



The
Detroit Legal News.
Company

2016
Annual Report







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INDEPENDENT AUDITORS' REPORT

The Stockholders and Board of Directors
The Detroit Legal News Company:
Detroit, MI

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Detroit Legal News Company and subsidiary, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Detroit Legal News Company and subsidiary as of December 31, 2016 and 2015 and the results of their operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

February 14, 2017





CONSOLIDATED BALANCE SHEETS

December 31, 2016 and 2015

ASSETS

CURRENT ASSETS:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents (note 1)	\$11,327,379	\$10,997,196
Accounts receivable — trade, less allowance for doubtful accounts of \$674,000 and \$239,000 at December 31, 2016 and 2015, respectively (notes 11 and 12)	3,116,586	3,813,138
Note receivable (note 6)	30,819	26,543
Inventories (note 2)	235,805	351,931
Prepaid expenses	191,783	145,684
Deferred income taxes	192,000	69,000
Total current assets	<u>15,094,372</u>	<u>15,403,492</u>
Property, plant, and equipment (notes 3 and 7)	9,590,097	9,552,057
Less accumulated depreciation	<u>(8,006,611)</u>	<u>(7,741,022)</u>
Net property, plant, and equipment	<u>1,583,486</u>	<u>1,811,035</u>
Goodwill (note 1h)	—	5,492,000
Note receivable (note 6)	974,004	1,007,309
Other assets (note 4)	<u>1,000</u>	<u>114,771</u>
Total assets	<u>\$17,652,862</u>	<u>\$23,828,607</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable	\$ 337,463	\$ 361,094
Accrued expenses	704,653	382,035
Unearned subscriptions	79,464	76,882
Unearned rent	—	7,523
Dividends Payable	1,774,485	1,208,160
Customer deposits	54,324	19,100
Income taxes payable	248,396	132,783
Total current liabilities	3,198,785	2,187,577
Deferred income taxes (note 10)	<u>359,000</u>	<u>1,081,000</u>
Total liabilities	<u>3,557,785</u>	<u>3,268,577</u>

STOCKHOLDERS' EQUITY:

Common stock, \$10 par value. Authorized 40,000 shares; issued and outstanding 37,755 shares	377,550	377,550
Additional paid-in capital	135,125	135,125
Retained earnings	<u>11,630,062</u>	<u>15,105,372</u>
Total Detroit Legal News stockholders' equity	12,142,737	15,618,047
Noncontrolling interest	1,952,340	4,941,983
Total stockholders' equity	<u>14,095,077</u>	<u>20,560,030</u>
Total liabilities and stockholders' equity	<u>\$17,652,862</u>	<u>\$23,828,607</u>

See accompanying notes to consolidated financial statements.





CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Net sales (note 11)	\$19,318,383	\$18,272,103
Cost of sales	<u>10,435,114</u>	<u>9,691,113</u>
Gross profit	8,883,269	8,580,990
Selling, general, and administrative expenses	<u>7,290,885</u>	<u>6,421,868</u>
Goodwill impairment charge	<u>5,492,000</u>	<u>—</u>
Operating income	<u>(3,899,616)</u>	<u>2,159,122</u>
Other income (expense):		
Interest income (note 6)	92,496	42,385
Gain on sale of building (note 6)	<u>—</u>	<u>1,119,400</u>
Gain on life insurance proceeds (note 4)	36,202	—
Loss on disposal of equipment	<u>—</u>	<u>(6,570)</u>
Rental income and other, net (note 7)	<u>89,980</u>	<u>150,623</u>
Total other income (expense)	<u>218,678</u>	<u>1,305,838</u>
Income (loss) before income taxes and minority interest	<u>(3,680,938)</u>	<u>3,464,960</u>
Income tax expense (benefit) (note 10)	<u>(117,000)</u>	<u>917,000</u>
Net income (loss)	<u>(3,563,938)</u>	<u>2,547,960</u>
Less: Net income (loss) attributable to noncontrolling interest	<u>(2,089,643)</u>	<u>1,085,464</u>
Net income (loss) attributable to Detroit Legal News Company	<u>\$ (1,474,295)</u>	<u>\$ 1,462,496</u>
Basic and diluted earnings per share (note 9)	<u>\$ (39.05)</u>	<u>\$ 38.74</u>

See accompanying notes to consolidated financial statements.





CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended December 31, 2016 and 2015

	Common stock	Additional paid-in capital	Retained earnings	Noncontrolling interest	Total stockholders' equity
Balances at December 31, 2014	\$ 377,550	\$ 135,125	\$ 15,077,566	\$ 5,206,519	\$ 20,796,760
Net income	—	—	1,462,496	1,085,464	2,547,960
Dividends declared of \$38.00 per common share (\$8.00 regular, \$30.00 special)	—	—	(1,434,690)	—	(1,434,690)
Distribution to noncontrolling interests	—	—	—	(1,350,000)	(1,350,000)
Balances at December 31, 2015	<u>\$ 377,550</u>	<u>\$ 135,125</u>	<u>\$ 15,105,372</u>	<u>\$ 4,941,983</u>	<u>\$ 20,560,030</u>
Net loss	—	—	(1,474,295)	(2,089,643)	(3,563,938)
Dividends declared of \$53.00 per common share (\$8.00 regular, \$45.00 special)	—	—	(2,001,015)	—	(2,001,015)
Distribution to noncontrolling interests	—	—	—	(900,000)	(900,000)
Balances at December 31, 2016	<u><u>\$ 377,550</u></u>	<u><u>\$ 135,125</u></u>	<u><u>\$ 11,630,062</u></u>	<u><u>\$ 1,952,340</u></u>	<u><u>\$ 14,095,077</u></u>

See accompanying notes to consolidated financial statements.





CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss) attributed to Detroit Legal News Company	\$(1,474,295)	\$ 1,462,496
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	272,492	314,930
Loss on sale of fixed assets	2,081	6,570
Gain on sale of building	—	(1,119,400)
Goodwill impairment charge	5,492,000	—
Deferred income taxes	(845,000)	354,000
Net income (loss) attributed to noncontrolling interests	(2,089,643)	1,085,464
Increase (decrease) in allowance for doubtful accounts	435,000	(13,000)
Changes in assets and liabilities which increase (decrease) cash flows:		
Accounts receivable – trade	261,552	1,765,053
Inventories	116,126	(64,274)
Income taxes payable (net)	115,613	149,384
Prepaid expenses	(46,099)	33,347
Other assets	113,771	(1,844)
Accounts payable	(23,631)	(185,497)
Accrued expenses	322,618	(273,793)
Other current liabilities	30,283	10,954
Net cash used in operating activities	<u>2,682,868</u>	<u>3,524,390</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of building	29,029	185,548
Insurance proceeds from vehicle	12,816	—
Acquisition of property, plant, and equipment	(59,840)	(104,918)
Net cash provided by investing activities	<u>(17,995)</u>	<u>80,630</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(1,434,690)	(226,530)
Distributions to noncontrolling interests	<u>(900,000)</u>	<u>(1,350,000)</u>
Net cash used in financing activities	<u>(2,334,690)</u>	<u>(1,576,530)</u>
Net increase (decrease) in cash and cash equivalents	330,183	2,028,490
Cash and cash equivalents at beginning of year	<u>10,997,196</u>	<u>8,968,706</u>
Cash and cash equivalents at end of year	<u>\$11,327,379</u>	<u>\$10,997,196</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Income taxes	\$ 471,000	\$ 413,000

See accompanying notes to consolidated financial statements.





NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(1) Summary of Significant Accounting Policies

(a) Description of Business

The Detroit Legal News Company operates in two lines of business. As Inland Press, it produces and sells sheet fed commercial printing, principally to customers located in southeastern Michigan. In addition, the Company's subsidiary Detroit Legal News Publishing, LLC (DLNP), publishes legal newspapers. All newspapers are circulated principally to subscribers in southern Michigan.

Rates charged for the publication of certain legal notices are regulated by the State of Michigan. There were no rate changes in 2016 or 2015.

(b) Principles of Consolidation

The consolidated financial statements include the operations of The Detroit Legal News Company (the Company) and those of its 55%-owned subsidiary, DLNP, a limited liability corporation. All significant intercompany balances and transactions have been eliminated in consolidation. Pursuant to a Member Operating Agreement, the members share in the net profits of DLNP in proportion to their respective ownership percentages.

