

**ACME COMMUNICATIONS, Inc.**

**Quarterly Financial Report  
(unaudited)**

**March 31, 2013**

## Table of Contents

	<u>Page No.</u>
Financial Statements	
Consolidated Balance Sheets as of March 31, 2013 and December 31, 2012 (unaudited)	1
Consolidated Statements of Operations and Comprehensive Income for the Three Months Ended March 31, 2013 and March 31, 2012 (unaudited)	2
Consolidated Statement of Stockholders' Equity for the Three Months Ended March 31, 2013 (unaudited)	3
Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2013 and March 31, 2012 (unaudited)	4
Notes to Consolidated Financial Statements (unaudited)	6
Management's Discussion and Analysis of Financial Condition and Results of Operations	11
Liquidity and Capital Resources	14
Other Information	14

**ACME Communications, Inc. and Subsidiaries**  
**Consolidated Balance Sheets**  
**(Unaudited)**  
(In thousands, except share data)

	<u>March 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,701	\$ 942
Restricted cash	1,440	1,290
Accounts receivable, net of allowance for doubtful accounts of \$453 and \$302 as of March 31, 2013 and December 31, 2012, respectively	689	1,063
Prepaid expenses and other current assets	88	149
Total current assets	<u>3,918</u>	<u>3,444</u>
Property and equipment, net	4	188
Other assets	15	15
Total assets	<u>\$ 3,937</u>	<u>\$ 3,647</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 128	\$ 182
Accrued liabilities	1,207	1,092
Income taxes payable	389	394
Total current liabilities	<u>1,724</u>	<u>1,668</u>
Other liabilities, net of current portion	<u>27</u>	<u>40</u>
Total liabilities	<u>1,751</u>	<u>1,708</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized, no shares issued or outstanding	---	---
Common stock, \$0.01 par value; 50,000,000 shares authorized, 16,046,763 shares issued and outstanding at March 31, 2013 and 16,772,415 and 16,046,763 shares issued and outstanding at December 31, 2012	161	161
Additional paid-in capital	128,011	128,011
Accumulated deficit	<u>(125,986)</u>	<u>(126,233)</u>
Total stockholders' equity	<u>2,186</u>	<u>1,939</u>
Total liabilities and stockholders' equity	<u>\$ 3,937</u>	<u>\$ 3,647</u>

See the accompanying notes to the unaudited consolidated financial statements.

**ACME Communications, Inc. and Subsidiaries**  
**Consolidated Statements of Operations and Comprehensive Income**  
**(Unaudited)**  
**(In thousands, except per share data)**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2013</b>	<b>2012</b>
Net revenues	\$ 614	\$ 3,675
Operating expenses:		
Cost of service:		
Programming, including program amortization	1,238	1,950
Other costs of service (excluding depreciation and amortization of \$24 and \$149 for the three months ended March 31, 2013 and 2012, respectively)	---	291
Selling, general and administrative expenses	---	1,007
Depreciation and amortization	24	149
Corporate expenses	171	291
Operating expenses	<u>1,433</u>	<u>3,688</u>
Operating loss	(819)	(13)
Other expenses:		
Gain on sale of assets	1,065	1,114
Interest income (expense), net	<u>1</u>	<u>(13)</u>
Income from discontinuing operations, before income taxes	247	1,088
Income tax benefit (expense)	<u>---</u>	<u>(8)</u>
Net income	247	1,080
Change in fair value on investment available-for-sale	<u>---</u>	<u>(54)</u>
Comprehensive income	<u>\$ 247</u>	<u>\$ 1,026</u>
Net income per share, basic and diluted (discontinued):	<u>\$ 0.02</u>	<u>\$ 0.07</u>
Weighted average basic and diluted common shares outstanding	<u>16,047</u>	<u>16,047</u>

See the accompanying notes to the unaudited consolidated financial statements.

**ACME Communications, Inc. and Subsidiaries**  
**Consolidated Statements of Stockholders' Equity**  
**(Unaudited)**  
**(In thousands)**

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>			
Balance at December 31, 2012	16,046	161	\$ 128,011	\$ (126,233)	\$ 1,939
Net income	---	---	---	247	247
Balance at March 31, 2013	<u>16,046</u>	<u>\$ 161</u>	<u>\$ 128,011</u>	<u>\$ (125,986)</u>	<u>\$ 2,186</u>

See the accompanying notes to the unaudited consolidated financial statements.

