

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In re Source Home Entertainment, LLC, et al.

Case No. 14-11553 (KG)

Reporting Period: September Period - August 31, 2014 - October 4, 2014

MONTHLY OPERATING REPORT

File with Court and submit copy to United States Trustee within 20 days after end of month.

Submit copy of report to any official committee appointed in the case.

REQUIRED DOCUMENTS	Form No.	Document Attached	Explanation Attached	Affidavit/Supplement Attached
Schedule of Cash Receipts and Disbursements	MOR-1	x		
Bank Reconciliation (or copies of debtor's bank reconciliations)	MOR-1a	x		x
Schedule of Professional Fees Paid	MOR-1b	x		
Copies of bank statements				x
Cash disbursements journals				x
Statement of Operations	MOR-2	x		
Balance Sheet	MOR-3	x		
Status of Postpetition Taxes	MOR-4			x
Copies of IRS Form 6123 or payment receipt				x
Copies of tax returns filed during reporting period				x
Summary of Unpaid Postpetition Debts	MOR-4	x		
Listing of aged accounts payable	MOR-4	N/A		
Accounts Receivable Reconciliation and Aging	MOR-5	x		
Debtor Questionnaire	MOR-5	x		

I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.

Signature of Debtor

Date

Signature of Joint Debtor

Date



Signature of Authorized Individual*

November 3, 2014

Date

Josh Korsower
Printed Name of Authorized Individual

Chief Financial Officer
Title of Authorized Individual

*Authorized individual must be an officer, director or shareholder if debtor is a corporation; a partner if debtor is a partnership; a manager or member if debtor is a limited liability company.



**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	
)	Chapter 11
)	
SOURCE HOME ENTERTAINMENT, LLC, <i>et</i>)	Case No. 14-11553 (KG)
<i>al.</i> , ¹)	
)	
Debtors.)	(Jointly Administered)
)	
)	
)	

**CERTIFICATION REGARDING POST-PETITION BANK
ACCOUNT RECONCILIATIONS AND COMPLIANCE
AND PAYMENT OF POST-PETITION TAXES**

I, Joshua Korsower, Chief Financial Officer of the above-captioned debtors and debtors in possession (the “Debtors”), hereby certify as follows:

1. Attached to MOR-1 is a listing of the Debtors’ bank accounts, by account number, and the opening and closing balances for the reporting period. Such accounts were reconciled in accordance with the Debtors’ ordinary course accounting practices during the reporting period.
2. To the best of my knowledge and belief, the Debtors are current on all post-petition taxes, and no post-petition tax amounts are past due.

Dated: November 3, 2014



Joshua Korsower
Chief Financial Officer

1 The Debtors, together with the last four digits of each Debtor’s federal tax identification number, are: Source Home Entertainment, LLC (8517); Directtou, Inc. (4741); RDS Logistics, LLC (0305); Retail Vision, LLC (2023); Source Interlink Distribution, LLC (3387); Source Interlink International, Inc. (1428); Source Interlink Manufacturing, LLC (7123); Source Interlink Retail Services, LLC (6967). The location of the Debtors’ corporate headquarters and the service address for all Debtors is: 27500 Riverview Center Boulevard, Suite 400, Bonita Springs, Florida 34134.