(c) Cash Equivalents

Cash equivalents consist principally of money market funds with an initial term of less than three months and FDIC insured certificates of deposits with initial terms of less than one year. For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of one year or less to be cash equivalents. The Company maintains certain cash in depository accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

(d) Trade Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on historical write-off experience together with individual review for collectability of all accounts with past due balances over 60 days. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers.

(e) Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method.

(f) Impairment of Long-Lived Assets and Long-Lived Assets Held for Disposal

Long-lived assets, such as property and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows, expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. To date no impairment losses, other than goodwill, have been recognized.

Continued





(g) *Property, Plant, and Equipment*

Property, plant, and equipment are stated at cost. Depreciation is computed using straight-line methods over the estimated useful lives of the assets.

(h) *Goodwill*

Goodwill represents the excess of costs over fair value of assets of businesses acquired. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead tested annually on December 31st for impairment or more frequently if events or circumstances indicate the asset might be impaired.

An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. For goodwill, the impairment determination is made at the reporting unit level and consists of two steps. First, the Company determines the fair value of a reporting unit and compares it to its carrying amount. Second, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill. In December of 2016 it was determined that all the Goodwill on the Company's consolidated balance sheets was impaired, which resulted in a goodwill impairment charge of \$5,492,000 as shown on the Company's 2016 consolidated statements of operations.

(i) *Subscription Revenue Recognition*

Subscription revenue is recorded as unearned subscriptions at the time of billing and is recognized as sales on a publication basis over the subscription period. Other revenues are recognized at the time services are rendered or upon shipment.

(j) *Income Taxes*

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(k) *Uncertain Income Tax Position*

The tax effects from an uncertain tax position are recognized in the financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized, upon ultimate settlement with the relevant tax authority. The Company believes that no uncertain tax positions were taken during the current year, which would require recording an additional liability.

Continued





(l) Use of Estimates

The preparation of the financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment, intangibles and goodwill; valuation allowances for receivables, inventories and deferred income tax assets; and assets and obligations related to employee benefits. Actual results could differ from those estimates.

(m) Subsequent Events

Management has evaluated subsequent events through the date on which the financial statements were available to be issued.

(2) Inventories

Inventories consist of the following at December 31, 2016 and 2015:

	2016	2015
Paper, ink, and plate material	\$ 196,034	\$ 291,108
Work in process	39,771	60,823
	<u><u>\$ 235,805</u></u>	<u><u>\$ 351,931</u></u>

(3) Property, Plant, and Equipment

Property, plant, and equipment consist of the following at December 31, 2016 and 2015:

	2016	2015	Estimated Useful Lives
Land and improvements	\$ 190,035	\$ 190,035	—
Buildings and improvements	2,049,823	2,049,823	10 to 40 years
Machinery and equipment	<u><u>7,350,239</u></u>	<u><u>7,312,199</u></u>	3 to 15 years
	<u><u>\$ 9,590,097</u></u>	<u><u>\$ 9,552,057</u></u>	

(4) Gain on Life Insurance

The Company owned and was the beneficiary of a life insurance policy of a former employee. The cash value of that policy on December 31, 2015 was \$111,271 and was shown as a portion of other assets on the consolidated balance sheets.

In November of 2016, the former employee died, resulting in the Company receiving payment on the life insurance policy of \$147,473, resulting in a \$36,202 gain. That gain is shown in the other income section of the consolidated statements of income.

(5) Line of Credit

The Company has a \$3,000,000 line of credit available at the bank's prime rate. This line of credit expires on May 1, 2017. At December 31, 2016 and 2015, no amounts were borrowed under this line of credit.

Continued





(6) Gain on Sale of Building

On April 17, 2015, the Company sold certain land and a building to an unrelated party for \$1,300,000. The property had an original cost of approximately \$226,000 and a carrying value of \$100,000. After selling related expenses, the sale of the property resulted in a gain on sale of approximately \$1,119,400, which is depicted on the consolidated statements of income.

