ACME COMMUNICATIONS, Inc.

ANNUAL REPORT

2008

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Management's Discussion and Analysis of Financial Condition and Results of Operations

This management's discussion and analysis of financial condition and results of operations, or MD&A, contains forward-looking statements that involve risks and uncertainties. Please see "Forward-Looking Statements" for a discussion of the uncertainties, risks and assumptions associated with these statements. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods, and our actual results may differ materially from those discussed in our forward-looking statements as a result of various factors, including (but not limited to) the ratings growth or decline of our programming, including The CW Network and, to a lesser extent, MyNetworkTV, the impact of changes in national and regional economies, including advertising demand, pricing fluctuations in local and national advertising, volatility in programming costs, and other risk factors. The Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances.

Presentation of Financial Information in this MD&A

The financial information and discussion contained in this MD&A for the years ended December 31, 2008 and 2007 is unaudited and has not been read or reviewed by our independent public accountants. 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 audited Consolidated Financial statements, and notes thereto, as of and for the years ended December 31, 2008 and 2007, beginning on page F-1.

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.

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 audited Consolidated Financial Statements, which are, as mentioned above, posted separately on our Company Web Site.

Results of Operations. These sections provide 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 on both a continuing and discontinuing operations basis.

Liquidity and Capital Resources. This section provides an analysis of our liquidity and cash flows and discussions of our contractual obligations and commitments, as well as our outlook on our available liquidity as of December 31, 2008.

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.

Our Company

Our Company ACME Communications, Inc. and its wholly-owned subsidiaries (together, unless the context otherwise requires, the "Company" or "we") owns and operates six broadcast television stations (our "Continuing Stations") in five medium-sized markets across the United States, which includes a duopoly in the Albuquerque-Santa Fe marketplace. Five of these stations are network affiliates of The CW Television Network and one station, our second station in the Albuquerque-Santa Fe market, is a network affiliate of MyNetworkTV. Our stations broadcast in markets that cover, in the aggregate, approximately 2.2% of the total U.S. television households. In addition to our television

stations, we also produce a three-hour weekday news and lifestyle morning program, The Daily Buzz, which airs on all of our stations and on over 140 television stations across the United States.

Since we reached a high of eleven television stations in 2002, we have been seeking to monetize shareholder value by the selective sale of our stations. We expect to continue to be sellers rather than buyers of television station assets.

Our Continuing Stations are regionally diverse and operate in markets that range in size (based on television households, as measured by Nielsen Media Research) from the 44th through the 85th largest in the nation.

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 related to *The Daily Buzz.* Our advertising revenues depend on popular programming that attracts audiences in the demographic groups targeted by advertisers, allowing us to sell advertising time at satisfactory rates. Similar to all commercial television stations, our rates are directly affected by the number of and demographic makeup of our viewing audience, as measured by Nielsen Media Research. Our revenues also depend significantly on factors such as the national and local economy and the level of local competition.

Approximately 65-75% of our revenues are derived from programming that airs between the hours of 5:00 p.m. to midnight. Network prime time, which is a subset of this broad daypart, accounts for 12-15% of our total revenues. Our Continuing Stations' 5:00 p.m. to midnight weighted average composite viewing shares among commercial stations in our markets increased slightly during the November 2007 and February 2008 sweeps period. In the May 2008 sweeps, our weighted average viewing shares among commercial stations in our markets increased 5% and for our metered markets, which are our largest three markets, increased 17% compared to the May 2007 sweeps results. In the November 2008 sweeps period, our stations as a group increased their composite viewing for the 5:00 p.m. to midnight time period by 15% compared to the November 2007 sweeps period viewing.

Our stations are generally ranked fifth (or in the case of our second station in the Albuquerque-Santa Fe market, sixth) amongst English-language commercial television stations in their respective markets in terms of either their share of viewers or their share of the market's broadcast television revenue. In periods of lower advertising demand – as has been the case for the past two years - competition from market leaders, generally the ABC, CBS, NBC and FOX affiliated stations, increases as these stations become more aggressive in their pricing to maintain their revenue share. Over the past several years, biennial political spending in the even years has grown substantially. While we have not historically directly benefited in any significant way from this political advertising since most such advertising generally targets viewers older than our normal viewing audience, we indirectly benefit as the increased demand for political advertising reduces the overall inventory available to non-political advertisers in each market, which consequently increases the overall advertising price for such non-political advertisers. In 2008, we did, however, achieve our highest ever share of political revenues for our group – albeit a minor share compared to our big-network affiliate competitors.

Calendar 2008 has seen significant turmoil in the stock and credit markets and the economy has deteriorated especially in the second half of the year. While political advertising revenue was at a record high for the year, non-political advertising revenue in our markets declined 10% during 2008 compared to 2007. This decline in non-political revenue was partially offset by higher shares at our stations and, for the first time, a meaningful amount of political revenue for the group. Although non-political revenue declined by 10% in 2008 for the full year, the fourth quarter of 2008 saw a dramatic decline – down 24% compared to non-political revenues in our markets during the fourth quarter of 2007 – due to the worsening recession. We believe the struggling national economy and the resulting adverse impact on advertising demand, will continue well into 2009. In addition, giving the lack of political spending in our markets in 2009, we expect that the ABC, CBS, NBC and FOX affiliates in our market will aggressively try to recover their shares of non-political advertising revenues in our markets, which could adversely affect our share of such revenues.

Similar to the television advertising business in general, our revenues are usually greatest during the fourth quarter of each year, primarily due to increased expenditures by advertisers in anticipation of holiday season consumer spending and an increase in viewership during this period. We generally pay commissions to advertising agencies on local, regional and national advertising and to national sales representatives on national advertising. Our net revenues reflect deductions from gross revenues for commissions payable to advertising agencies and national sales representatives.

Our primary ongoing operating expenses are costs of services, selling, general and administrative expenses, corporate expenses, depreciation and amortization and expenses related to impairments in our broadcast licenses. Costs of services include programming costs, which consist primarily of amortization of programming rights relating to syndicated programs as well as costs associated with our morning news show, *The Daily Buzz* (which for 2007 was

accounted for using the equity-method of accounting for the first three months and then consolidated for the last nine months of the year and through the present), news costs at our Dayton and Knoxville stations and music rights fees. Other costs of service 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, directors and officers insurance and other related corporate overhead.

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 program rights, bad debts, intangible assets, including our broadcast licenses and goodwill, income taxes, and contingencies and litigation. 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

Year Ended December 31, 2008 compared to Year Ended December 31, 2007

In March, 2007, we became the sole owner of The Daily Buzz, LLC and, effective April 1, 2007, began including its results in our results of operations. Accordingly, both our net revenues and operating expenses related to The Daily Buzz are disproportionately lower in 2007 compared to 2008 as noted below.

In 2008, net revenues from continuing operations increased $1,201,000, or 4% to $33.2 million compared to net revenues of $32.0 million in 2007, mainly because the 2007 net revenues did not include the first quarter's results of the Daily Buzz because we accounted for the venture during that period using the equity accounting method. Net revenues from our Continuing Stations were unchanged as a near 10% decline in non-political revenues in our markets for 2008 compared to 2007 was offset by a growth in our group market share of those revenues and record-high political revenue of $1.5 million for the year. Our revenues at the Daily Buzz, on a full-year basis (i.e. including the first quarter of 2007 when the Daily Buzz was not consolidated in our operating results) increased 19% compared to 2007 on higher advertising sales.

Programming expenses for 2008 increased $1,774,000, or 14% to $14.8 million compared to $13.0 million in programming expenses for 2007. The increase during 2008 relates primarily to higher programming amortization from new syndicated programming launched at our stations in September 2007 and to our news program launched at our Dayton station in August 2007. Write-downs of program license rights to adjust to net realizable value during 2008 were $1.2 million and essentially unchanged when compared to 2007.