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MOR 1: SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Category	Source Interlink Distribution, LLC	Source Interlink International, Inc	Retail Vision, LLC	Source Interlink Manufacturing, LLC	Directtou, LLC	RDS Logistics, LLC	Source Interlink Retail Services, LLC	Source Home Entertainment, LLC
Receipts	\$ 1,053,885	\$ -	\$ 1,058,883	\$ 238,582	\$ -	\$ -	\$ -	\$ -
Disbursements								
Payroll & Benefits	\$ 451,376	\$ -	\$ -	\$ 430,221	\$ -	\$ -	\$ -	\$ -
Temp Wages	\$ 71,359	\$ -	\$ -	\$ 159,622	\$ -	\$ -	\$ -	\$ -
Raw Materials	\$ -	\$ -	\$ -	\$ 1,046,579	\$ -	\$ -	\$ -	\$ -
Freight	\$ 14,528	\$ -	\$ -	\$ 241,973	\$ -	\$ -	\$ -	\$ -
Taxes	\$ 2,501	\$ -	\$ -	\$ 670	\$ -	\$ -	\$ -	\$ -
Utilities	\$ 66,848	\$ -	\$ -	\$ 21,063	\$ -	\$ -	\$ -	\$ -
Rent	\$ 189,698	\$ -	\$ -	\$ 520	\$ -	\$ -	\$ -	\$ -
Mortgage and Interest	\$ 101,731	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Machinery	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Professional & Administrative Fee	\$ 1,232,740	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Retail Claims	\$ -	\$ -	\$ -	\$ 131,924	\$ -	\$ -	\$ -	\$ -
Office / Other	\$ 690,195	\$ -	\$ -	\$ 128,732	\$ -	\$ -	\$ -	\$ -
Total Disbursements	\$ 2,820,975	\$ -	\$ -	\$ 2,161,303	\$ -	\$ -	\$ -	\$ -

SHE and subsidiary Debtors centralize their banking. The receipts and disbursements shown are based on which entity they relate to, not based on which bank account they were received into or paid out of.

In re Source Home Entertainment, LLC, et al.

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MOR 1a: Bank Accounts

Bank Name	Account #	Description	Opening Balance	Closing Balance
Wells Fargo Bank, N.A.	4127265247	Master Operating Account	\$ 21,243,819	\$ 19,461,709
Wells Fargo Bank, N.A.	2079900564756	Magazine Distribution CDA	\$ -	\$ -
Wells Fargo Bank, N.A.	2079940015689	In-Store CDA	\$ -	\$ -
Wells Fargo Bank, N.A.	8019002123	Distribution CDA	\$ -	\$ -
Wells Fargo Bank, N.A.	2079940015715	International CDA	\$ -	\$ -
Wells Fargo Bank, N.A.	2000023591772	RetailVision Unrestricted Deposit Account	\$ -	\$ -
Wells Fargo Bank, N.A.	2000035866152	Fulfillment Deposit Account	\$ 8,527	\$ -
Wells Fargo Bank, N.A.	2000035866149	In-Store Deposit Account	\$ 44,262	\$ -
Wells Fargo Bank, N.A.	2000035771098	Retail Vision Restricted Deposit Account	\$ 201,765	\$ 205,700
Wells Fargo Bank, N.A.	4154766174	Adequate Assurance Account	\$ 50,100	\$ 50,100
Wells Fargo Bank, N.A.	4223064882	Professional Fees Escrow	\$ 2,158,202	\$ 2,685,428
Wells Fargo Bank, N.A.	4223064874	Post-Petition Restricted Receipts	\$ 125,144	\$ 39,960
HSBC	31400835	UK Operating Account	£0	£0

Source Home Entertainment, LLC

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\$'000s

\$'000s	Source Intlink Distribution, LLC	Source Interlink International, Inc	Retail Vision, LLC	Source Interlink Manufacturing, LLC	Directtou, LLC	RDS Logistics, LLC	Source Interlink Retail Services, LLC	Source Home Entertainment, LLC
Net Revenue								
Revenue	(499)	(86)	90	2,756	-	-	-	-
Rebate/Information Revenue	-	-	-	19	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Net Revenue	(499)	(86)	90	2,774	-	-	-	-
Costs of Sales								
Cost of Sales	13,383	510	393	1,455	-	-	-	-
Depreciation	-	-	-	18	-	-	-	-
Total Costs of Sales	13,383	510	393	1,473	-	-	-	-
Gross Profit	(13,882)	(596)	(303)	1,301	-	-	-	-
	2783.8%	691.9%	-336.7%	46.9%	0.0%	0.0%	0.0%	0.0%
Selling, General and Administration	638	111	0	285	-	-	-	-
Operating Costs	393	-	1	-	-	-	-	-
Integration, Consolidation and Relocation	61	-	-	-	-	-	-	-
Depreciation and Amortization	343	11	1	18	-	-	-	-
Restructuting Costs	1,232	-	-	-	-	-	-	-
Operating Income (Loss):	(16,549)	(718)	(305)	998	-	-	-	-
Total Other Income (Expense)	712	(31)	-	(4)	-	-	-	-
Net Income (Loss)	\$ (15,836)	\$ (749)	\$ (305)	\$ 994	\$ -	\$ -	\$ -	\$ -