At closing the Company received \$250,000 prior to selling related expenses and entered into a land contract with the purchaser regarding the remaining \$1,050,000 balance. The Company received a note for that remaining balance based on a 20 year amortization schedule with terms of 6% interest and a final balloon payment of approximately \$899,000 due in May of 2020. The consolidated financial statements include principal payments received of approximately \$29,000 and \$16,000 in 2016 and 2015, respectively and interest payments of approximately \$61,000 and \$39,000 in 2016 and 2015, respectively. The principal payments due from unrelated party as of December 31, 2016 and December 31, 2015 are shown on the consolidated balance sheets under the title Note Receivable.

(7) Operating Leases

Prior to the sale of the land and building described in the above footnote, the Company leased that land and building to an unrelated party. Lease payments derived from that property were approximately \$0 in 2016 and \$67,000 in 2015. Expenses related to this lease were approximately \$0 in 2016 and \$38,000 in 2015.

The Company also owns a parking lot which it leases to an unrelated party. Lease revenues were approximately \$62,000 in 2016 and \$56,000 in 2015. The lease expired on December 31, 2016. A new two year lease was signed in late December, 2016. That lease expires on December 31, 2018. Lease revenues in 2017 are expected to be approximately \$192,000.

On January 2, 2013, the Company entered into a 60 month operating lease with a lessor regarding high end copier equipment. The lease called for monthly payments of approximately \$3,700 per month for 60 months. Expenses related to this lease were approximately \$44,400 in 2016 and 2015.

DLNP leases various office spaces with an initial three to four year term expiring between 2017 and 2019. Total rent expense associated with these leases for 2016 and 2015 was \$154,719 and \$177,089, respectively.

Future minimum lease payments for office space under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2016 are:

Year ending December 31:

2017	124,369
2018	71,614
2019	12,740
Total minimum lease payments	<u>\$ 208,723</u>

Continued





(8) Defined Contribution Plans

The Company sponsors a 401(k) savings plan which covers substantially all Inland Press employees. The plan is funded by employee contributions through salary reductions. The Company pays all administrative costs of the plan. The Company also funds employer contributions to its defined contribution/401(k) plan for eligible salaried employees. Additional employer contributions are made to the Company's respective union employee's 401(k) accounts as a result of negotiated labor contracts. Total employer contributions for both union and non-union employees totaled \$271,769 in 2016 and \$259,089 in 2015.

DLNP sponsors a 401(k) savings plan which covers substantially all DLNP employees. The plan is funded by employee contributions through salary reductions. DLNP contributes 3 percent of compensation to the plan for each employee. DLNP contributions were \$62,272 in 2016 and \$65,142 in 2015. DLNP pays all administrative costs of the plan.

(9) Basic and Diluted Earnings Per Share

Basic earnings per share (EPS) was computed by dividing net income by 37,755, the weighted average number of shares of common stock outstanding during the year. Diluted EPS would not differ from basic EPS as the Company has no securities or other contracts to issue common stock that would have a potentially dilutive effect on the EPS calculation.

(10) Income Taxes

Income tax expense (benefit) for the years ended December 31, 2016 and 2015 consists of:

	2016	2015
Current federal income tax	\$ 609,000	\$ 469,000
Current state and local income tax	119,000	94,000
Deferred taxes	(845,000)	354,000
	<u>\$ (117,000)</u>	<u>\$ 917,000</u>

Income tax expense (benefit) as reported differs from the amount computed by applying the U.S. federal income tax rate of 34% for the tax years ended December 31, 2016 and December 31, 2015, to income before income taxes and noncontrolling interest as a result of the following:

	2016	2015
Computed "expected" tax expense (benefit)	\$(1,252,000)	\$ 1,178,000
Increase (reduction) in income taxes resulting from:		
Noncontrolling interest in earnings of DLNP	710,000	(369,000)
Goodwill impairment charge	348,000	—
Local income tax, net of federal benefit	79,000	62,000
Other, net	(2,000)	46,000
Income taxes	<u>\$ (117,000)</u>	<u>\$ 917,000</u>

Continued



The tax effects of temporary differences at December 31, 2016 and 2015, that give rise to deferred tax assets and liabilities are presented below:

	<u>2016</u>	<u>2015</u>
Deferred tax assets:		
Accrued vacation pay	\$ 34,000	\$ 34,000
Allowance for doubtful accounts	145,000	52,000
Inventory	57,000	51,000
Goodwill	158,000	—
Other	38,000	11,000
Total deferred tax assets	<u>432,000</u>	<u>148,000</u>
Deferred tax liabilities:		
Unbilled revenue	46,000	54,000
Accumulated depreciation	221,000	267,000
Prepaid insurance	18,000	21,000
Goodwill	—	508,000
Sale of Building	298,000	307,000
Other	16,000	3,000
Total deferred tax liabilities	<u>599,000</u>	<u>1,160,000</u>
Net deferred tax liability.....	<u><u>\$ (167,000)</u></u>	<u><u>\$ (1,012,000)</u></u>

Deferred income taxes as recorded in the consolidated balance sheets as of December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Current assets	\$ 192,000	\$ 69,000
Long-term liability	<u>(359,000)</u>	<u>(1,081,000)</u>
Total	<u><u>\$ (167,000)</u></u>	<u><u>\$ (1,012,000)</u></u>

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences.

The Company is subject to taxation in various jurisdictions. The Company continues to remain subject to examination by U.S. federal authorities for the years 2013 through 2016 and for State authorities for the years 2012 through 2016. Management believes that all tax positions taken on the Company's returns during the years that remain open to examination would more likely than not be sustained under examination by federal and state authorities. Accordingly, the Company has not recorded any liability for unrecognized tax benefits related to certain tax positions taken on its various income tax returns. Interest and penalties related to income tax liabilities, if, and when applicable, would be included as a component of income tax expense in the accompanying statements of income.

(11) Related Party Transactions

In the past, DLNP has sold advertising space for legal notices to an entity related to one of its noncontrolling members, pursuant to an exclusivity agreement with that entity. As of the end of 2014, the noncontrolling member is no longer related to that entity, however, the exclusivity agreement with the entity remains in effect by its terms until the member formerly related to that entity or successor entity, is no longer a member of DLNP.



(12) Commitments and Contingencies

On November 30, 2005, an entity wholly owned by Dolan Media Inc. (now Bridgetower) purchased a 35% minority interest in DLNP from existing DLNP minority members. Detroit Legal News maintains a 55% ownership in DLNP. Concurrently with the transaction, the members entered into a new Member Operating Agreement. In accordance with the terms of the new Member Operating Agreement, any DLNP member may exercise a “shootout” provision on a date within 60 days prior to November 30, 2011 and each November 30th after that, by declaring a value for DLNP as a whole. If this were to occur, each of the remaining DLNP members must decide whether it is a buyer of that member’s interest or a seller of its own interest in DLNP at this declared value. At that time, the Company’s management may deem it prudent to exercise its option to purchase the interest of one or both of the remaining DLNP members. Should this be the case, the Company may be required to seek additional funding. No party exercised its “shoot out” provision in 2016 or 2015.

Unless otherwise agreed to by the members, the Member Operating Agreement provides for mandatory quarterly cash distributions by DLNP of excess cash, additional distributions as deemed appropriate by the DLNP Board of Directors, and distributions to pay income taxes caused by DLNP taxable income. No distribution shall be declared or made if, after giving it effect, DLNP would not be able to pay its debts as they become due in the usual course of business or DLNP’s total assets would be less than the sum of its total liabilities.

As of December 31, 2016, DLNP has accounts receivable attributable to one client of approximately \$424,000 that originated prior to May 1, 2016. That amount is included in accounts receivable and also is included in the allowance for doubtful accounts on the consolidated balance sheets.

On November 1, 2016 an agreement was signed which requires the client to pay off that respective accounts receivable balance in equal payments over a period of 48 months.





NOTES





NOTES







DIRECTORS

BRADLEY L. THOMPSON II, *Chairman and President*
(term expires April, 2019)

RICHARD E. RASSEL, *Secretary*
(term expires April, 2018)

BURTON D. FARBMAN
(term expires April, 2017)

STEPHEN B. FOWLER
(term expires April, 2017)

LESLIE A. MURPHY
(term expires April, 2018)

RONALD J. PALMER
(term expires April, 2019)

ROBERT V. PETERSON
(term expires April, 2018)

THE DETROIT LEGAL NEWS COMPANY

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