Other costs of services for 2008 remained largely unchanged at $5.3 million for 2008 compared to $5.2 million in 2007 due to slightly higher promotions costs in 2008.

Selling, general and administrative expenses for 2008 decreased $289,000, or 2% to $11.5 million compared to $11.8 million in 2007. The decrease is mainly due to slightly lower sales commissions and lower sales incentive trips for our advertising clients.

Depreciation and amortization expense for 2008 decreased $419,000, or 13% to $2.8 million compared to $3.2 million for 2007. This decrease relates primarily to more assets becoming fully depreciated compared to new assets placed in service over the past year.

During 2008, following our valuation analysis pursuant to the provisions of SFAS 142, *Goodwill and Other*

Intangible Assets (SFAS 142), we recorded a $35.6 million impairment charge of our FCC broadcast licenses at our continuing stations, compared to a $5.3 million impairment charge in 2007. The impairment of our broadcast licenses was due primarily to a severe and long-lasting national recession and its escalating adverse effect on market conditions, further deterioration in broadcasting industry revenues and the significant decline in our stock price, all of which have resulted in lower projected long-term market revenues and as such a lower estimated current fair value of our broadcast licenses.

During 2008, following our evaluation of goodwill in accordance with SFAS 142, we also recognized an impairment loss of $881,000 relating to goodwill. There was no such impairment charge recorded in 2007.

We recorded lease termination costs of $653,000 in 2008 as a result of the abandonment of our backup tower facility for our CW-affiliated station in the Albuquerque-Santa Fe marketplace. There were no such charges during 2007.

Corporate expenses for 2008 decreased $1,140,000, or 32% to $2.4 million, compared to $3.6 million in 2007 principally as a result of lower salaries and related expenses due to the June 2007 shut-down of the corporate graphics department, the death benefit expense incurred in June 2007 relating to one of our former officers, the waiver in November 2007 by our Chief Executive Officer of his consulting fee, lower professional fees and lower travel and entertainment and insurance costs.

Our 2008 income tax benefit for continuing operations was $8.5 million, compared to an income tax benefit of $3.7 million in 2007. The income tax benefit for 2008 is comprised of $83,000 current tax expense and an $8.6 million deferred tax benefit, which relates primarily to reversal of deferred tax liabilities resulting from the impairment of intangibles recorded during 2008. Our 2007 income tax benefit for continuing operations was $3.7 million which related primarily to the utilization of the continuing operations pre-tax losses to offset discontinued pre-tax income and the tax on our income from discontinued operations.

Our loss from continuing operations in 2008, net of income tax benefit, was $32.7 million, compared to a loss of $6.7 million in 2007, primarily due to the $30.3 million increased impairment charge that was recorded on our FCC broadcast licenses during 2008 when compared to 2007.

Our income from discontinued operations in 2008, net of income tax, was $13,000, compared to $22.0 million in 2007. Our income in 2007 includes the pre-tax gain on the sale of our Ft. Myers-Naples station ("WTVK") in February 2007 of $27.9 million and income from station WTVK for the approximate 46 days we owned the station up to the date of its sale, net of losses from our Decatur station ("WBUI"), which was sold in October 2007, which includes a $33,000 loss on its sale. Our income tax expense for discontinued operations was $2.3 million for 2007. There was no income tax expense for discontinued operations for 2008.

As a result, our net loss for the twelve months of 2008 was $32.7 million, compared to net income of $15.3 million in 2007.

Liquidity and Capital Resources

We have a revolving credit facility (the "Revolver") which is secured by substantially all of our Company's assets and which matures on May 8, 2009. In May 2007, we voluntarily elected to permanently reduce its advance rate from 45% of appraised STAC ("start-up stations with affiliation agreements sold in a compressed time period") value to 20% of appraised STAC value which resulted in a reduction in our maximum allowed borrowings from $39.9 million to approximately $17.7 million and also reduced our borrowing rates by 250 basis points. In May 2008, the lender agreed to our request to reduce the maximum allowed borrowings to $6.0 million.

On February 16, 2007, we completed the sale of WTVK and completely repaid the then outstanding borrowings and accrued interest under the Revolver of $37.2 million. That same day we declared a $0.50 dividend per common share that was paid on March 12, 2007 to holders of record at the close of business on February 26, 2007. The aggregate dividend was $8.0 million and we used approximately $7.0 million of the remaining proceeds from the WTVK sale along with approximately $1.0 million in new borrowings under the senior credit facility to make that dividend payment.

On October 25, 2007, we completed the sale of WBUI and repaid all of our then outstanding borrowings of $2.8 million under the Revolver.

At December 31, 2008 and 2007, we had no outstanding borrowings under our Revolver and available credit was approximately $6.0 million and we were in compliance with all the covenants contained in the loan agreement.

Costs associated with the procuring and amending our credit facilities, including loan fees and related professional fees, are included in other assets and are amortized on a straight-line basis, which approximates the effective interest method, over the term, including amended terms, of the facilities. The amount of prepaid financing costs that were written off in 2008 and 2007 due to the reductions in our maximum allowed borrowings was approximately $140,000 and $570,000, respectively. In 2007 all interest expense, which includes the write-off of prepaid financing costs was included in discontinued operations.

On March 25, 2009, we entered into an agreement with our lender to amend our Revolver. The key elements of the amendment were (a) to amend the maturity date from May 8, 2009 to May 8, 2011, (b) to increase the interest rate margins from 2.50% to 4.50% for LIBOR-based loans and from 0.75% to 2.75% on prime rate-based loans and (c) to change the definition of prime rate to incorporate new minimum rates. While the maximum borrowings under the amended Revolver are $6.0 million, based on a March 1, 2009 appraisal of the STAC values of our stations, only $4.4 million are currently available.

Given the sharp national economic recession and the adverse impact on advertising demand, we will need to borrow during 2009 to help fund working capital needs and capital expenditures, the latter which are estimated to be approximately $400,000 for the year. Although our amended Revolver contains no financial covenants, it does contain a provision that upon the occurrence of an event or condition that has a material adverse change on our business (a “MAC”), the lenders can refuse to make additional advances under the facility. We do not believe, nor do we anticipate, that the lenders would do so given our long-standing relationship with them, the recent amendment and fees paid by us for such amendment and the inherent lender-liability risk that such an action might create for them.

Net cash provided by operating activities was $106,000 for the twelve months of 2008, compared to net cash used of $1.1 million for 2007. The increase in operating cash flow of $1.2 million relates to a decrease in working capital needs coupled with lower program rights payments at our continuing stations, lower corporate expense and lower tax payments during 2008 compared to 2007.

Net cash used in investing activities was $224,000 for the twelve months of 2008, consisting solely of capital expenditures, net of proceeds received for the sale of property and equipment, compared to cash flow provided by investing activities of $45.9 million for 2007. The 2007 cash flow includes $44.0 million in net proceeds from the sale of WTVK, $4.0 million in net proceeds from the sale of WBUI, net of $1.8 million in capital expenditures, principally related to new commercial playback systems at all of our stations and our Daily Buzz facility move.

Net cash used in financing activities was $64,000 for the twelve months of 2008, compared to cash flow used of $44.6 million for the twelve months of 2007 as we repaid all of the then current outstanding debt under our senior credit facility on the completion of the WTVK sale but subsequently re-borrowed $2.7 million to partially fund our $8.0 million dividend payment made in March 2007 and to fund ongoing working capital needs.

