ACME COMMUNICATIONS, Inc.

Quarterly Financial Report
(unaudited)

September 30, 2016

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

	As of September 30, 2016	As of December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 787	$ 816
Prepaid expenses and other current assets	7	8
Total current assets	794	824
Property and equipment, net	---	1
Total assets	$ 794	$ 825
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ ---	$ ---
Accrued liabilities	269	813
Income taxes payable	---	---
Total current liabilities	269	813
Other liabilities, net of current portion	---	---
Total liabilities	269	813
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 September 30, 2016 and at December 31, 2015, respectively	161	161
Additional paid-in capital	128,011	128,011
Accumulated deficit	(127,647)	(128,160)
Total stockholders' equity	525	12
Total liabilities and stockholders' equity	$ 794	$ 825

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 September 30, 2016	For the Three Months September 30, 2015	For the Nine Months September 30, 2016	For the Nine Months September 30, 2015
Net revenues	$ ---	$ ---	$ ---	$ ---
Operating expenses:				
Cost of service:				
Programming	(542)	---	(542)	---
Depreciation	1	1	1	2
Corporate expenses	9	22	29	55
Operating expenses	(532)	23	(512)	57
Operating income (loss)	532	(23)	512	(57)
Other income	2	58	3	58
Income from discontinuing operations, before income taxes	534	35	515	1
Income taxes	(2)	(3)	(2)	(5)
Net income (loss) / Comprehensive income (loss)	$ 532	$ 32	$ 513	$ (4)
Net income (loss) per share, basic and diluted (discontinued):	$ 0.03	$ 0.00	$ 0.03	$ (0.00)
Weighted average basic and diluted common shares outstanding	16,047	16,047	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)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 2015	16,046	$ 161	$ 128,011	$ (128,160)	$ 12
Net income	---	---	---	513	513
Balance at September 30, 2016	16,046	$ 161	$ 128,011	$ (127,647)	$ 525

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 Nine Months Ended September 30,	
	2016	**2015**
Cash flows from operating activities:		
Net income (loss)	$ 513	$ (4)
Changes in operating assets and liabilities:		
Depreciation and amortization	1	2
Prepaid expenses, other assets and marketable securities	1	(34)
Accrued liabilities	(544)	9
Income taxes payable	---	1
Net cash used in operating activities	(29)	(26)
Cash flows from investing activities	---	---
Cash flows from financing activities:		
FCC escrow refund return	---	290
Net cash provided by financing activities	---	290
Increase (decrease) in cash and cash equivalents	(29)	264
Cash and cash equivalents at beginning of the period	816	500
Cash and cash equivalents at end of the period	$ 787	$ 764
Net cash payments for:		
Interest	$ ---	$ ---
Taxes	$ 2	$ 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.

As of December 31, 2012, the Company had completed the sale of all of its previously owned television stations, and on March 29, 2013, the Company's last remaining operating asset, *The Daily Buzz* morning news show, was sold to Mojo Brands Media, LLC for $1.5 million in cash.

Plan of Liquidation

In October 2012, the Company's shareholders approved a plan of liquidation and since that date, the Company has been winding down its business and financial affairs. In January 2015, the Company's deposit with the Federal Communications Commission ("FCC") made in December 2013 in connection with the sale of its last FCC-licensed television stations, was returned. The Company expects that it will be dissolved and all remaining cash will be distributed to its shareholders in late 2016 or early 2017.

2. BASIS OF PRESENTATION

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. 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 and nine months ended September 30, 2016 and 2015 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 and nine months ended September 30, 2016 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 2015 Annual Report, which can be found on the Company's website at *www.acmecommunications.com*.

The accompanying consolidated balance sheet as of December 31, 2015 is derived from the consolidated financial statements included in the Company's 2015 Annual Report.

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

September 30, 2016 through November 9, 2016, which represents the date the consolidated financial statements were available to be issued.

Recent Adopted or Issued Accounting Pronouncements

In April 2013, the FASB issued ASU No. 2013-07, Presentation of Financial Statements (Topic 205): Liquidation Basis of Accounting, which became effective for interim and annual reporting periods beginning after December 15, 2013, with early adoption permitted. While the Company is in a liquidation stage, it has not adopted this standard and does not believe that the financial statements presented herein are materially affected by such lack of adoption.