Source Home Entertainment, LLC

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\$'000s

\$'000s	Source Intlink Distribution, LLC	Source Interlink International, Inc	Retail Vision, LLC	Source Interlink Manufacturing, LLC	Directtou, LLC	RDS Logistics, LLC	Source Interlink Retail Services, LLC	Source Home Entertainment, LLC
Assets								
Cash	\$ 22,198	\$ (0)	\$ -	\$ 0	\$ -	\$ -	\$ -	\$ -
Restricted Cash	16,777	-	206	-	-	-	-	-
Accounts Receivable, net	9,531	3,055	653	11,633	-	-	-	-
Acquired Claims Receivable	-	-	-	3,060	-	-	-	-
Inventory, net	2	-	31	2,629	-	-	-	-
Other Current Assets	2,088	6,080	5,158	(3,086)	-	-	-	(256)
Professional Fee Retainers	-	-	-	-	-	-	-	-
Total Current Assets	50,595	9,135	6,048	14,237	-	-	-	(256)
Property, Plant and Equipment								
Property, Plant and Equipment Cost	37,651	1	487	5,004	-	-	-	-
Property, Plant and Equipment Accum	(17,097)	(1)	(470)	(1,130)	-	-	-	-
Property, Plant and Equipment, net	20,553	(0)	17	3,873	-	-	-	-
Goodwill & Intangibles, net	38,603	28,312	-	31,255	-	-	-	-
Other Long Term Assets	3,421	(65)	746	31	-	-	-	-
Total Long Term Assets	42,024	28,247	746	31,286	-	-	-	-
Total Assets	113,172	37,382	6,811	49,397	-	-	-	(256)
Liabilities								
Cash Overdraft	(2,258)	23	-	70	-	-	-	-
Accounts Payable - Subject to Compromise	109,452	16,266	(374)	12,028	-	-	-	-
Accounts Payable	190	-	(0)	1,441	-	-	-	-
Due To Retailers - Subject to Compromise	-	-	-	5,296	-	-	-	-
Accrued Costs - Subject to Compromise	33	333	45	2,568	-	-	-	-
Accrued Costs	348	337	2	1,141	-	-	-	-
Deferred Revenue	65	-	16	708	-	-	-	-
Current Portion of Debt - Subject to Compromise	8,558	-	-	-	-	-	-	-
Total Current Liabilities	116,389	16,960	(311)	23,250	-	-	-	-
Long Term Debt - Subject to Compromise	72,608	-	-	-	-	-	-	-
Revolving Credit Facility	-	-	-	-	-	-	-	-
Other Long Term Liabilities - Subject to Compromise	13,405	-	-	3	-	-	-	-
Total Long Term Liabilities	86,013	-	-	3	-	-	-	-
Total Liabilities	202,402	16,960	(311)	23,253	-	-	-	-
Stockholders' Equity								
Capital Stock	-	-	-	-	-	-	-	-
Additional Paid In Capital	180,686	29,192	6,472	(10,496)	-	-	-	-
Additional Paid In Capital	180,686	29,192	6,472	(10,496)	-	-	-	-
Retained Earnings (Deficit)	(220,662)	(8,395)	335	33,153	-	-	-	(191)
Current Year Net Income	(49,254)	(375)	314	3,486	-	-	-	(65)
Total Stockholders' Equity	(89,230)	20,422	7,122	26,143	-	-	-	(256)
Total Liabilities & Stockholders' Equity	\$ 113,172	\$ 37,382	\$ 6,811	\$ 49,397	\$ -	\$ -	\$ -	\$ (256)

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MOR 4: SUMMARY OF UNPAID POSTPETITION DEBTS

