	$2,810	(3	)%
Phase II Deployment	537	231	132	%
Services	10	8	25	%

Content & Entertainment	3	2	50	%
Corporate	4,106	3,780	9	%
	$7,384	$6,831	8	%

Interest expense increased $0.6 million or 8%. Total interest expense included $6.8 million and $6.2 million of interest paid and

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accrued for the three months ended June 30, 2011 and 2010, respectively. The decrease in interest paid and accrued within the non-recourse Phase I Deployment segment relates the continued repayment of Phase 1 DC's 2010 Term Loans from free cashflow and the resulting reduced debt balance. Interest increased within the Phase II Deployment segment related to the non-recourse credit facilities with KBC Bank NV (the “KBC Facilities”) as we added $39.0 million of additional non-recourse Phase 2 debt to fund the purchase of Systems from Barco. Phase 2 DC’s non-recourse interest expense is expected to increase with the growth in deployments in fiscal 2012. The increase in interest paid and accrued within Corporate related to the amended and restated note with an affiliate of Sageview Capital LP (the "2010 Note"). Interest on the 2010 Note is 8% PIK Interest and 7% per annum paid in cash. The Company has an interest reserve set aside to cover cash interest payments on this note through September 30, 2011 and thereafter will pay its cash interest expense through the cashflows from operations.

Non-cash interest expense was $0.6 million for each of the three months ended June 30, 2011 and 2010, respectively, and represents the accretion of $0.5 million on the note payable discount associated with the 2010 Note which will continue over the term of the 2010 Note and the accretion of $0.1 million on the note payable discount associated with the 2010 Term Loans which will continue over the term of the 2010 Term Loans.

Change in fair value of interest rate swaps

The change in fair value of the interest rate swaps was a loss of $0.8 million and $0.5 million for the three months ended June 30, 2011 and 2010, respectively. The swap agreement in the prior year related to the prior credit facility, which was terminated on May 6, 2010 upon the completion of the Phase I Deployment refinancing. It has been replaced by new swap agreements related to the 2010 Term Loans entered into on June 7, 2010 which became effective on June 15, 2011.

Change in fair value of warrants

The change in fair value of warrants issued to a designee of Sageview Capital LP (“Sageview”), related to the 2010 Note, was a loss of $5.0 million for the three months ended June 30, 2010. The shares underlying these warrants were registered with the SEC for resale in September 2010 and the Company reclassified the warrant liability of $16.1 million to equity.

Adjusted EBITDA

The Company measures its financial success based upon growth in revenues and earnings before interest, depreciation, amortization, other income (expense), net, stock-based compensation and non-recurring items ("Adjusted EBITDA"). Further, the Company analyzes this measurement excluding the results of its Phase 1 DC and Phase 2 DC subsidiaries, and includes in this measurement intercompany service fees earned by its digital cinema servicing group from the Phase I and Phase II Deployments, which are eliminated in consolidation (see Note 9. Segment Information for further details). This measure isolates the financial and capital structure impact of the Company's non-recourse Phase 1 DC and Phase 2 DC subsidiaries.

The Company reported continued improved Adjusted EBITDA (excluding its Phase 1 DC and Phase 2 DC subsidiaries) of $0.3 million for the three months ended June 30, 2011 in comparison to $(0.5) million for the three months ended June 30, 2010. The Company continues to benefit from growth in its installed Systems, growth in software license and maintenance fees and the inherent operating leverage embedded in its business model. Based on the expected Phase 2 DC Systems planned for deployment during the remainder of the fiscal year, as well as recently signed software contracts, the Company expects Adjusted EBITDA performance to continue to improve for the remainder of the fiscal year, due to the intercompany service fees, software license and maintenance fees and other revenues derived from a growing number of Phase 2 DC System installations nationwide, including content delivery fees.