Apart from the foregoing, 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.

3. PROPERTY AND EQUIPMENT

At September 30, 2016 property and equipment consists solely of computer equipment with a net book value of zero.

There are no assets subject to capital lease at September 30, 2016 or December 31, 2015.

4. 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 and nine-month periods ended September 30, 2016 and 2015.

There was no stock-based compensation expense for the three-month and nine-month periods ended September 30, 2016 and 2015 and as of September 30, 2016, there is no unrecognized compensation cost related to unvested stock options.

5. INCOME TAXES

Income tax expense for the three and nine months ended September 30, 2016 was $2,000. Income tax expense for the three and nine months ended September 30, 2015 was $3,000 and $5,000, respectively. All such tax expense represented minimum state franchise fees.

At September 30, 2016 and 2015, the Company’s deferred tax assets consisted mainly of net operating loss carryforwards for which the Company has established a full valuations allowance.

6. 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 nine-month period ended September 30, 2016, no stock options expired or were forfeited. The Company’s options outstanding at September 30, 2016 and 2015 were 20,000 and 658,000 shares, respectively.

7. ACCUMULATED OTHER COMPREHENSIVE INCOME

As of September 30, 2016 the Company had no component of accumulated other comprehensive income.

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 and nine-month periods ended September 30, 2016 and 2015 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, 2015 and 2014, included in the Company's 2015 Annual Report, which can be found on the Company's website at *www.acmecommunications.com*.

Overview

In as much as we are in the process of liquidating the Company, substantially all of our operating expenses consist of corporate general and administrative expenses. Accordingly, our MD&A is abbreviated to reflect the current status of our Company and minimal operating activity. 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:

□ *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 September 30, 2016.

□ *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.

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 2 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 September 30, 2016 Compared to September 30, 2015

Program expenses for the third quarter of 2016 were a credit of $542,000 related to the reversal of a prior accrual due to the expiration of statute of limitations.

Corporate expenses for the third quarter of 2016 were $9,000, a decrease of 59%, or $13,000, compared to $22,000 for the third quarter of 2015. The decrease is principally the result of continued reductions in corporate management costs and lower professional fees when compared to the third quarter of 2015. Corporate expenses for future quarters will continue to be in this same range and consist primarily of minimal general office expense, excluding management sales bonuses when and if future distributions to shareholders are made.

Our resulting net income for the third quarter of 2016 was $532,000 compared to a net income of $32,000 for the third quarter of 2015.

Results of Operations – Nine Months Ended September 30, 2016 Compared to September 30, 2015

Program expenses for the nine months ended September 30, 2016 were a credit of $542,000 related to the reversal of a prior accrual due to the expiration of statute of limitations.

Corporate expenses for the nine months ended September 30, 2016 were $29,000, a decrease of 47%, or $26,000, compared to $55,000 for the nine months ended September 30, 2015. The decrease is principally the result of continued reductions in corporate management costs and lower professional fees when compared to the prior year period. Corporate expenses for future quarters will continue to be in this same range and consist primarily of minimal general office expense, excluding management sales bonuses when and if future distributions to shareholders are made.

Our resulting net income for the nine months ended September 30, 2016 was $513,000 compared to a net loss of $4,000 for the nine months ended September 30, 2015.

Liquidity and Capital Resources

Net cash used in operating activities was $29,000 for the nine months ended September 30, 2016 reflecting the funding of our net loss, compared to net cash used in operating activities of $26,000 for the nine months ended September 30, 2015.

There were no investing activities during the first nine months of 2016 or 2015.

There was $290,000 of net cash provided by financing activities during the first nine months of 2015 related to the release of our FCC deposit in January 2015. There were no financing activities during the first nine months of 2016.

As of September 30, 2016, we had unrestricted cash and cash equivalents of $787,000 compared to cash and cash equivalents of $816,000 as of December 31, 2015.

We believe existing unrestricted cash and cash equivalents at September 30, 2016 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 liability is settled, it is likely that we will make a final distribution to our shareholders in late December 2016.

Other Information

On October 15, 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.