**ACME Communications, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
(Unaudited)  
(In thousands)

	<b>For the Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
Cash flows from operating activities:		
Net income	\$ 247	\$ 1,080
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for doubtful accounts receivable	159	12
Depreciation and amortization	24	149
Gain on sale of assets	(1,065)	(1,114)
Amortization of program rights	---	465
Deferred income tax provision	---	8
Changes in operating assets and liabilities:		
Accounts receivable	215	(72)
Prepaid expenses and other current assets	17	---
Other assets	---	540
Accounts payable	(54)	(408)
Accrued liabilities	(129)	(70)
Income taxes payable	(5)	---
Programming rights payable	---	(527)
Other liabilities	---	179
Net cash provided by (used in) operating activities	(591)	241
Cash flows from investing activities:		
Purchase of property and equipment	---	(9)
Proceeds from sale of station assets	1,500	1,798
Net cash provided by investing activities	1,500	1,789

See the accompanying notes to the unaudited consolidated financial statements.

**ACME Communications, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows - Continued**  
**(Unaudited)**  
**(In thousands)**

	<b>For the Three Months</b>	
	<b>Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
Cash flows from financing activities:		
Repayments of program deferrals	\$ ---	\$ (87)
Payments on capital lease obligations	---	(13)
Cash restricted as escrow deposits	(150)	50
Net cash used in financing activities	<u>(150)</u>	<u>(50)</u>
Increase in cash and cash equivalents	759	1,980
Cash and cash equivalents at beginning of the period	942	2,118
Cash and cash equivalents at end of the period	<u>\$ 1,701</u>	<u>\$ 4,098</u>
Net cash payments (receipts) for:		
Interest	\$ ---	\$ (222)
Taxes	<u>\$ 5</u>	<u>\$ (284)</u>

See the accompanying notes to the unaudited consolidated financial statements.

**ACME Communications, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**1. NATURE OF BUSINESS**

The Company commenced operations in 1997 and ACME Communications, Inc. was formed as the Company's holding company on July 23, 1999, in preparation for and in conjunction with an initial public offering of its stock.

ACME Communications, Inc. (together with its subsidiaries, hereinafter, individually and collectively, "ACME" or the "Company") is a holding company with no independent operations other than through its indirect wholly-owned subsidiary, ACME Television, LLC ("ACME Television").

Effective November 4, 2008, the Company's common stock was delisted from the Nasdaq Global Market and on that same day the Company filed a Form 15 with the U.S. Securities & Exchange Commission ("SEC") to deregister its common stock under Section 12 of the Securities Exchange Act of 1934. Upon the filing of the Form 15, the Company's obligation to file certain reports with the SEC, including Forms 10-K, 10-Q, and 8-K, was immediately suspended. The deregistration of the Company's common stock became effective February 1, 2009. The Company's common stock is currently quoted on the Pink Sheets®, a centralized electronic quotation service for over-the counter securities.

On March 29, 2013, the Company completed the sale of its remaining operating asset, *The Daily Buzz* morning news show for \$1.5 million in cash to Mojo Brands Media, LLC.

***Discontinued Operations***

The Company sold eight of its stations – KPLR (St. Louis), KWBP (Portland, OR), KUWB (Salt Lake City), WTVK (Ft. Myers-Naples) and WBUI (Champagne-Springfield-Decatur, IL), WBXX (Knoxville, TN), WBDT (Dayton, OH) and WCWF (Green Bay, WI) prior to 2012.

In February 2012, the Company sold WBUW (Madison, WI) and in December 2012, the Company sold its remaining television stations KWBQ and its satellite station KRWB, and KASY (Albuquerque-Santa Fe, NM). As noted above, the Company sold its final operating asset *The Daily Buzz*, on March 29, 2013.

In accordance with accounting principles generally accepted in the United States of America, the accompanying Consolidated Statements of Operations and Cash Flows reflect now the results of these television stations and *The Daily Buzz* pursuant to the approved plan of liquidation as discontinued for all periods presented.

**2. BASIS OF PRESENTATION**

***Basis of Consolidation***

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, including The Daily Buzz, LLC. All significant intercompany accounts and transactions have been eliminated for all periods presented. Segment information is not presented since all of the Company's revenues are attributed to a single reportable segment.