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

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

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

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

	For the Three Months Ended June 30,	
($ in thousands)	2011	2010
Net loss from continuing operations	$(5,821)	$(6,904)
Add Back:		
Amortization of software development	212	175
Depreciation and amortization of property and equipment	9,492	8,161
Amortization of intangible assets	726	721
Interest income	(51)	(67)
Interest expense	7,384	6,831
Loss on extinguishment of note payable	—	4,448
Other expense, net	(42)	151
Change in fair value of interest rate swap	787	458
Change in fair value of warrants	—	(5,033)
Stock-based compensation	480	690
Non-recurring CEO transition expenses	—	912
Adjusted EBITDA	$13,167	$10,543
Adjustments related to the Phase I and Phase II Deployments:		
Depreciation and amortization of property and equipment	(8,772)	(7,465)
Amortization of intangible assets	(13)	(12)
Income from operations	(5,425)	(4,558)
Intersegment services fees earned (1)	1,367	1,022
Adjusted EBITDA from non-deployment Phase I and Phase II businesses	$324	$(470)

(1) Intersegment revenues of the Services segment represent service fees earned from the Phase I and Phase II Deployments.

Recent Accounting Pronouncements

In October 2009, the FASB issued ASU 2009-13, Multiple-Deliverable Revenue Arrangements (“ASU 2009-13”), which requires an entity to allocate consideration at the inception of an arrangement to all of its deliverables based on their relative selling prices. This consensus eliminates the use of the residual method of allocation and requires allocation using the relative-selling-price method in all circumstances in which an entity recognizes revenue for an arrangement with multiple deliverables. ASU 2009-13 is effective for fiscal years beginning on or after June 15, 2010.

On April 1, 2011, the Company adopted ASU 2009-13 and its adoption did not have a material impact on the Company's condensed consolidated financial statements.

In October 2009, the FASB issued ASU No. 2009-14, "Software (Topic 985): Certain Revenue Arrangements That Include

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Software Elements (a consensus of the FASB Emerging Issues Task Force)" ("ASU 2009-14"). ASU 2009-14 amends ASC 985-605, "Software: Revenue Recognition," such that tangible products, containing both software and non-software components that function together to deliver the tangible product's essential functionality, are no longer within the scope of ASC 985-605. It also amends the determination of how arrangement consideration should be allocated to deliverables in a multiple-deliverable revenue arrangement. ASU 2009-14 will become effective for the Company for revenue arrangements entered into or materially modified on or after April 1, 2011. On April 1, 2011, the Company adopted ASU 2009-14 and its adoption did not have a material impact on the Company's condensed consolidated financial statements.

In January 2010, the FASB issued ASU No. 2010-06, "Improving Disclosures about Fair Value Measurements" ("ASU 2010-06"). ASU 2010-06 requires some new disclosures and clarifies some existing disclosure requirements about fair value measurements codified within ASC 820, "Fair Value Measurements and Disclosures." ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009. The Company has adopted the requirements for disclosures about inputs and valuation techniques used to measure fair value. Additionally, these amended standards require presentation of disaggregated activity within the reconciliation for fair value measurements using significant unobservable inputs (Level 3) and is effective for fiscal years beginning after December 15, 2010. On April 1, 2011, the Company adopted ASU 2010-06 and the additional disclosure requirements did not have a material impact on the Company's condensed consolidated financial statements.

In March 2010, the FASB issued ASU No. 2010-11, Derivatives and Hedging (Topic 815) - Scope Exception Related to Embedded Credit Derivatives ("ASU 2010-11"). ASU 2010-11 clarifies the scope exception for embedded credit derivative features related to the transfer of credit risk in the form of subordination of one financial instrument to another. The amendments address how to determine which embedded credit derivative features, including those in collateralized debt obligations and synthetic collateralized debt obligations, are considered to be embedded derivatives that should not be analyzed for potential bifurcation and separate accounting. The amendments in this pronouncement are effective for each reporting entity at the beginning of its first fiscal quarter beginning after June 15, 2010. On April 1, 2011, the Company adopted ASU 2010-11 and its adoption did not have a material impact on the Company's condensed consolidated financial statements.

In April 2010, the FASB issued ASU No. 2010-17, Revenue Recognition — Milestone Method ("ASU 2010-17"). ASU 2010-17 establishes criteria for a milestone to be considered substantive and allows revenue recognition when the milestone is achieved in research or development arrangements. In addition, it requires disclosure of certain information with respect to arrangements that contain milestones. ASU 2010-17 is effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. ASU 2010-17 is effective for the Company prospectively beginning April 1, 2011. On April 1, 2011, the Company adopted ASU 2010-17 and its adoption did not have a material impact on the Company's condensed consolidated financial statements.