Net cash used in operating activities of our discontinued operations for the twelve months of 2008 was $33,000 compared to $320,000 used in operating activities for 2007. This decrease relates primarily to the fact that our first quarter 2007 cash from operations included the results of station WTVK, which was sold in February 2007. Because the sum of the net proceeds from the WTVK and WBUI sales exceeded our outstanding borrowings for 2007 and the loan agreements in place at the time required us to repay outstanding debt first with those proceeds, all interest expense through October 25, 2007, the date our WBUI sale transaction was completed, has been attributed to discontinued operations. The reduced cash used in operating activities reflects primarily reduced interest expense net of reduced operating profits at WTVK (which was still owned for less than two months in 2007).

There was no net cash used in investing or financing activities for our discontinued operations for the twelve months of 2008 while net cash used in investing and financing activities in our discontinued operations in 2007 was $29,000 and $44,000, respectively. The $29,000 used in investing activities in 2007 relates to capital expenditures at station WBUI. The $44,000 used in financing activities in 2007 relates primarily to prepaid financing fees paid in 2007.

Recent Accounting Pronouncements

In April 2008, the FASB issued FASB Staff Position ("FSP") No. FAS 142-3, *Determination of Useful Life of Intangible Assets* (FSP 142-3). FSP 142-3 amends the factors that should be considered in developing the renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS 142. The intent of this FSP is to improve the consistency between the useful life of an intangible asset determined under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141R. FSP 142-3 is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The Company is currently evaluating the impact of adopting FSP 142-3 on its consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosure about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133*. This Statement changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This Statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company does not expect the adoption of SFAS No. 161 to have a material effect on its consolidated financial statements.

In February 2008, the FASB issued FSP No. FAS 157-2, *Effective Date of FASB Statement No. 157* ("FSP 157-2") which defers the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). SFAS 157, for items within the scope of FSP 157-2, is effective beginning in fiscal year 2009. The Company is currently evaluating the impact of adopting SFAS 157 for items within the scope of FSP 157-2 on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* (SFAS No. 141(R)), which replaces SFAS No. 141, Business Combinations, requires an acquirer to recognize the assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions. This Statement also requires the acquirer in a business combination achieved in stages to recognize the identifiable assets and liabilities, as well as the non-controlling interest in the acquiree, at the full amounts of their fair values. SFAS No. 141(R) makes various other amendments to authoritative literature intended to provide additional guidance or to confirm the guidance in that literature to that provided in this Statement. This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company does not expect the adoption of SFAS No. 141(R) to have a material effect on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements (SFAS No. 160), which amends Accounting Research Bulletin No. 51, Consolidated Financial Statements, to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements. SFAS No. 160 establishes accounting and reporting standards that require the ownership interests in subsidiaries not held by the parent to be clearly identified, labeled and presented in the consolidated statement of financial position within equity, but separate from the parent's equity. This statement also requires the amount of consolidated net income attributable to the parent and to the non-controlling interest to be clearly identified and presented on the face of the consolidated statement of income. Changes in a parent's ownership interest while the parent retains its controlling financial interest must be accounted for consistently, and when a subsidiary is deconsolidated, any retained non-controlling equity investment in the former subsidiary must be initially measured at fair value. The gain or loss on the deconsolidation of the subsidiary is measured using the fair value of any non-controlling equity investment. The Statement also requires entities to provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. This Statement applies prospectively to all entities that prepare consolidated financial statements and applies prospectively for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company does not expect the adoption of SFAS No. 160 to have a material effect on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115* (SFAS No. 159), which was effective for fiscal year 2008. SFAS No. 159 permits the Company to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate

volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is expected to expand the use of fair value measurement, which is consistent with the FASB's long-term measurement objectives for accounting for financial instruments. Upon adoption of the statement, the Company did not elect the fair value option for any of its eligible financial assets or liabilities, therefore the adoption of SFAS 159 had no effect on the Company's financial position or results of operations.

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.

Forward-Looking Statements

This Annual 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 "will," "could," "expect," "believe," 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 selectively sell our stations, an inability of The CW Network or MyNetworkTV to attract and grow viewership, the impact of changes in national and regional economies, including advertising demand, pricing fluctuations in local and national advertising, volatility in programming costs.

These forward-looking statements speak only as of the date of this Annual 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 Annual Report. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Annual Report might not occur.

Directors and Executive Officers

The following table sets forth information about our directors and executive officers at December 31, 2008:

Name	Age (1)	Position
Jamie Kellner	61	Chairman of the Board and Chief Executive Officer
Douglas Gealy	48	President, Chief Operating Officer and Director
Thomas Allen	56	Executive Vice President, Chief Financial Officer and Director
Michael Corrigan	50	Director
Frederick Wasserman	53	Director

(1) as of March 31, 2009

Jamie Kellner is a founder of ACME and has served as our Chief Executive Officer and Chairman of the Board since 1997. Mr. Kellner co-founded The WB Network in 1993 and served as its Chairman and Chief Executive Officer from 1994 until June 2004. Mr. Kellner was President of Fox Broadcasting Company from its inception in 1986 to 1993. Mr. Kellner also served as Chairman and Chief Executive Officer of Turner Networks, a division of AOL-Time Warner, from March 2001 to February 2003.

Douglas Gealy is a founder of ACME and has served as our President and Chief Operating Officer and as a member of our Board since 1997. Since December 1996, Mr. Gealy has been involved in development activities for ACME. Before founding ACME, Mr. Gealy served for one year as Executive Vice President of Benedek Broadcasting Corporation. From 1991 to 1996, Mr. Gealy was a Vice President and General Manager of WCMH and its local marketing agreement, WWHO, both in Columbus, Ohio, and following the acquisition of these stations by NBC, served as President and General Manager of these stations.

Thomas Allen is a founder of ACME and has served as our Executive Vice President and Chief Financial Officer and as a member of our Board since 1997. Since June 1996, Mr. Allen has been involved in development activities for ACME. From August 1993 to May 1996, Mr. Allen was the Chief Operating Officer and Chief Financial Officer for Virgin Interactive Entertainment, Inc. Before that Mr. Allen served as Senior Vice President and Chief Financial Officer of the Fox Broadcasting Company from 1986 to 1993. Mr. Allen also serves on the Board of Directors of Rentrak Corporation, a publicly traded entertainment and data measurement company on the Nasdaq Global Market.

Michael Corrigan was appointed to the Board in April, 2004. Mr. Corrigan is an experienced media and entertainment executive and consultant. Mr. Corrigan also serves on the Board of Managers and is Chairman of the Audit Committee of the Board of Managers of Tropicana Entertainment Holdings LLC, a gaming company. Mr. Corrigan was formerly Senior Executive Vice President and Chief Financial Officer of Metro Goldwyn Mayer Inc. and prior thereto was a senior partner in the Entertainment, Media and Communications practice at Price Waterhouse.

Frederick Wasserman has served as a member of our Board since December 2006. Mr. Wasserman currently is President of FGW Partners LLC, which provides financial and management consultant services. From 2005 through 2006, Mr. Wasserman served as Chief Operating and Chief Financial officer of Mitchell & Ness Nostalgia Company, a manufacturer and distributor of licensed sportswear. From 2002 through 2005, he served as Chief Financial Officer and then President of Goebel of North America, an international manufacturer of collectibles, gifts and home decor. From 1995 to 2001, Mr. Wasserman served in various management positions for Papel Giftware, a privately owned giftware company. Mr. Wasserman currently serves on the Board of Directors of Allied Defense Group, Inc., a publicly traded company on the American Stock Exchange and of TeamStaff, Inc., a publicly traded company on the Nasdaq Global Market and Gilman and Ciocia, Inc. and AfterSoft Group Inc., both companies are traded on the OTC Bulletin Board.

Transfer Agent and Stock Registrar

Our transfer agent and stock registrar is Computershare at 250 Royall St., Canton, MA 02021.

Independent Public Accountants

Our independent public accountants are Mayer Hoffman McCann P.C. at 2 Venture Suite 450, Irvine, CA 92618.