***Presentation of Interim Financial Statements***

The accompanying consolidated financial statements for the three months ended March 31, 2013 and 2012 are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States of America. As of and for the three months ended March 31, 2013 all operations are considered "*Discontinued Operations*". In the opinion of management, such consolidated financial statements include all adjustments (consisting of normal recurring accruals) considered necessary for the fair presentation of the financial position and the results of operations, and cash flows for these periods. These consolidated financial statements do not include all disclosures and footnotes normally included with annual consolidated financial statements, and accordingly, should be read in conjunction with the consolidated financial statements, and the notes thereto, included in the Company's 2012 Annual Report, which can be found on the Company's

website at [www.acmecomcommunications.com](http://www.acmecomcommunications.com).

The accompanying consolidated balance sheet as of December 31, 2012 is derived from the consolidated financial statements included in the Company's 2012 Annual Report.

In accordance with the Financial Accounting Standards Board (the "FASB") *Accounting Standards Codification*<sup>TM</sup> ("ASC") Topic 855, *Subsequent Events*, or ASC 855, the Company evaluated all events or transactions that occurred after March 31, 2013 through May 29, 2013, which represents the date the consolidated financial statements were available to be issued.

### ***Recent Adopted or Issued Accounting Pronouncements***

In February 2013, the FASB issued Accounting Standards Update ("ASU") No. 2013-02, *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. The amendments in this update require an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under GAAP to be reclassified in its entirety to net income. For other amounts that are not required under GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under GAAP that provide additional detail about those amounts. This would be the case when a portion of the amount reclassified out of accumulated other comprehensive income is reclassified to a balance sheet account instead of directly to income or expense in the same reporting period. This update is effective on a prospective basis for reporting periods beginning after December 15, 2012, which for the Company was January 1, 2013. The adoption of this update did not have a material impact on the Company's consolidated financial statements.

In April 2013, the FASB issued ASU No. 2013-07, *Presentation of Financial Statements (Topic 205): Liquidation Basis of Accounting*, which is effective for interim and annual reporting periods beginning after December 15, 2013, with early adoption permitted. Since the Company is in a liquidation stage it expects to adopt this standard when effective or earlier as permitted.

### ***Critical Accounting Policies and Estimates***

The preparation of Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates, including those related to bad debts, income taxes, and contingencies and litigation reserves. The Company bases its estimates on historical experience and on various other assumptions that they believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may materially differ from these estimates under different assumptions or conditions. The Company's critical accounting policies are fully disclosed in the Company's 2012 Annual Report. There have been no material changes to these policies during the quarter ended March 31, 2013.

## **3. LONG-LIVED ASSETS, INCLUDING INTANGIBLES SUBJECT TO AMORTIZATION**

Long-lived assets consist of property and equipment.

### ***Property & Equipment***

Depreciation and amortization of our long-lived assets is provided using the straight-line method over their estimated useful lives. Changes in circumstances, such as the passage of new laws or changes in regulations, technological advances, changes to our business model or changes in our capital strategy could result in the actual useful lives differing from initial estimates. In those cases where we determine that the useful life of a long-lived asset should be revised, we will depreciate the net book value in excess of the estimated residual value over its revised remaining useful life. Factors such as changes in the planned use of equipment, customer attrition, contractual amendments or mandated regulatory requirements could result in shortened useful lives.

Long-lived assets and asset groups are evaluated for impairment whenever events or changes in circumstances indicate

that their carrying value may not be recoverable. There were no impairment charges recorded during the three-month periods ended March 31, 2013 and 2012.

#### **4. INVESTMENTS AVAILABLE-FOR-SALE**

Available-for-sale investments consist of equity securities, which are classified as available-for-sale securities. Available-for-sale securities are recorded at fair value and unrealized holding gains and losses are excluded from earnings and are reported as a separate component of comprehensive income until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific-identification basis. A decline in the market value of any available-for-sale security below cost that is deemed to be other-than-temporary results in a reduction in the carrying amount to fair value. Any resulting impairment is charged to other expense and a new cost basis for the security is established.