In May 2011, the FASB issued a new accounting standard update, which amends the fair value measurement guidance and includes some enhanced disclosure requirements. The most significant change in disclosures is an expansion of the information required for Level 3 measurements based on unobservable inputs. The standard is effective for fiscal years beginning after December 15, 2011. The Company will adopt this standard April 1, 2012 and does not expect the adoption of this standard to have a material impact on the consolidated financial statements and disclosures.

In June 2011, the FASB issued a new accounting standard, which eliminates the current option to report other comprehensive income and its components in the statement of stockholders' equity. Instead, an entity will be required to present items of net income and other comprehensive income in one continuous statement or in two separate, but consecutive, statements. The standard is effective for fiscal years beginning after December 15, 2011. The Company will adopt this standard as of April 1, 2012.

Liquidity and Capital Resources

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

Our business is primarily driven by the emerging digital cinema marketplace and the primary revenue driver will be the increasing number of digitally equipped screens. There are approximately 39,000 domestic (United States and Canada) movie theatre screens and approximately 107,000 screens worldwide. Approximately 21,000 of the domestic screens are equipped with digital cinema technology, and 6,553 of those screens contain our Systems and software. We anticipate the vast majority of the North American industry's screens to be converted to digital in the next two years, and after our Phase I Deployment, we announced plans to convert up to an additional 10,000 domestic screens to digital in our Phase II Deployment over a four year period starting October 2008, of which 2,829 Systems have been installed as of June 30, 2011. For those screens that are deployed by us, the primary revenue source will be VPFs, with the number of digital movies shown per screen, per year being the key factor for earnings, since the studios pay such fees on a per movie, per screen basis as well as service fees earned for overseeing the digital cinema deployments. For all new digital screens, whether or not deployed by us, the opportunity for other forms of revenue also increases. We may generate additional software license fee revenues (mainly from the TCC software which is used by exhibitors to aid in the operation of their systems), ACFs (such as concerts and sporting events) and fees from the delivery of content via satellite or hard drive. In all cases, the number of digitally-equipped screens in the marketplace is the primary determinant of our potential revenue streams, although the emerging presence of competitors for software and content distribution and delivery may limit this opportunity.

In May 2010, Phase 2 B/AIX, an indirect wholly-owned subsidiary of the Company, entered into additional credit facilities (the "KBC Facilities") to fund the purchase of Systems from Barco, to be installed in movie theatres as part of the Company's Phase II Deployment. As of June 30, 2011, $49.4 million has been drawn down on the KBC Facilities and the outstanding principal balance of the KBC Facilities was $47.3 million.

As of June 30, 2011, we had positive working capital, defined as current assets less current liabilities, of $1.4 million and cash and cash equivalents, restricted available-for-sale investments and restricted cash totaling $22.2 million.

Operating activities provided net cash of $7.3 million and $2.0 million or the three months ended June 30, 2011 and 2010, respectively. Our business is primarily driven by the emerging digital cinema marketplace and the the primary driver of its operating cash flow is the number of installed digital cinema systems and the pace of continued installations. Generally, changes in accounts receivable from our studio customers and others is a large component of operating cash flow, and during a period of increasing system deployments, the Company expects studio receivables to grow and negatively impact working capital and operating cash flow. During periods of fewer deployments, the Company expects receivables to decrease and positively impact cash flow, and eventually to stabilize. For the near term, the Company expects receivables to grow modestly as we continue to deploy Phase 2 Systems. However, a significant portion of the current Phase 2 deployments are being made under the Exhibitor-Buyer Structure, where the Company passes the majority of the studio payments to the exhibitor, less an administrative fee, and therefore operating cash flow will be largely unaffected. The changes in the Company's trade accounts payable is also a significant factor, however even in a period of deployments, the Company does not anticipate major changes in payables activity. The Company is also subject to changes in interest expense due to increasing debt levels to fund digital cinema installations, and also has non-cash expense fluctuations, primarily resulting from the change in the fair value of interest rate swap arrangements. We expect operating activities to continue to be a positive source of cash.