ACME COMMUNICATIONS, INC. AND SUBSIDIARIES

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Mayer Hoffman McCann P.C.
An Independent CPA Firm

10474 Santa Monica Blvd., Suite 200
Los Angeles, CA 90025
PH 310.268.2000
FAX 310.268.2001

Report of Independent Public Accountants

The Board of Directors and Stockholders

ACME Communications, Inc.

We have audited the accompanying consolidated balance sheets of ACME Communications, Inc. and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards as of and for the year ended December 31, 2008, and the standards of the Public Company Accounting Oversight Board (United States) as of and for the year ended December 31, 2007. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of their internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ACME Communications, Inc. and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Mayer Hoffman McCann P.C.

MAYER HOFFMAN MCCANN P.C.
Los Angeles, California

March 31, 2009

ACME Communications, Inc. and Subsidiaries
Consolidated Balance Sheets

(In thousands, except share data)

	December 31, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 676	$ 891
Restricted cash	50	50
Accounts receivable, net of allowance for doubtful accounts of $842 and $810 as of December 31, 2008 and 2007, respectively	5,396	6,453
Current portion of programming rights	5,077	5,975
Prepaid expenses and other current assets	217	226
Assets held for sale	268	268
Total current assets	11,684	13,863
Property and equipment, net	11,887	14,446
Programming rights, net of current portion	13,009	12,077
Goodwill, net	13,839	14,720
Broadcast licenses, net	10,950	46,518
Other assets	36	355
Total assets	$ 61,405	$ 101,979
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,333	$ 2,671
Accrued liabilities	4,528	4,936
Current portion of programming rights payable	6,246	6,437
Current portion of obligations under lease	47	46
Income taxes payable	351	252
Total current liabilities	13,505	14,342
Programming rights payable, net of current portion	14,591	13,528
Obligations under lease, net of current portion	753	800
Other liabilities	628	228
Deferred income taxes	1,379	9,964
Total liabilities	30,856	38,862
Commitments and contingencies (Note 6)		
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, 16,772,415 shares issued and 16,046,763 outstanding at December 31, 2008 and December 31, 2007	168	168
Additional paid-in capital	132,991	132,857
Accumulated deficit	(97,610)	(64,908)
Less: Treasury stock, at cost; 725,652 shares	(5,000)	(5,000)
Total stockholders' equity	30,549	63,117
Total liabilities and stockholders' equity	$ 61,405	$ 101,979

See the accompanying notes to the consolidated financial statements.

ACME Communications, Inc. and Subsidiaries
Consolidated Statements of Operations

(In thousands, except per share data)

	For the Years Ended December 31,	
	2008	2007
Net revenues	$ 33,201	$ 32,000
Operating expenses:		
Cost of service:		
Programming, including program amortization	14,821	13,047
Other costs of service (excluding depreciation and amortization of $2,758 and $3,172 for the years ended December 31, 2008 and 2007, respectively)	5,278	5,248
Selling, general and administrative expenses	11,531	11,820
Depreciation and amortization	2,783	3,202
Impairment of goodwill	881	---
Impairment of broadcast licenses	35,568	5,257
Lease termination costs	653	---
Corporate expenses	2,449	3,589
Operating expenses	73,964	42,163
Operating loss	(40,763)	(10,163)
Other income (expenses):		
Interest, net	(454)	(43)
Equity in loss of unconsolidated affiliate	---	(251)
Loss from continuing operations before income taxes	(41,217)	(10,457)
Income tax benefit	8,502	3,734
Loss from continuing operations	(32,715)	(6,723)
Discontinued operations (Note 3):		
Income from discontinued operations before income taxes	13	24,304
Income tax expense	---	(2,288)
Income from discontinued operations	13	22,016
Net income (loss)	$ (32,702)	$ 15,293
Net income (loss) per share, basic and diluted		
Continuing operations	$ (2.04)	$ (0.42)
Discontinued operations	---	1.37
Net income (loss) per share	$ (2.04)	$ 0.95
Weighted average basic and diluted common shares outstanding	16,047	16,047

See the accompanying notes to the consolidated financial statements.

ACME Communications, Inc. and Subsidiaries
Consolidated Statement of Stockholders' Equity

(In thousands)

	Common Stock		Additional Paid-in	Accumulated	Treasury	Total Stockholders'
	Shares	Amount	Capital	Deficit	Stock	Equity
Balance at December 31, 2006	16,772	$ 168	$ 132,440	$ (72,178)	$ (5,000)	$ 55,430
Stock-based compensation	---	---	417	---	---	417
Cash dividends	---	---	---	(8,023)	---	(8,023)
Net income	---	---	---	15,293	---	15,293
Balance at December 31, 2007	16,772	168	132,857	(64,908)	(5,000)	63,117
Stock-based compensation	---	---	134	---	---	134
Net loss	---	---	---	(32,702)	---	(32,702)
Balance at December 31, 2008	16,772	$ 168	$ 132,991	$ (97,610)	$ (5,000)	$ 30,549

See the accompanying notes to the consolidated financial statements.

ACME Communications, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

(In thousands)

	For the Years Ended December 31,	
	2008	**2007**
Cash flows from operating activities:		
Net income (loss)	$ (32,702)	$ 15,293
Less: Income from discontinued operations, net of income tax	(13)	(22,016)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Equity in loss of unconsolidated affiliate	---	251
Provision for doubtful accounts receivable	257	215
Depreciation and amortization	2,783	3,202
Impairment of goodwill	881	---
Impairment of broadcast licenses	35,568	5,257
Lease termination costs	653	---
Amortization of program rights	7,223	6,942
Amortization of prepaid financing costs	306	67
Stock-based compensation	134	393
Deferred income taxes	(8,585)	213
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivables	800	(372)
Decrease in prepaid expenses and other current assets	9	80
Decrease in other assets	31	230
Decrease in accounts payable	(331)	(115)
Decrease in accrued liabilities	(555)	(284)
Increase (decrease) in income taxes payable	99	(4,037)
Payments of programming rights payable	(6,389)	(6,635)
(Decrease) increase in other liabilities	(63)	195
Net cash provided by (used in) operating activities	106	(1,121)
Cash flows from investing activities:		
Purchase of property and equipment	(274)	(1,827)
Proceeds from sale of property and equipment	50	---
Investment in unconsolidated affiliate	---	(155)
Proceeds from sale of assets - discontinued operations	---	47,875
Net cash (used in) provided by investing activities	(224)	45,893

See the accompanying notes to the consolidated financial statements.

ACME Communications, Inc. and Subsidiaries

Consolidated Statements of Cash Flows - Continued

(In thousands)

	For the Years Ended December 31,	
	2008	**2007**
Cash flows from financing activities:		
Borrowings under revolving credit facility	$ ---	$ 3,950
Payments on revolving credit facility	---	(40,500)
Payment of financing costs on credit facility	(18)	---
Payments on capital lease obligations	(46)	(49)
Payment of dividend	---	(8,023)
Net cash used in financing activities	(64)	(44,622)
(Decrease) increase in net cash from continuing operations	(182)	150
Reconsolidation of The Daily Buzz, LLC at March 31, 2007	---	21
Discontinued operations:		
Net cash used in operating activities	(33)	(320)
Net cash used in investing activities	---	(29)
Net cash used in financing activities	---	(44)
Net cash used in discontinued operations	(33)	(393)
Decrease in cash and cash equivalents	(215)	(222)
Cash and cash equivalents at beginning of year	891	1,113
Cash and cash equivalents at end of year	$ 676	$ 891
Cash payments for:		
Interest	$ 163	$ 1,125
Taxes, net of refunds	$ (15)	$ 560
Non-cash transactions:		
Program rights in exchange for program rights payable (continuing operations)	$ 7,257	$ 5,038

See the accompanying notes to the consolidated financial statements.