#### **5. FAIR VALUE OF FINANCIAL INSTRUMENTS**

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, or ASC 820, applies to certain assets and liabilities that are being measured and reported on a fair value basis. Broadly, the ASC 820 framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. ASC 820 also establishes a fair value hierarchy for ranking the quality and reliability of the information used to determine fair values. This hierarchy is as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

##### *Assets and Liabilities that are Measured at Fair Value on a Recurring Basis:*

Available-for-sale securities are recorded at fair value and unrealized holding gains and losses are excluded from earnings and are reported as a separate component of comprehensive income until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific-identification basis. A decline in the market value of any available-for-sale security below cost that is deemed to be other-than-temporary, results in a reduction in the carrying amount to fair value. Any resulting impairment is charged to other income (expense) and a new cost basis for the security is established.

Under the guidance of ASC 320, "*Investments*", the Company periodically evaluates other-than-temporary impairment (OTTI) of these securities to determine whether a decline in their value is other than temporary. Management utilizes criteria such as the magnitude and duration of the decline, in addition to the reasons underlying the decline, to determine whether the loss in value is other than temporary. Once a decline in value is determined to be other than temporary, the value of the security is reduced and a corresponding impairment charge to earnings is recognized.

##### *Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis:*

Certain assets are measured at fair value on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances. Included in this category are goodwill written down to fair value when determined to be impaired, assets and long-lived assets including FCC broadcast licenses that are written down to fair value when they are held for sale or determined to be impaired. The valuation methods for goodwill, assets and liabilities resulting from business combinations, and long-lived assets involve assumptions concerning interest and discount rates, growth projections, and/or other assumptions of future business conditions. As all of the assumptions employed to measure these assets and liabilities on a nonrecurring basis are based on management's judgment using internal and external data, these fair value determinations are classified in Level 3 of the valuation hierarchy.

## **6. STOCK-BASED COMPENSATION**

FASB ASC Topic 718 *Compensation — Stock Compensation*, or ASC 718, requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. There were no stock options granted or any other type of share-based issuances during the three-month periods ended March 31, 2013 and 2012.

There was no stock-based compensation expense for the three-month periods ended March 31, 2013 and 2012 and as of March 31, 2013, there is no unrecognized compensation cost related to unvested stock options.

## **7. INCOME TAXES**

The Company accounts for income taxes in accordance with FASB ASC Topic 740, *Income Taxes*, or ASC 740. Income taxes are provided based on current taxable income and the future tax consequences of temporary differences between the basis of assets and liabilities for financial and tax reporting. The deferred income tax assets and liabilities represent the future state and federal tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred income taxes are also recognized for operating losses that are available to offset future taxable income and tax credits that are available to offset future income taxes. At each reporting period, management assesses the realizable value of deferred tax assets based on, among other things, estimates of future taxable income, and adjusts the related valuation allowance as necessary. Management makes a number of assumptions and estimates in determining the appropriate amount of expense to record for income taxes. These assumptions and estimates consider the taxing jurisdiction in which the Company operates as well as current tax regulations. Accruals are established for estimates of tax effects for certain transactions and future projected profitability of the Company's businesses based on management's interpretation of existing facts and circumstances.

FASB Topic ASC 740, *Income Taxes*, or ASC 740, defines the threshold for recognizing the benefits of tax return positions in the financial statements as "more-likely-than-not" to be sustained by the taxing authority. A tax position that meets the "more-likely-than-not" criterion shall be measured at the largest amount of benefit that is more than 50% likely of being realized upon ultimate settlement. The Company has reviewed its tax positions and determined that an adjustment to the tax provision is not considered necessary nor is a reserve for income taxes required.

## **8. BARTER AND TRADE TRANSACTIONS**

Revenue and expenses associated with barter agreements in which broadcast time is exchanged for programming rights are recorded at the estimated average rate of the airtime exchanged, which the Company believes approximates fair value. Barter revenue amounted to \$0 and \$295,000, during the three-month periods ended March 31, 2013 and 2012, respectively. Trade transactions, which represent the exchange of advertising time for goods or services, are recorded at the estimated fair value of the products or services received based on comparable cash transactions. Barter and trade revenue is recognized when advertisements are broadcast. Merchandise or services received from airtime trade sales are charged to expense or capitalized and expensed when used.