Investing activities used net cash of $2.2 million and $3.2 million for the three months ended June 30, 2011 and 2010, respectively. The increase was due to Phase 2 DC Systems purchased compared to the prior year purchases and the net

usage of cash related to restricted available-for-sale investments. We expect cash used in investing activities to fluctuate with Phase 2 DC System deployments. All Phase 2 DC Systems purchased are financed with non-recourse debt and exhibitor contributions. Cinedigm does not fund any of the Systems capital expenditures from its operating cashflows.

Financing activities used net cash of $4.4 million for the three months ended June 30, 2011 and provided net cash of $0.1 million for the three months ended June 30, 2010. The decrease in cash provided was due to the proceeds from the 2010 Term Loans offset by the repayment of the prior Phase 1 DC credit facility and vendor financing note and debt issuance costs paid resulting from the 2010 Term Loans during the three months ended June 30, 2010. Financing activities are expected to continue using net cash, primarily for principal repayments on the 2010 Term Loans and other existing debt facilities. Although we continue to seek new sources of financing and to refinance existing obligations, the terms of any such financing have not yet been determined.

The Company expects to deploy Systems in our Phase II Deployment using a combination of non-recourse Cinedigm-financed screens and the Exhibitor-Buyer Structure. The method used to deploy systems will vary depending on the exhibitors' preference and both the exhibitors' and Cinedigm's ability to finance Phase II Systems. The number of Systems ultimately deployed by each method cannot be predicted at this time.

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 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 payments.
The following table summarizes our significant contractual obligations as of fiscal June 30, 2011:

	Payments Due				
Contractual Obligations ($ in thousands)	Total	2012	2013 & 2014	2015 & 2016	Thereafter
Long-term recourse debt (1)	$111,543	$97	$—	$111,446	$—
Long-term non-recourse debt (2)	189,811	30,308	65,810	80,411	13,282
Capital lease obligations (3)	5,608	197	477	662	4,272
Debt-related obligations, principal	306,962	30,602	66,287	192,519	17,554
Interest on recourse debt (4)	21,315	6,285	14,159	871	—
Interest on non-recourse debt	27,976	8,763	12,757	5,780	676
Interest on capital leases (3)	7,192	974	1,840	1,642	2,736
Total interest	56,483	16,022	28,756	8,293	3,412
Total debt-related obligations	$363,445	$46,624	$95,043	$200,812	$20,966
Operating lease obligations (5)	$4,754	$1,306	$2,010	$1,438	$—
Theatre agreements (6)	16,723	3,864	5,462	5,063	2,334
Obligations to be included in operating expenses	21,477	5,170	7,472	6,501	2,334
Purchase obligations (7)	13,877	13,877	—	—	—
Total	$398,799	$65,671	$102,515	$207,313	$23,300
Total non-recourse debt including interest	$217,787	$39,071	$78,567	$86,191	$13,958

(1) The 2010 Note is due August 2014, but may be extended for one 12 month period at the discretion of the Company to August 2015, if certain conditions set forth in the 2010 Note are satisfied. Includes interest of $24.4 million on

the 2010 Note to be accrued as an increase in the aggregate principal amount of the 2010 Note ("PIK Interest").

(2) Non-recourse debt is generally defined as debt whereby the lenders' sole recourse with respect to defaults by the Company is limited to the value of the asset, which is collateral for the debt. The 2010 Term Loans are not guaranteed by the Company or its other subsidiaries, other than Phase 1 DC and CDF I, and the KBC Facilities are not guaranteed by the Company or its other subsidiaries, other than Phase 2 DC.

(3) Includes the capital lease and capital lease interest of $12.7 million for the Pavilion Theatre. The Company has remained the primary obligor on the Pavilion capital lease, and therefore, the capital lease obligation and related assets under the capital lease remain on the Company's consolidated financial statements as of June 30, 2011. The Company has, however, entered into a sub-lease agreement with the unrelated third party purchaser and as such, has no continuing involvement in the operation of the Pavilion Theatre. This capital lease was previously included in discontinued operations.

(4) Includes the remaining interest of approximately $3.6 million on the 2010 Note to be paid with the funding of a cash reserve established with proceeds from the 2009 Private Placement and excludes the PIK Interest on the 2010 Note.