ACME COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF BUSINESS

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"). As of December 31, 2008, ACME Television, through its wholly-owned subsidiaries, owned and operated the following seven commercially-licensed, full-power, broadcast television stations located throughout the United States, including KWBR in Roswell, New Mexico, the Company's satellite station of KWBQ:

Station - Channel	Market	Market Ranking (1)	Network Affiliation
KWBQ – 19 / KWBR - 21	Albuquerque – Santa Fe, NM	44	CW
KASY - 50	Albuquerque – Santa Fe, NM	44	MNT
WBXX - 20	Knoxville, TN	59	CW
WBDT - 26	Dayton, OH	64	CW
WIWB - 14	Green Bay – Appleton, WI	70	CW
WBUW - 57	Madison, WI	85	CW

(1) based on television households per Nielsen Market Research for the 2008 / 2009 broadcast season.

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 8K, 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(r), a centralized electronic quotation service for over-the counter securities.

Discontinued Operations

On February 16, 2007, the Company completed the sale of station WTVK, serving the Ft. Myers – Naples, Florida marketplace, to Sun Broadcasting, Inc. (the "Sun Transaction"). On June 14, 2007, the Company entered into an agreement to sell station WBUI serving the Champagne-Springfield-Decatur marketplace to Gocom Media of Illinois, LLC (the "Gocom Transaction"). The Gocom Transaction was completed on October 25, 2007. In accordance with U.S. generally accepted accounting principles, the accompanying statements of operations and cash flows reflect the results of stations WTVK and WBUI as discontinued operations for all periods presented.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation and Presentation

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.

Investment in Nonconsolidated Affiliates and Variable Interest Entities

The Company adopted the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 46R (FIN 46R), *Consolidation of Variable Interest Entities*, effective January 1, 2004. On that same date, the Company's joint venture (The Daily Buzz, LLC) with Emmis Communications ("Emmis") to produce *The Daily Buzz*, a weekday morning three-hour television news show, became effective. Under the agreement, the Company made an initial contribution of property and equipment with an agreed fair value and book value of $750,000 and Emmis was required to contribute the

next $750,000 in capital equipment purchased by the venture and based thereon, the Company included The Daily Buzz, LLC in its consolidated financial statements. Effective July 1, 2006, when Emmis completed its matching capital contribution, the Company was no longer deemed the primary beneficiary and deconsolidated the venture. In March 2007, the Company acquired all of Emmis' interest in the venture and reconsolidated the venture effective March 31, 2007 using the equity-method of accounting for its results of operations for the first quarter of 2007. Effective April 1, 2007, the Company included the results of The Daily Buzz in its consolidated results of operations.

Revenue Recognition

Revenue from the sale of airtime related to advertising and contracted time is recognized at the time of broadcast. The Company records such revenues net of commissions of advertising agencies and national sales representatives.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash that is restricted and pledged as collateral for capital lease obligations or is escrowed in connection with pending acquisitions, including acquisitions of construction permits, is considered restricted cash.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are presented net of the related allowance for doubtful accounts which totaled $842,000 and $810,000 at December 31, 2008 and 2007, respectively. The Company does not charge interest on past due receivables. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The Company utilizes information available to it, including the timing of payments and the financial condition of our customers, to estimate its allowance for doubtful accounts. If the financial condition of its customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The Company does not have a significant concentration of accounts receivable from any single customer or industry segment.

Concentration of Credit Risk and Fair Value of Financial Instruments

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of accounts receivable and cash. Due to the short-term nature of these instruments, the carrying value approximates the fair value. The Company believes that concentrations of credit risk with respect to accounts receivable, which are unsecured, are limited due to the Company's ongoing relationship with its clients and limited exposure to any one customer. The Company provides its estimate of uncollectible accounts. The Company has not experienced significant losses relating to accounts receivable.

The carrying amounts reported in the consolidated balance sheets for receivables and accounts payable approximate fair values because of the immediate or short-term maturity of these financial instruments. The Company did not have any outstanding notes payable as of December 31, 2008 and 2007, respectively.

Long-Lived Assets, Including Intangibles Subject to Amortization

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 the carrying amount of such assets may not be recoverable. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance and may differ from actual cash flows. Long-lived assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made.

Long-lived assets consist of program rights and property and equipment.

Program rights represent costs incurred for the right to broadcast certain features and syndicated television programs. Program rights are stated, on a gross basis, at the lower of amortized cost or estimated net realizable value. The cost of such program rights and the corresponding liability are recorded when the initial program becomes available for broadcast under the contract. Generally, program rights are amortized over the life of the contract on a straight-line basis related to the usage of the program. Any reduction in unamortized costs to net realizable value is included in amortization of program rights in the accompanying consolidated statements of operations. During 2008 and 2007, the Company recorded write-downs of $1,188,000 and $1,244,000, respectively, for certain programs where unamortized program rights exceeded estimated future net revenues.

The portion of the program rights estimated to be amortized within one year and after one year is reflected in the consolidated balance sheets as current and non-current assets, respectively. The gross payments under these contracts that are due within one year and after one year are similarly classified as current and non-current liabilities.

Property and equipment are stated at cost. The cost of maintenance is expensed when incurred. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the respective assets, or for leasehold improvements, the shorter of useful lives or the lease term. When property is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the appropriate accounts and any gain or loss is included in the results of current operations. The principal lives used in determining depreciation rates of various assets are as follows:

Buildings and improvements	20 - 30 years
Broadcast and other equipment	3 - 20 years
Furniture and fixtures	5 - 7 years
Vehicles	5 years

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, (SFAS 144) the carrying values of the Company's property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. The impairment analysis is based upon estimated future undiscounted cash flows of the stations. Based on these estimates, the Company recorded a $100,000 impairment charge related to its WBUI's station's studio building and land in 2007 which is presented as assets held for sale as of December 31, 2007. No such impairment charge was taken during 2008. Future adverse changes in market conditions, changes in technology and other factors could reduce the expected future cash flows and result in an impairment charge.

Goodwill and Indefinite Life Intangible Assets

Goodwill and indefinite life intangible assets are not amortized but are tested annually for impairment, or more frequently if events or changes in circumstances indicate that the assets might be impaired. In assessing the recoverability of goodwill and indefinite life intangible assets, the Company must make assumptions about the estimated future cash flows and other factors to determine the fair value of these assets. The annual testing date is December 31.

Assumptions about future revenue and cash flows require significant judgment because of the current state of the economy, the fluctuation of actual revenue and the timing of expenses.

For goodwill, the impairment evaluation includes a comparison of the carrying value of the reporting unit (including goodwill) to that reporting unit's fair value. If the reporting unit's estimated fair value exceeds the reporting unit's carrying value, no impairment of goodwill exists. If the fair value of the reporting unit does not exceed the unit's carrying value, then an additional analysis is performed to allocate the fair value of the reporting unit to all of the assets and liabilities of that unit as if that unit had been acquired in a business combination and the fair value of the unit was the purchase price. If the excess of the fair value of the reporting unit over the fair value of the identifiable assets and liabilities is less than the carrying value of the unit's goodwill, an impairment charge is recorded for the difference.

Similarly, the impairment evaluation for indefinite life intangible assets includes a comparison of the asset's carrying value to the asset's fair value. When the carrying value exceeds fair value an impairment charge is recorded for the amount of the difference. An intangible asset is determined to have an indefinite useful life when there are no legal, regulatory, contractual, competitive, economic or any other factors that may limit the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the Company. The Company also evaluates annually intangible assets that are not being amortized to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortized is determined to have a finite useful life, the

asset will be amortized prospectively over the estimated remaining useful life and accounted for in the same manner as intangible assets subject to amortization.