## **9. INCOME PER SHARE**

Basic income per common share is computed by dividing net income to common stockholders by the weighted average number of common shares outstanding for the period. Diluted income per share includes the effect of our outstanding stock options, warrants and shares issuable pursuant to convertible debt, convertible preferred stock and certain stock incentive plans under the treasury stock method, if including such instruments is dilutive.

During the period ended March 31, 2013, no stock options expired or were forfeited. Our stock options outstanding at March 31, 2013 and 2012 were 681,000 and 778,750 shares respectively.

## **10. ACCUMULATED OTHER COMPREHENSIVE INCOME**

Accumulated other comprehensive income is the combination of accumulated net unrealized gains or losses on investments available-for-sale - also see Note 4 "*Investments Available-for-sale*".

As of March 31, 2013 the Company had no component of accumulated other comprehensive income.

## **11. SUBSEQUENT EVENTS**

On April 1, 2013, the Company's Board of Directors approved a special distribution to its shareholders of record as of April 16, 2013 in the form of a cash distribution of \$.08 per common share which amounted to \$1,283,741. The cash distribution was paid on April 24, 2013.

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## Management's Discussion and Analysis ("MD&A") of Financial Condition and Results of Operations

### **Forward Looking Statements**

*This Quarterly Report includes forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "could," "expect," "believe," "should" or "might" or the negative of such terms or other comparable terminology. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our and the television broadcast industry's actual results, levels of activity, performance, achievements and prospects to be materially different from those expressed or implied by such forward-looking statements. Actual results in the future could differ materially and adversely from those described in the forward-looking statements as a result of various important factors, including (but not limited to) an inability to sell our remaining assets, the impact of changes in national and regional economies, including advertising demand, pricing fluctuations in local and national advertising, and other risk factors.*

*These forward-looking statements speak only as of the date of this Quarterly Report. We undertake no duty to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this Quarterly Report. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Quarterly Report might not occur.*

### **Presentation of Financial Information in this MD&A**

The financial information and discussion contained in this MD&A for the three-month period ended March 31, 2013 and 2012 is unaudited. In the opinion of management, such financial information, however, includes all adjustments (consisting of normal recurring accruals) considered necessary for the fair presentation of the financial position and the results of operations, and cash flows for the periods presented. The information contained in the MD&A should be read in conjunction with our Consolidated Financial statements, and notes thereto, as of and for the years ended December 31, 2012 and 2011, included in the Company's 2012 Annual Report, which can be found on the Company's website at [www.acmecommunications.com](http://www.acmecommunications.com).

### **Overview**

This MD&A is provided as a supplement to our audited Consolidated Financial Statements and notes thereto, as discussed above, in order to enhance your understanding of our results of operations and financial condition. Our MD&A is organized as follows:

- *Introduction.* This section provides a general description of our Company and discussion about our operations.
- *Sale of Stations and Other Events.* This section provides a general description of our Company's recent developments including the sale of *The Daily Buzz* on March 29, 2013.
- *Critical Accounting Policies and Estimates.* This section discusses those accounting policies that are considered important to the evaluation and reporting of our financial condition and results of operations, and whose application requires us to exercise subjective or complex judgments in making estimates and assumptions. In addition, all of our significant accounting policies, including our critical accounting policies, are summarized in Note 2 to our Consolidated Financial Statements, which are, as mentioned above, posted separately on our Company's website at [www.acmecommunications.com](http://www.acmecommunications.com).
- *Results of Operations.* This section provides our analysis and outlook for the significant line items on our Consolidated Statements of Operations, as well as other information that we deem meaningful to understand our results of operations, all presented on a discontinuing operations basis.

□ *Liquidity and Capital Resources.* This section provides an analysis of our liquidity and cash flows as well as our outlook on our available liquidity as of March 31, 2013.

□ *Recent Accounting Pronouncements.* This section provides a summary of the most recent authoritative accounting standards and guidance that have either been recently adopted by our Company or may be adopted in the future.

As of March 31, 2013, our Company, ACME Communications, Inc. and its wholly-owned subsidiaries (together, unless the context otherwise requires, the "Company" or "we") had sold all of its television stations as well as its final operating asset *The Daily Buzz*, a three-hour weekday news and lifestyle morning program which aired on television stations serving 180 Television markets representing approximately 73% of the country.