As of 10/4/14

Age	Source Intlink Distribution, LLC	Source Interlink International, Inc.	Retail Vision, LLC	Source Interlink Manufacturing, LLC	Directtou, LLC	RDS Logistics, LLC	Source Interlink Retail Services, LLC	Source Home Entertainment, LLC
Current	\$ 6,287	\$ -	\$ -	\$ 139,314	\$ -	\$ -	\$ -	\$ -
0-30	\$ 54,182	\$ -	\$ -	\$ 15,837	\$ -	\$ -	\$ -	\$ -
31-60	\$ 14,495	\$ -	\$ -	\$ (2,186)	\$ -	\$ -	\$ -	\$ -
61-90	\$ 4,531	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Over 90	\$ 425	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 79,920	\$ -	\$ -	\$ 152,965	\$ -	\$ -	\$ -	\$ -

As used herein, "Trade" refers to the accounts payable and receivable generated based on the acquisition, sale, and return of publications through the Debtors' distribution business (which is in the process of winding-down), and "Non-Trade" refers to all other accounts payable and receivable. Due to the nature of the sale and returns cycle in the Debtors' distribution business with respect to the timing of the sale and return of publications, it is not practicable to capture an aging of Trade amounts payable and receivable.

In some instances, amounts are invoiced without payment terms or on an immediately payable basis, and the Debtors' accounts payable system may not accurately reflect the age of such payables. The company believes it is substantially current on all payables, and attempting to identify and reconcile such anomalous accounting entries is not practicable.

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MOR 5: Accounts Receivable Summary

\$'000s

\$'000s	Source Intlink Distribution, LLC	Source Interlink International, Inc	Retail Vision, LLC	Source Interlink Manufacturing, LLC
Beginning AR				
Accounts Receivable, net	(12,574)	3,512	1,432	8,288
Acquired Claims Receivable	-	-	-	5,812
Total Beginning AR	\$ (12,574)	\$ 3,512	\$ 1,432	\$ 14,100
Period Activity				
Plus Net revenue	\$ (499)	\$ (86)	\$ 90	\$ 2,774
Less Receipts	\$ (1,054)	\$ -	\$ (1,059)	\$ (239)
Non cash and other reconciling items	\$ 23,657	\$ (371)	\$ 190	\$ (1,942)
Ending AR	\$ 9,531	\$ 3,055	\$ 653	\$ 14,694

DEBTOR QUESTIONNAIRE

Must be completed each month	Yes	No
1. Have any assets been sold or transferred outside the normal course of business this reporting period? If yes, provide an explanation below.	X	
2. Have any funds been disbursed from any account other than a debtor in possession account this reporting period? If yes, provide an explanation below.		X
3. Have all postpetition tax returns been timely filed? If no, provide an explanation below.	X	
4. Are workers compensation, general liability and other necessary insurance coverages in effect? If no, provide an explanation below.	X	
5. Has any bank account been opened during the reporting period? If yes, provide documentation identifying the opened account(s). If an investment account has been opened provide the required documentation pursuant to the Delaware Local Rule 4001-3.		X

Notes

The Debtors completed a turnkey sale of their Ontario distribution facility for approximately \$850,000 on September 15, 2014 pursuant to the Order (A)Authorizing and Approving Procedures for the Sale, Transfer and Abandonment of De Minimis Assets Fee and Clear of All Liens, Claims, Interests, and Encumbrances and (B)Granting Related Relief [Docket No. 146].

Due to the nature of the Debtors' business, there are a number of accounts receivable offsets that are deducted from the Debtors' gross accounts receivables, including: bad debt reserves, amounts due to retailers, reserves for future returns, rebates due, inventory purchases from SBT conversions, and unapplied cash.

In the past, Source Interlink Distribution, LLC (SID) has traditionally shown a negative net accounts receivable balance due to its trade agreements with non-scanned based partners. Beginning with reporting as of Oct. 4 2014, individual customers with a negative net AR balance have been reclassified to Accounts Payable subject to compromise. When a magazine is sold to a non-scanned based trade retailer, the entire amount is recognized as a sale and a reserve is established for estimated future returns. Due to a magazine's life cycle, SID receives payment from retailers prior to a majority of returns being processed on their initial distribution based on net balance at the time payment is due. This creates a working capital scenario in which SID will owe a retailer for return credit when the trade relationship unwinds.