Intangible assets with indefinite lives consist of FCC broadcast licenses and goodwill.

The Company has determined that the appropriate level to test goodwill and its FCC broadcast licenses for impairment is at the respective station market level, except for its two stations serving the Albuquerque - Santa Fe, New Mexico marketplace, which are evaluated together. The fair value at December 31, 2008, was primarily determined by evaluating discounted cash flow models and a market-based approach. The assumptions in the models were based on the market clusters' projected ability to generate cash flows in various cities or nearby cities based on signal coverage of the markets. The fair value of the reporting unit and the FCC broadcast licenses contains significant assumptions incorporating variables that are based on past experiences and judgments about future performance using industry normalized information for an average station within a market. These variables would include the forecasted growth rate of each television market, including population, household income, retail sales and other expenditures that would influence advertising expenditures, market share and profit margin of an average station within a market, estimated capital start-up costs and losses incurred during the early years, risk-adjusted discount rate based on the risk inherent in the future cash flows and the likely media competition within the market area. The market-based approach used comparable company earnings multiples.

Based upon evaluations, the Company determined that due primarily to a severe and long-lasting national recession and its escalating adverse effect on market conditions, further deterioration in broadcasting industry revenues and the significant decline in the Company's stock price, all of its FCC broadcast licenses had become impaired and the Company recorded a $35,568,000 impairment charge for the year ended December 31, 2008. The Company recorded a $5,257,000 impairment charge on its FCC broadcast licenses for its continuing operations for the year ended December 31, 2007. These impairments resulted from the carrying value of the FCC broadcast licenses exceeding their fair values.

Based on the Company's evaluations of goodwill in accordance with the provisions of SFAS 142, *Goodwill and Other Intangible Assets*, the Company recognized an impairment loss of $881,000 relating to goodwill at December 31, 2008. There was no such impairment charge for the year ended December 31, 2007.

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 $3,069,000 and $2,992,000, during the years ended December 31, 2008 and 2007, 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.

Advertising Expenses

The Company records advertising expense when the advertising is run. Production costs associated with such advertising is expensed upon the initial air date of the advertising. Advertising expense, which consists primarily of media costs, production costs and promotion staff salaries and related costs, is included in Other Costs of Services and was $1,849,000 and $1,934,000, for the years ended December 31, 2008 and 2007, respectively.

Income Taxes

The Company accounts for income taxes 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 carryforwards. 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. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax asset will not be realized.

In June 2006, the FASB issued Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes*, which 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. FIN 48 applies to all tax positions accounted for under SFAS No. 109, *Accounting for Income Taxes*. FIN 48 is effective for fiscal years beginning after December 15, 2006. 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 the income taxes required.

Income (Loss) per Share

The Company calculates income (loss) per share in accordance with SFAS No. 128, *Earnings Per Share*. SFAS No. 128 requires a presentation of basic earnings per share ("EPS") and diluted EPS. Basic EPS includes no dilution and is computed by dividing income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution from securities that could share in the earnings of the Company. In calculating diluted EPS, no potential shares of common stock are to be included in the computation when a loss from continuing operations available to common stockholders exists. The statement requires dual presentation of basic and diluted EPS by entities with complex capital structures.

Stock options outstanding amounted to 2,330,446 and 2,358,346 shares at December 31, 2008, and 2007, respectively and were not included in the computation of diluted EPS because an inclusion of such shares would have been antidilutive.

Comprehensive Income (Loss)

The Company has no other components of comprehensive income (loss) other than net income (loss).

Accounting for Stock Options

On January 1, 2006, the Company adopted FASB Statement No. 123(R), *Share-Based Payment* (SFAS 123(R)) using a modified prospective transition method. There were no stock options granted or any other type of share-based issuances during the years ended December 31, 2008 and 2007. Stock-based compensation expense for continuing operations was $134,000 and $393,000, for the years ended December 31, 2008 and 2007, respectively. Stock-based compensation expense for discontinued operations was $0 and $24,000 for the years ended December 31, 2008 and 2007, respectively.

As of December 31, 2008, there was approximately $13,000 of total unrecognized compensation cost related to unvested stock options which does not include the effect of future grants of equity compensation, if any. The Company expects to recognize the full amount in 2009.

As of December 31, 2007, there was approximately $147,000 of total unrecognized compensation cost related to unvested stock options which did not include the effect of future grants of equity compensation, if any.

There were no options granted during the years ended December 31, 2008 and 2007.

Interest in The Daily Buzz, LLC

In March 2007, the Company acquired the remaining 50% interest in The Daily Buzz, LLC from Emmis for $1 and became the sole owner of the venture. The transaction was treated as a step acquisition and as of March 31, 2007, the Company reconsolidated the venture's balance sheet into its consolidated financial statements. The fair value of the assets acquired via Emmis' 50% interest was approximately $336,000 and the fair value of the liabilities assumed, including Emmis' share of projected operating losses through August 31, 2007, was $449,000. No goodwill was recorded in this acquisition. As the operating results of The Daily Buzz, LLC from the date of the acquisition of Emmis' interest through March 31, 2007 were not material, the Company used the equity method of accounting to reflect its share of the venture's operating results for the entire three months ended March 31, 2007 and effective April 1, 2007 reconsolidated the operating results.

Use of Estimates in the Preparation of Financial Statements

The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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. These estimates include the allowance for doubtful accounts, the net realizable value of programming rights and the valuation allowance on deferred tax assets. Actual and future results

could materially differ from those estimates. In addition, changes in market conditions or stations' actual or expected performance could materially affect future estimated fair values of the Company's stations or of the estimated fair value of the Company's intangible assets, including the Company's broadcast licenses and goodwill.

Recent Accounting Pronouncements

In April 2008, the FASB issued FASB Staff Position ("FSP") No. FAS 142-3, *Determination of Useful Life of Intangible Assets* (FSP 142-3). FSP 142-3 amends the factors that should be considered in developing the renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS 142. The intent of this FSP is to improve the consistency between the useful life of an intangible asset determined under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141R. FSP 142-3 is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The Company is currently evaluating the impact of adopting FSP 142-3 on its consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosure about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133*. This Statement changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This Statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company does not expect the adoption of SFAS No. 161 to have a material effect on its consolidated financial statements.

In February 2008, the FASB issued FSP No. FAS 157-2, *Effective Date of FASB Statement No. 157* ("FSP 157-2") which defers the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). SFAS 157, for items within the scope of FSP 157-2, is effective beginning in fiscal year 2009. The Company is currently evaluating the impact of adopting SFAS 157 for items within the scope of FSP 157-2 on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* (SFAS No. 141(R)), which replaces SFAS No. 141, Business Combinations, requires an acquirer to recognize the assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions. This Statement also requires the acquirer in a business combination achieved in stages to recognize the identifiable assets and liabilities, as well as the non-controlling interest in the acquiree, at the full amounts of their fair values. SFAS No. 141(R) makes various other amendments to authoritative literature intended to provide additional guidance or to confirm the guidance in that literature to that provided in this Statement. This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company does not expect the adoption of SFAS No. 141(R) to have a material effect on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements (SFAS No. 160), which amends Accounting Research Bulletin No. 51, Consolidated Financial Statements, to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements. SFAS No. 160 establishes accounting and reporting standards that require the ownership interests in subsidiaries not held by the parent to be clearly identified, labeled and presented in the consolidated statement of financial position within equity, but separate from the parent's equity. This statement also requires the amount of consolidated net income attributable to the parent and to the non-controlling interest to be clearly identified and presented on the face of the consolidated statement of income. Changes in a parent's ownership interest while the parent retains its controlling financial interest must be accounted for consistently, and when a subsidiary is deconsolidated, any retained non-controlling equity investment in the former subsidiary must be initially measured at fair value. The gain or loss on the deconsolidation of the subsidiary is measured using the fair value of any non-controlling equity investment. The Statement also requires entities to provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. This Statement applies prospectively to all entities that prepare consolidated financial statements and applies prospectively for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company does not expect the adoption of SFAS No. 160 to have a material effect on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115* (SFAS No. 159), which was effective for fiscal year 2008. SFAS No. 159 permits the Company to choose to measure many financial instruments and certain other items at

fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is expected to expand the use of fair value measurement, which is consistent with the FASB's long-term measurement objectives for accounting for financial instruments. Upon adoption of the statement, the Company did not elect the fair value option for any of its eligible financial assets or liabilities, therefore the adoption of SFAS 159 had no effect on the Company's financial position or results of operations.