Since we reached a high of eleven television stations (not counting our satellite in Roswell) in 2002, we have been seeking to monetize shareholder value by the selective sale of our stations. In February 2012, we sold our station WBUW and in December 2012 we sold our remaining stations, KWBQ, its satellite station KRWB and KASY, all serving the Albuquerque-Santa Fe, New Mexico market. All of our previously sold stations and our recently sold production company have been treated as discontinued operations in our accompanying Consolidated Financial Statements and in this MD&A.

We derive revenues primarily from the sale of advertising time to local, regional and national advertisers and, to a lesser extent, from program licensing fees from other stations and distributors related to *The Daily Buzz*.

Our costs of service primarily include programming costs at our stations and the costs to produce *The Daily Buzz*. Other costs of service presented in the accompanying Consolidated Financial Statements and in this MD&A include advertising expenses targeted at viewers, which is net of any reimbursement received or due to us for such advertising and promotion from our networks or from other program suppliers, and engineering and transmission related expenses. Selling, general and administrative expenses primarily include salaries, sales commissions to account executives, ratings service expenses, insurance and various related overhead expenses. Corporate expenses reflect costs of corporate management, which includes senior management and other centralized management support staff, along with investor relations expenses, professional fees including but not limited to annual audit and legal expenses, directors and officers insurance and other related corporate overhead. Effective April 1, 2013, our primary ongoing operating expenses are corporate expenses and costs associated with the winding down of the Company.

### ***Sale of Stations and Other Events***

On February 21, 2012, we completed our sale of station WBUW in Madison, WI to Byrne for approximately \$1.8 million in cash.

On March 23, 2012, our Board of Directors approved a special distribution to our shareholders of record as of April 4, 2012 in the form of a cash distribution of \$.22 per common share which amounted to approximately \$3.5 million and the remaining 300,000 shares of LIN unregistered common stock, worth approximately \$1.3 million, received in connection with LIN's purchase of the Company's television stations in Dayton and Green Bay-Appleton. Both, the cash distribution and LIN stock distribution were paid and distributed on April 10, 2012. See Note 2 "*Investment Available-For-Sale*".

On December 10, 2012, we completed the sale of our New Mexico stations, KWBQ, its satellite station KRWB and KASY to Tamer Media and LIN Media for approximately \$19.0 million in cash.

On December 10, 2012, our Board of Directors approved a special distribution to our shareholders of record as of December 14, 2012 in the form of a cash distribution of \$.93 per common share and also ratified and approved a formal plan of liquidation. The cash distribution which amounted to approximately \$14.9 million was payable and paid on December 21, 2012.

On March 29, 2013, we completed the sale of our last operating asset, *The Daily Buzz*, to Mojo Brands Media, LLC for approximately \$1.5 million in cash.

On April 1, 2013, our Board of Directors approved a special distribution to our shareholders of record as of April 16, 2013 in the form of a cash distribution of \$.08 per common share. The cash distribution which amounted to approximately \$1.3 million was payable and paid on April 24, 2013. See Note 11 "*Subsequent Events*".

### ***Critical Accounting Policies and Estimates***

Our discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these Consolidated Financial Statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to bad debts, income taxes, contingencies and litigation reserves. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may materially differ from these estimates under different assumptions or conditions.

### ***Results of Operations***

#### *Three Months Ended March 31, 2013 Compared to March 31, 2012*

Net revenues from operations for the first quarter of 2013 were \$614,000, a decrease of 83%, or \$3.1 million, compared to net revenues of \$3.7 million in the first quarter of 2012. The decrease is mainly due to the fact that the 2012 period included revenues from our station WBUW which was sold in February 2012 and our New Mexico stations KWBQ and KASY which sold in December of 2012.

Programming expenses were \$1.2 million for the first quarter of 2013, a decrease of 37%, or \$712,000, compared to \$2.0 million in the first quarter of 2012. The decrease is mainly due to the fact that the 2012 period included programming expense from our station WBUW which was sold in February 2012 and our New Mexico stations KWBQ and KASY which sold in December of 2012.

There were no other costs of service for the first quarter of 2013, compared to \$291,000 for the first quarter of 2012, due to the fact that we sold our remaining television stations during 2012 and as such the 2012 period still included promotion and engineering expenses from our station WBUW which was sold in February 2012 and our New Mexico stations KWBQ and KASY which sold in December of 2012.

