

ACME COMMUNICATIONS, Inc.

**Quarterly Financial Report
(unaudited)**

March 31, 2014

Table of Contents

	<u>Page No.</u>
Financial Statements	
Consolidated Balance Sheets as of March 31, 2014 and December 31, 2013 (unaudited)	1
Consolidated Statements of Operations and Comprehensive Income for the Three Months Ended March 31, 2014 and March 31, 2013 (unaudited)	2
Consolidated Statement of Stockholders' Equity for the Three Months Ended March 31, 2014 (unaudited)	3
Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2014 and March 31, 2013 (unaudited)	4
Notes to Consolidated Financial Statements (unaudited)	5
Management's Discussion and Analysis of Financial Condition and Results of Operations	10
Liquidity and Capital Resources	12
Other Information	13

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

	<u>March 31,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 550	\$ 530
Restricted cash	290	290
Prepaid expenses and other current assets	79	139
Total current assets	<u>919</u>	<u>959</u>
Property and equipment, net	5	5
Other assets	10	10
Total assets	<u>\$ 934</u>	<u>\$ 974</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 5	\$ 4
Accrued liabilities	822	829
Income taxes payable	3	6
Total current liabilities	<u>830</u>	<u>839</u>
Other liabilities, net of current portion	---	---
Total liabilities	<u>830</u>	<u>839</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, 2014 and at December 31, 2013, respectively	161	161
Additional paid-in capital	128,011	128,011
Accumulated deficit	(128,068)	(128,037)
Total stockholders' equity	<u>104</u>	<u>135</u>
Total liabilities and stockholders' equity	<u>\$ 934</u>	<u>\$ 974</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)

	For the Three Months Ended	
	March 31,	
	2014	2013
Net revenues	\$ ---	\$ 614
Operating expenses:		
Cost of service:		
Programming, including program amortization	1	1,238
Depreciation and amortization	---	24
Corporate expenses	30	171
Operating expenses	31	1,433
Operating loss	(31)	(819)
Other expenses:		
Gain on sale of assets	---	1,065
Interest income, net	---	1
Income (loss) from discontinuing operations, before income taxes	(31)	247
Income taxes	---	---
Net income (loss) / Comprehensive income (loss)	\$ (31)	\$ 247
Net income (loss) per share, basic and diluted (discontinued):	\$ (0.00)	\$ 0.02
Weighted average basic and diluted common shares outstanding	16,047	16,047

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>Accumulated Other Comprehensive Income</u>	<u>Treasury Stock</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>					
Balance at December 31, 2013	16,046	\$ 161	\$ 128,011	\$ (128,037)	\$ -	\$ -	\$ 135
Net loss	---	---	---	(31)	---	---	(31)
Balance at March 31, 2014	<u>16,046</u>	<u>\$ 161</u>	<u>\$ 128,011</u>	<u>\$ (128,068)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104</u>

See the accompanying notes to the unaudited consolidated financial statements.

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

	For the Three Months Ended March 31,	
	2014	2013
Cash flows from operating activities:		
Net income (loss)	\$ (31)	\$ 247
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Provision for doubtful accounts receivable	---	159
Depreciation and amortization	---	24
Gain on sale of assets	---	(1,065)
Changes in operating assets and liabilities:		
Accounts receivable	---	215
Prepaid expenses and other current assets	60	17
Accounts payable	1	(54)
Accrued liabilities	(7)	(129)
Income taxes payable	(3)	(5)
Net cash provided by (used in) operating activities	20	(591)
Cash flows from investing activities:		
Proceeds from sale of assets	---	1,500
Net cash provided by investing activities	---	1,500
Cash flows from financing activities:		
Cash restricted as escrow deposits	---	(150)
Net cash used in financing activities	---	(150)
Increase in cash and cash equivalents	20	759
Cash and cash equivalents at beginning of the period	530	942
Cash and cash equivalents at end of the period	\$ 550	\$ 1,701
Net cash payments for:		
Interest	\$ ---	\$ ---
Taxes	\$ 3	\$ 5

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 all of its television stations prior to 2013. 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, 2014 and 2013 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, 2014 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 2013 Annual Report, which can be found on the Company's website at www.acmecomunications.com.

The accompanying consolidated balance sheet as of December 31, 2013 is derived from the consolidated financial statements included in the Company's 2013 Annual Report.

In accordance with the Financial Accounting Standards Board (the "FASB") *Accounting Standards Codification*™ ("ASC") Topic 855, *Subsequent Events*, or ASC 855, the Company evaluated all events or transactions that occurred after

March 31, 2014 through June 14, 2014, which represents the date the consolidated financial statements were available to be issued.

Recent Adopted or Issued Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect and that may impact its consolidated financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations other than as disclosed in Note 11.

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 2013 Annual Report. There have been no material changes to these policies during the quarter ended March 31, 2014.

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, 2014 and 2013.

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, 2014 and 2013.

There was no stock-based compensation expense for the three-month periods ended March 31, 2014 and 2013 and as of March 31, 2014, 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. There was no barter revenue during the three-month periods ended March 31, 2014 and 2013. 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, 2014, no stock options expired or were forfeited. Our stock options outstanding at March 31, 2014 and 2013 were 678,000 and 681,000 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, 2014 the Company had no component of accumulated other comprehensive income.

11. DEPARTURE FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Subsequent to the sale of *The Daily Buzz* as discussed above, the Company's only activities have involved winding up the Company's affairs. In accordance with the Company's Plan of Liquidation, approved in October of 2012, the Company commenced liquidation activities and management will attempt to implement a final distribution to shareholders subject to the following conditions being met, including the approval of the Company's Board of Directors. These conditions are: (1) resolution of certain liabilities, including the amount placed into an escrow account with the FCC, and (2) any other matters required to be accomplished.