3. DISCONTINUED OPERATIONS

As described in Note (1), the Company's stations WTVK serving the Ft. Myers-Naples marketplace (sold on February 16, 2007) and WBUI serving the Champagne-Springfield-Decatur marketplace (sold on October 25, 2007) have been treated as discontinued operations.

Since the proceeds from the sale of the Company's discontinued operations exceeded, in the aggregate, the Company's outstanding debt and that debt was required to be repaid from the proceeds, the Company has allocated all interest expense to discontinued operations from January 1, 2007 through October 25, 2007, the closing date of the sale of station WBUI when the debt was fully repaid. All interest expense incurred subsequent to that date has been included in income from continuing operations in the accompanying consolidated financial statements.

Summarized financial information, in thousands, relating to the operations of these two stations is as follows:

Assets held for sale:

	December 31, 2008	December 31, 2007
Property and equipment, net	$ 268	$ 268
Assets held for sale	$ 268	$ 268

Selected operating results were as follows:

	For the Years Ended December 31,	
	2008	2007
Net revenues	$ ---	$ 2,914
Income (loss) from operations, before gain on sale and income tax expense	13	(3,567)
Gain on sale of assets	-	27,871
Income tax expense	-	(2,288)
Income from discontinued operations	$ 13	$ 22,016

The 2007 gain on sale includes the gain on the Sun Transaction of $27,904,000 net of a $33,000 loss relating to the Gocom Transaction.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 2008	December 31, 2007
	(in thousands)	
Buildings and improvements	$ 3,455	$ 3,455
Broadcast and other equipment	35,477	35,395
Furniture and fixtures	661	619
Vehicles	164	164
Construction in process	195	48
Total property and equipment, at cost	39,952	39,681
Less: Accumulated depreciation and amortization	(28,065)	(25,235)
Net property and equipment	$ 11,887	$ 14,446

Property and equipment for the Company's stations WTVK in Ft. Myers – Naples, Florida and WBUI in Decatur, Illinois is included in the consolidated balance sheets as of December 31, 2008 and 2007 in "Assets held for sale" as disclosed in Note 3 – Discontinued Operations.

Included in property and equipment at both December 31, 2008 and 2007 are assets subject to capital leases with a total cost of $1,122,000 and associated accumulated depreciation of approximately $772,000 and $704,000 at December 31, 2008 and 2007, respectively. The construction in process account includes miscellaneous broadcast and studio equipment not yet placed into service.

5. NOTES PAYABLE UNDER REVOLVING CREDIT FACILITY

The Company has a revolving credit facility (the "Revolver") which is secured by substantially all of the Company's assets and which matures on May 8, 2009. In May 2007, the Company voluntarily elected to permanently reduce its advance rate from 45% of appraised STAC ("start-up stations with affiliation agreements sold in a compressed time period") value to 20% of appraised STAC value which resulted in a reduction in the Company's maximum allowed borrowings from $39.9 million to approximately $17.7 million and also reduced the Company's borrowing rates by 250 basis points. In May 2008, the lender agreed to the Company's request to reduce the maximum allowed borrowings to $6.0 million.

On February 16, 2007, the Company completed the Sun Transaction and completely repaid the then outstanding borrowings and accrued interest under the Revolver of $37.2 million. That same day the Company declared a $0.50 dividend per common share that was paid on March 12, 2007 to holders of record at the close of business on February 26, 2007. The aggregate dividend was $8.0 million and the Company used approximately $7.0 million of the remaining proceeds from the Sun Transaction along with approximately $1.0 million in new borrowings under the senior credit facility to make that dividend payment.

On October 25, 2007, the Company completed the Gocom Transaction and repaid all of its then outstanding borrowings of $2.8 million under the Revolver.

At December 31, 2008 and 2007, the Company had no outstanding borrowings under its Revolver and available credit was approximately $6.0 million and was in compliance with all the covenants contained in the loan agreement.

Costs associated with the procuring and amending the Company's credit facilities, including loan fees and related professional fees, are included in other assets and are amortized on a straight-line basis, which approximates the effective interest method, over the term, including amended terms, of the facilities. The amount of prepaid financing costs that were written off in 2008 and 2007 due to the reductions in our maximum allowed borrowings was approximately $140,000 and $570,000, respectively. In 2007 all interest expense, which includes the aforementioned write-off of prepaid financing costs, was included in discontinued operations as discussed in Note 3.

On March 25, 2009, the Company entered into an amendment with its lender to, among other things, amended the maturity date of the Revolver from May 8, 2009 to May 8, 2011. See Note (10) – Subsequent Event.

6. COMMITMENTS AND CONTINGENCIES

Obligations Under Operating Leases

The Company is obligated under non-cancelable operating leases for office space, office equipment, broadcast equipment and tower sites. Future minimum lease payments under non-cancelable operating leases, including approximately $589,000 of accrued lease termination costs, as of December 31, 2008 are:

For the year ended December 31:	In thousands
2009	$ 1,235
2010	983
2011	863
2012	814
2013	597
Thereafter	1,878
Total	$ 6,370

Total rental expense for continuing operations under operating leases for the years ended December 31, 2008 and 2007 was approximately $1,166,000 and $1,201,000, respectively. Total rental expense for discontinued operations under operating leases for the years ended December 31, 2008 and 2007 was approximately $0 and $95,000, respectively.

Obligations Under Capital Leases

As of December 31, 2008, certain equipment was leased under capital equipment facilities. Future minimum lease payments for the Company's continuing operations under capital leases as of December 31, 2008 are:

For the year ended December 31:	In thousands
2009	$ 85
2010	85
2011	85
2012	85
2013	85
Thereafter	657
Total minimum lease payments	1,082
Less: Amount representing interest	(282)
Present value of minimum lease payments	800
Less: Current portion	(47)
Long-term portion	$ 753

Programming Rights Payable

Commitments for programming rights that have been executed, but which have not been recorded in the accompanying consolidated financial statements, as the underlying programming is not yet available for broadcast, were approximately $4,352,000 for the Company's continuing operations. There were no such commitments for the Company's discontinued operations as of December 31, 2008.

Maturities on the Company's programming rights payable (including commitments not recognized in the accompanying consolidated financial statements due to the lack of current availability for broadcast) for each of the next five years are:

For the year ended December 31:	In thousands
2009	$ 6,304
2010	5,952
2011	4,927
2012	4,086
2013	3,114
Thereafter	806
Program rights payable maturities	$ 25,189

Other Commitments

The Company has other commitments for goods and services not included in its consolidated balance sheet, including its network affiliation agreements with The CW and MyNetworkTV networks, agreements for ratings services and license fees for websites. Those commitments for continuing operations for the next five years are as follows:

For the year ended December 31:	In thousands
2009	$ 3,032
2010	2,829
2011	1,881
2012	8
2013	8
Thereafter	65
Total	$ 7,823

Legal Proceedings

The Company is currently, and from time to time, involved in ordinary routine litigation incidental to the conduct of its business. The Company is not currently a party to any lawsuit or proceeding that it believes would have a material adverse effect on its financial condition, results of operations or liquidity.