There were no selling, general and administrative expenses for the first quarter of 2013, compared to \$1.0 million for the first quarter of 2012, due to the fact that we sold our remaining television stations during 2012 and as such the 2012 period still included selling, general and administrative expenses from our station WBUW which was sold in February 2012 and our New Mexico stations KWBQ and KASY which sold in December of 2012.

Depreciation and amortization was \$24,000 for the first quarter of 2013, a decrease of 84%, or \$125,000, compared to \$149,000 for the first quarter of 2012. The decrease is mainly due to the fact that the 2012 period included our station WBUW which was sold in February 2012 and our New Mexico stations KWBQ and KASY which sold in December of 2012.

There were no impairment charges recorded during the first quarter of 2013 or 2012 related to our FCC broadcast licenses or our goodwill.

Corporate expenses for the first quarter of 2013 was \$171,000, a decrease of 41%, or \$120,000, compared to \$291,000 for the first quarter of 2012 principally as a result of lower compensation expense due to continued reductions in corporate management and compensation and lower professional fees when compared to the first quarter of 2012.

The gain on the sale of assets for the first quarter of 2013 was \$1.1 million and related to the sale of *The Daily Buzz* on March 29, 2013. The gain on sale of assets for the first quarter of 2012 was \$1.1 million and relating mainly to sale of our WBUW Madison station on February 21, 2012.

Income tax expense for the first quarter of 2013 was \$0 compared to an income tax expense of \$8,000 for the first quarter of 2012.

Our net income for the first quarter of 2013 was \$247,000 compared to a net income of \$1.0 million for the first quarter of 2012.

## **Liquidity and Capital Resources**

Net cash used by operating activities was \$591,000 for the first three months ended March 31, 2013, compared to net cash provided of \$241,000 for the first three months of 2012. The cash flow during the first three months of 2012 mainly related to an income tax refund (including interest thereon) received in March 2012 of \$520,000 relating to a State of Wisconsin tax matter dating back to 2007, net of the effect of seasonal working capital changes while the cash flow usage during the first three months of 2013 mainly related to pay down of accounts payable and accrued liabilities.

Net cash provided by investing activities during the first three months of 2013 was \$1.5 million consisting mainly of the cash portion of the sales proceeds relating to the sale of *The Daily Buzz* in March 2013. Net cash provided by investing activities was \$1.8 million consisting mainly of the cash portion of the sales proceeds relating to the sale of our WBUW station.

Net cash used in financing activities during the first three months of 2013 was \$150,000 compared to net cash used of \$50,000 during the first three months of 2012 consisting of the amount funded in escrow in connection with the sale of *The Daily Buzz* while the cash used during the first three months of 2012 consisted mainly of repayments of program deferrals.

As of March 31, 2013, we had unrestricted cash and cash equivalents of \$1.7 million compared to cash and cash equivalents of \$942,000 as of December 31, 2012.

We believe existing unrestricted cash and cash equivalents at March 31, 2013, net of our April 2013 cash dividend paid, will be sufficient to meet our operating cash requirements for at least the next twelve months. As restricted funds are released from escrow, we expect to make additional liquidation distributions to our shareholders.

## ***Recent Accounting Pronouncements***

Refer to Note 2, "*Recent Accounting Pronouncements*", in "Notes to Consolidated Financial Statements", for a discussion of new accounting standards.

## **Other Information**

On October 14, 2008, we notified the Nasdaq Stock Market of our intent to voluntarily delist our common stock from the Nasdaq Global Market, and to voluntarily deregister our common stock under the Securities Exchange Act of 1934 by filing with the Securities & Exchange Commission ("SEC") a Form 25 relating to the delisting of our common stock on or about October 24, 2008, with the delisting of our common stock to be effective ten days thereafter.

Our last day of trading of our common stock on the Nasdaq Global Market was on Monday, November 3, 2008.

On November 4, 2008 we filed a Form 15 with the SEC to deregister our common stock under Section 12 of the Securities Exchange Act of 1934. Upon the filing of the Form 15, our obligation to file certain reports with the SEC, including Forms 10-K, 10-Q, and 8K, was immediately suspended. The deregistration of our common stock became effective February 1, 2009.

Our common stock is currently quoted on the Pink Sheets®, a centralized electronic quotation service for over-the-counter securities.