Generally accepted accounting principles require, in accordance with ASU No. 2013-07 *Presentation of Financial Statements (Topic 205): Liquidation Basis of Accounting*, issued by the FASB in April 2013 and effective January 1, 2014, for an entity to present financial statements on the liquidation basis of accounting when, among other things, liquidation of a company is probable and the net realizable values of assets are reasonably determinable. Under this basis of accounting, an entity measures and presents assets and liabilities in its financial statements at the amount of cash or other consideration that it expects to collect, or the amount of cash or other consideration that it expects to pay, during the course of liquidation. It also requires an entity to accrue and separately present costs that it expects to incur, and the income it expects to earn, during the expected duration of the liquidation. The conversion from the going concern to liquid basis of accounting requires management to make significant estimates and judgments to record assets at estimated net realizable value and liabilities at estimated settlement amounts. These estimates are subject to change based upon the timing of potential sales and further deterioration of the market.

The Company has not adopted the liquidation basis of accounting and the effects of this departure from generally accepted accounting principles have not been determined.

12. SUBSEQUENT EVENTS

The Company has completed an evaluation of all subsequent events through the date the consolidated financial statements were issued and concluded no subsequent events occurred that required recognition or disclosure.

REMAINDER OF PAGE LEFT INTENTIONALLY BLANK

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.

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 periods ended March 31, 2014 and 2013 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, 2013 and 2012, included in the Company's 2013 Annual Report, which can be found on the Company's website at www.acmecommunications.com.

Overview

This MD&A is provided as a supplement to our 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.
- 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, 2014.
- 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, 2014, 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.

Our historical revenues were derived primarily from the sale of advertising time to local, regional and national advertisers and, to a lesser extent, from program licensing fees.

Our historical costs of service primarily include the costs to produce *The Daily Buzz*. Corporate expenses primarily reflect costs of corporate management which include professional fees primarily relating to management consulting services and tax and legal expenses, directors and officers insurance and other related corporate overhead.

As previously noted, following the sale on March 29, 2013 of *The Daily Buzz*, our final operating asset, the Company does not expect to generate any further revenue and our primary ongoing and declining 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.

On June 4, 2013, the Board of Managers approved the termination of the Company's Defined Contribution Retirement Plan (the Daily Buzz, LLC 401(k) Plan) with a termination effective date of June 30, 2013.

On July 15, 2013, the Board of Managers approved the termination of the Company's Defined Contribution Retirement Plan (the ACME Television, LLC 401(k) Plan) with a termination effective date of July 15, 2013.

On November 5, 2013, the \$150,000 restricted cash established in an escrow account as part of the Daily Buzz sale on March 29, 2013, was released.

On December 10, 2013, the \$1.0 million restricted cash established in an escrow account as part of the sale of our New Mexico stations KWBQ, its satellite station KRWB and KASY to Tamer Media and LIN Media on December 10, 2012, was released.

On December 13, 2013, our Board of Directors approved a special distribution to our shareholders of record as of December 26, 2013 in the form of a cash distribution of \$.05 per common share. The cash distribution which amounted to approximately \$800,000 was payable and paid on December 30, 2013.

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, except as disclosed in Note 11 to the Consolidated Financial Statements. 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, 2014 Compared to March 31, 2013

There were no net revenues from operations for the first quarter of 2014 compared to net revenues of \$614,000 in the first quarter of 2013. The decrease is due to the fact that the 2013 period included revenues from our morning news show *The Daily Buzz* which was sold in March of 2013. We do not expect any further revenues for future periods.

There was \$1,000 in trailing programming expenses for the first quarter of 2014 compared to \$1.238 million in program expenses for the first quarter of 2013. The decrease is due to the fact that the 2013 period included programming expenses for our morning news show *The Daily Buzz* which was sold in March of 2013. We do not expect any further programming expenses for future periods.

There were no depreciation and amortization expenses for the first quarter of 2014, compared to \$24,000 for the first quarter of 2013. The decrease is due to the fact that the 2013 period included our morning news show *The Daily Buzz* which sold in March of 2013. As of March 31, 2014, our remaining net fixed assets were approximately \$5,000. We do not expect any future capital expenditures or significant depreciation and amortization expense.

Corporate expenses for the first quarter of 2014 were \$30,000, a decrease of 82%, or \$141,000, compared to \$171,000 for the first quarter of 2013. The decrease is principally the result of continued reductions in corporate management costs and lower professional fees when compared to the first quarter of 2013. Corporate expenses for future quarters will continue to be reduced in light of the winding down of our Company and consist primarily of management sales bonuses associated with future distributions to shareholders and general office expense.

There was no income tax expense or benefit for either the first quarter of 2014 or 2013 as the Company is subject only to de minimis minimum state taxes.

Our net loss for the first quarter of 2014 was \$31,000 compared to a net income of \$247,000 for the first quarter of 2013.

Liquidity and Capital Resources

Net cash generated by operating activities was \$20,000 for the first three months ended March 31, 2014 compared to net cash used by operations of \$591,000 for the first three months of 2013. The cash flow during the first three months of 2013 mainly related to changes in working capital.

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. There were no investing activities during the three months ended March 31, 2014.

Net cash used in financing activities during the three months of 2013 was \$150,000 representing cash from the Daily Buzz sale placed into escrow. There were no financing activities during the first three months of 2014.

As of March 31, 2014, we had unrestricted cash and cash equivalents of \$550,000 compared to cash and cash equivalents of \$530,000 as of December 31, 2013.

We believe existing unrestricted cash and cash equivalents at March 31, 2014 will be sufficient to meet our operating cash requirements for at least the next twelve months.

In accordance with our plan of liquidation and depending on how our accrued liabilities are settled, it is likely that we will make further 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.