7. INCOME TAXES

The income tax (benefit) expense consists of the following:

	Year ended December 31,	
	2008	2007
	(In thousands)	
Continuing Operations:		
Current:		
Federal	$ ---	$ (3,555)
State	83	(392)
Total current tax expense (benefit)	83	(3,947)
Deferred:		
Federal	$ (7,337)	$ 190
State	(1,248)	23
Total deferred tax (benefit) expense	(8,585)	213
Total income tax benefit	$ (8,502)	$ (3,734)
Discontinued Operations:		
Current:		
Federal	$ ---	$ 4,025
State	---	583
Total current tax expense	---	4,608
Deferred:		
Federal	$ ---	$ (2,065)
State	---	(255)
Total deferred tax benefit	---	(2,320)
Total income tax expense	$ ---	$ 2,288

The differences between the income tax benefit for continuing operations and income taxes computed using the U.S. federal statutory income tax rates (34%) consist of the following:

	Year ended December 31,	
	2008	2007
	(In thousands)	
Tax benefit at U.S. federal statutory rate	$ (14,013)	$ (3,555)
State income taxes, net of federal tax benefit	(1,165)	(369)
Increase in valuation allowance	7,641	190
Other	(965)	---
Income tax benefit expense	$ (8,502)	$ (3,734)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are summarized as follows:

	Year ended December 31,	
	2008	2007
	(In thousands)	
Deferred tax assets:		
Accrued vacation	$ 135	$ 155
AMT credits	1,464	1,048
Bad debt and other reserves	322	310
Deferred income	123	159
Sales incentives	---	159
Deferred compensation	1,244	1,192
Intangible amortization	3,799	338
Net operating loss carryforward	28,478	24,524
Other	8	8
Total deferred tax assets	35,573	27,893
Less: valuation allowance	(34,640)	(26,441)
Deferred tax assets	933	1,452
Deferred tax liabilities:		
Property and equipment depreciation	(933)	(1,333)
Intangible amortization	(1,379)	(9,966)
Other	---	(117)
Deferred tax liabilities	(2,312)	(11,416)
Net deferred income tax liabilities	$ (1,379)	$ (9,964)

In assessing the realizability of deferred tax assets, management considered whether it is more likely than not that some portion or all deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which the differences become tax deductible. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes that it is not more likely than not that the deferred tax assets will be realized. Accordingly, the Company has recorded a valuation allowance of $34.6 million and $26.4 million, respectively as of December 31, 2008 and 2007. At December 31, 2008, the Company had, for federal and state tax purposes, net operating loss carryforwards of approximately $74.6 million that expire at various dates through 2028. The Internal Revenue Code substantially restricts the ability of a corporation to utilize existing net operating losses and credits in the event of an "ownership change". Therefore, the Company's net operating loss carryforwards for federal income tax purposes may be limited if changes in ownership occur.

8. DEFINED CONTRIBUTION PLAN

In 1998, the Company established a 401(k) defined contribution plan (the “Plan”) which covers all eligible employees (as defined in the Plan). Participants are allowed to make non-forfeitable contributions up to 50% of their annual salary, but may not exceed the annual maximum contribution limitations established by the Internal Revenue Service. The

Company currently matches 50% of the amounts contributed by each participant but does not match participants' contributions in excess of 6% of their compensation per pay period. The Company contributed and expensed $171,000 and $186,000 to the Plan for the years ended December 31, 2008 and 2007, respectively.

9. STOCK OPTION COMPENSATION

The Company's 1999 Stock Incentive Plan provides additional means to attract, motivate, reward and retain key personnel. The Compensation Committee of the Board of Directors (the plan administrator) has the authority to grant different types of stock and cash incentive awards and to select participants. While only stock options and restricted stock awards are contemplated at this time, other forms of awards may be granted to give the Company's flexibility to structure future incentives. The Company's employees, officers, directors, and consultants may be selected to receive awards under the plan.

A maximum of 4,200,000 shares of the Company's common stock may be issued under the plan, (approximately 26% of the Company's current outstanding shares). As of December 31, 2008, 1,869,554 shares are reserved and available for future exercises of stock options. The number of shares subject to all awards granted under the plan to any one person in a calendar year cannot exceed 1,000,000 shares. Performance-based awards payable solely in cash that are granted under the plan to any one person in a calendar year cannot provide for payment of more than $1,000,000.

Each share limit and award under the plan is subject to adjustment for certain changes in the Company's capital structure, reorganizations and other extraordinary events. Shares subject to awards that are not paid or exercised before they expire or are terminated are available for future grants under the plan.

A summary of the status of the Company's Stock Incentive Plan, and changes for the years ended December 31, 2008, and 2007 is presented below (not in thousands):

	Options	Weighted Average Exercise Price
Outstanding at December 31, 2006	2,463,846	$ 15.82
Granted	---	---
Exercised	---	---
Forfeited	(105,500)	18.62
Outstanding at December 31, 2007	2,358,346	$ 15.70
Granted	---	---
Exercised	---	---
Forfeited	(27,900)	7.78
Outstanding at December 31, 2008	2,330,446	$ 15.79
Exercisable at December 31, 2007	2,154,763	$ 16.58
Exercisable at December 31, 2008	2,325,446	$ 15.82

The following table summarizes information about stock options outstanding and exercisable at December 31, 2008 (not in thousands):

Range of Exercise Prices	Options Outstanding			
	Number Outstanding at December 31, 2008	Weighted Average Remaining Contractual Life	Intrinsic Value of In the Money Outstanding Options at December 31, 2008	Weighted Average Exercise Price
$ 4.89	20,000	7.97	$ -	$ 4.89
$ 5.72 - $ 6.00	461,000	6.59	-	5.99
$ 6.95 - $ 7.99	481,750	6.44	-	7.03
$ 9.13	3,200	1.87	-	9.13
$ 15.00 - $ 18.00	138,000	0.66	-	15.78
$ 23.00 - $ 24.88	1,226,496	0.76	-	23.11
	2,330,446	3.15	$ -	$ 15.79

Range of Exercise Prices	Options Exercisable			
	Number Exercisable at December 31, 2008	Weighted Average Remaining Contractual Life	Intrinsic Value of In the Money Exercisable Options at December 31, 2008	Weighted Average Exercise Price
$ 4.89	15,000	7.97	$ -	$ 4.89
$ 5.72 - $ 6.00	461,000	6.59	-	5.99
$ 6.95 - $ 7.99	481,750	6.44	-	7.03
$ 9.13	3,200	1.87	-	9.13
$ 15.00 - $ 18.00	138,000	0.66	-	15.78
$ 23.00 - $ 24.88	1,226,496	0.76	-	23.11
	2,325,446	3.14	$ -	$ 15.82

Under SFAS No. 123(R), options are valued at their date of grant and then expensed over their vesting period. The values of the Company's options were calculated at the date of grant using the Black-Scholes option-pricing model. No options were granted during the years ended December 31, 2008 and 2007 and no options were exercised during the years ended December 31, 2008 or 2007. The total fair value of shares vested during the years ended December 31, 2008 and 2007 was $225,000 and $441,000, respectively.

10. SUBSEQUENT EVENT

On March 25, 2009, the Company entered into an agreement with its lender to amend its Revolver. The key elements of the amendment were (a) to amend the maturity date from May 8, 2009 to May 8, 2011, (b) to increase the interest rate margins from 2.50% to 4.50% for LIBOR-based loans and from 0.75% to 2.75% on prime rate-based loans and (c) to change the definition of prime rate to incorporate new minimum rates. While the maximum borrowings under the amended Revolver are $6.0 million, based on a March 1, 2009 appraisal of the STAC values of our stations, only $4.4 million are currently available.