(5) Includes the remaining operating lease agreement for one IDC lease now operated and paid for by FiberMedia, consisting of unrelated third parties, which total aggregates to $3.2 million. FiberMedia currently pays the lease directly to the landlord and the Company will attempt to obtain landlord consent to assign the facility lease to FiberMedia. Until such landlord consents are obtained, the Company will remain as the lessee.

(6) Represents minimum guaranteed obligations under theatre advertising agreements with exhibitors for displaying cinema advertising.

(7) Includes $13.8 million for additional Phase II Systems under purchase orders with Barco. This is expected to be funded through non-recourse KBC Facilities.

We expect to continue to generate net losses for the foreseeable future primarily due to depreciation and amortization, interest on the 2010 Term Loans, interest on the 2010 Note, software development, marketing and promotional activities and the development of relationships with other businesses. Certain of these costs, including costs of software development and marketing and promotional activities, could be reduced if necessary. The restrictions imposed by the 2010 Note and the 2010 Credit Agreement 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, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other corporate requirements. We are seeking to raise additional capital for equipment requirements related to our Phase II Deployment or for working capital as necessary. Although we recently entered into certain agreements with studio and exhibitors related to the Phase II Deployment, there is no assurance that financing of additional Systems for the Phase II Deployment will be completed as contemplated or under terms acceptable to us or our existing stockholders. Failure to generate additional revenues, raise additional capital or manage discretionary spending could have a material adverse effect on our ability to continue as a going concern and to achieve our intended business objectives. The accompanying condensed consolidated financial statements do not reflect any adjustments which may result from our inability to continue as a going concern.

Seasonality

Revenues from our Phase I Deployment and Phase II Deployment segment 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 holiday season. The unexpected emergence of a hit movie during other periods can alter the traditional trend. The timing of movie releases can have a significant effect on our results of operations, and the results of one quarter are not necessarily indicative of results for the next quarter or any other quarter. We believe the seasonality of motion picture exhibition, however, is becoming less pronounced as the motion picture studios are releasing movies somewhat more evenly throughout the year.

Subsequent Events

In July 2011, the Company issued 50,000 shares of Class A Common Stock and warrants to purchase up to 525,000 shares of its Class A Common Stock, vesting over 18 months and subject to termination with 90 days notice, for strategic management services related to CEG.

In July 2011, the Company entered into a common stock purchase agreement (the "Purchase Agreement") with certain investors party thereto (the "Investors") pursuant to which the Company agreed to sell to the Investors an aggregate of 4,338,750 shares of Class A Common Stock for an aggregate purchase price in cash of $6.9 million priced at $1.60 per share. The proceeds will be used for general working capital purposes and strategic opportunities. The Company also entered into a Registration Rights Agreement with the Purchaser (the "Registration Rights Agreement") pursuant to which the Company agreed to register the resale of these shares from time to time in accordance with the terms of the Registration Rights Agreement. The Company filed a registration statement for the resale of these shares on August 3, 2011.

In July 2011, the Company entered into a binding letter of intent for Technicolor to acquire the assets of Cinedigm's physical and electronic distribution business, as well as to create a strategic software design partnership between the two companies which is expected to close within 45 days, subject to the execution of definitive documentation. The initial phase of the software partnership will commence with Technicolor's global licensing of the Cinedigm digital distribution software platform. Technicolor will also become a strategic software design partner with Cinedigm, supporting the development of next generation entertainment industry software products to leverage the opportunities created by the rapidly accelerating global digital cinema conversion. The transaction is subject to the execution of definitive documentation.

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 is disclosed above in the table of our significant contractual obligations.

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 significant 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

None.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The exhibits are listed in the Exhibit Index on page 36 herein.

SIGNATURES

In accordance with 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 DIGITAL CINEMA CORP.
(Registrant)

Date: August 11, 2011	By: /s/ Christopher J. McGurk Christopher J. McGurk Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)
Date: August 11, 2011	By: /s/ Adam M. Mizel Adam M. Mizel Chief Financial Officer and Chief Strategy Officer (Principal Financial Officer and Principal Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Description of Document
31.1	Officer's Certificate Pursuant to 15 U.S.C. 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. 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