ACME COMMUNICATIONS, Inc.

Quarterly Financial Report
(unaudited)

March 31, 2009

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ACME Communications, Inc. and Subsidiaries
Consolidated Balance Sheets

(In thousands, except share data)

	March 31, 2009 (Unaudited)	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 982	$ 676
Restricted cash	50	50
Accounts receivable, net of allowance for doubtful accounts of $827 and $842 as of March 31, 2009 and December 31, 2008, respectively	4,733	5,396
Current portion of programming rights	5,099	5,077
Prepaid expenses and other current assets	347	217
Assets held for sale	268	268
Total current assets	11,479	11,684
Property and equipment, net	11,469	11,887
Programming rights, net of current portion	11,627	13,009
Goodwill, net	13,839	13,839
Broadcast licenses, net	10,950	10,950
Other assets	138	36
Total assets	$ 59,502	$ 61,405
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,379	$ 2,333
Accrued liabilities	4,343	4,528
Current portion of programming rights payable	5,831	6,246
Current portion of obligations under lease	47	47
Income taxes payable	344	351
Total current liabilities	13,944	13,505
Programming rights payable, net of current portion	13,411	14,591
Obligations under lease, net of current portion	741	753
Notes payable under revolving credit facility	221	---
Other liabilities	612	628
Deferred income taxes	1,619	1,379
Total liabilities	30,548	30,856
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value; 10,000,000 shares authorized, no shares issued or outstanding	---	---
Common stock, $0.01 par value; 50,000,000 shares authorized, 16,772,415 shares issued and 16,046,763 outstanding at March 31, 2009 and December 31, 2008, respectively	168	168
Additional paid-in capital	132,994	132,991
Accumulated deficit	(99,208)	(97,610)
Less: Treasury stock, at cost; 725,652 shares	(5,000)	(5,000)
Total stockholders' equity	28,954	30,549
Total liabilities and stockholders' equity	$ 59,502	$ 61,405

See the accompanying notes to the unaudited consolidated financial statements.

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

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Net revenues	$ 6,531	$ 8,158
Operating expenses:		
Cost of service:		
Programming, including program amortization	3,031	3,402
Other costs of service (excluding depreciation and amortization of $637 and $755 for the three months ended March 31, 2009 and 2008, respectively	1,022	1,235
Selling, general and administrative expenses	2,618	2,994
Depreciation and amortization	640	762
Corporate expenses	484	613
Operating expenses	7,795	9,006
Operating loss	(1,264)	(848)
Other expenses:		
Interest, net	(64)	(95)
Loss from continuing operations, before income taxes	(1,328)	(943)
Income tax expense	(265)	(695)
Loss from continuing operations	(1,593)	(1,638)
Discontinued operations (Note 3):		
Income (loss) from discontinued operations, before income taxes	(5)	8
Income tax expense	---	---
Income (loss) from discontinued operations	(5)	8
Net loss	$ (1,598)	$ (1,630)
Net income (loss) per share, basic and diluted		
Continuing operations	$ (0.10)	$ (0.10)
Discontinued operations	---	---
Net loss per share	$ (0.10)	$ (0.10)
Weighted average basic and diluted common shares outstanding	16,047	16,047

See the accompanying notes to the unaudited consolidated financial statements.

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

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Total Stockholders' Equity
Balance at December 31, 2008	16,772	$ 168	$ 132,991	$ (97,610)	$ (5,000)	$ 30,549
Stock-based compensation	---	---	3	---	---	3
Net loss	---	---	---	(1,598)	---	(1,598)
Balance at March 31, 2009	16,772	$ 168	$ 132,994	$ (99,208)	$ (5,000)	$ 28,954

See the accompanying notes to the unaudited consolidated financial statements.

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

	For the Three Months Ended March 31,	
	2009	**2008**
Cash flows from operating activities:		
Net loss	$ (1,598)	$ (1,630)
Less: Income (loss) from discontinued operations, net of income tax	5	(8)
Adjustments to reconcile net loss to net cash		
provided by (used in) operating activities:		
Provision for doubtful accounts receivable	45	61
Depreciation and amortization	640	762
Amortization of program rights	1,360	1,541
Amortization of prepaid financing costs	31	53
Stock-based compensation	3	54
Deferred income taxes	240	655
Changes in operating assets and liabilities:		
Decrease in accounts receivables	618	31
Increase in prepaid expenses and other current assets	(130)	(100)
Decrease (increase) in other assets	78	(1)
Increase in accounts payable	1,048	16
Decrease in accrued liabilities	(188)	(165)
Increase (decrease) in income taxes payable	(7)	18
Payments of programming rights payable	(1,594)	(1,720)
Decrease in other liabilities	(17)	(14)
Net cash provided by (used in) operating activities	534	(447)
Cash flows from investing activities:		
Purchase of property and equipment	(222)	(59)
Net cash used in investing activities	(222)	(59)

See the accompanying notes to the unaudited consolidated financial statements.

ACME Communications, Inc. and Subsidiaries

Consolidated Statements of Cash Flows - Continued

(Unaudited)

(In thousands)

	For the Three Months Ended March 31, 2009	For the Three Months Ended March 31, 2008
Cash flows from financing activities:		
Borrowings under revolving credit facility	$ 221	$ ---
Payment of financing costs on credit facility	(211)	(3)
Payments on capital lease obligations	(12)	(13)
Net cash used in financing activities	(2)	(16)
Increase (decrease) in net cash from continuing operations	310	(522)
Discontinued operations:		
Net cash provided by (used in) operating activities	(4)	150
Net cash used in investing activities	---	---
Net cash used in financing activities	---	---
Net cash provided by (used in) discontinued operations	(4)	150
Increase (decrease) in cash and cash equivalents	306	(372)
Cash and cash equivalents at beginning of period	676	891
Cash and cash equivalents at end of period	$ 982	$ 519
Cash payments for:		
Interest	$ 27	$ 43
Taxes	$ 32	$ 22
Non-cash transactions:		
Program rights in exchange for program rights payable (continuing operations)	$ ---	$ ---

See the accompanying notes to the unaudited consolidated financial statements.

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

1. NATURE OF BUSINESS

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 March 31, 2009, 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 (2)
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.
(2) "CW" refers to The CW Television Network and "MNT" refers to MyNetworkTV.

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®, 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. On October 25, 2007, the Company completed the sale of station WBUI, serving the Champagne-Springfield-Decatur marketplace, to GoCom Media of Illinois, LLC. In accordance with U.S. generally accepted accounting principles, the accompanying consolidated statements of operations and cash flows reflect the results of stations WTVK and WBUI as discontinued operations for all periods presented.

2. BASIS OF PRESENTATION

Basis of Consolidation

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

Presentation of Interim Financial Statements

The accompanying consolidated financial statements for the three months ended March 31, 2009 and 2008 are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States of America. In the opinion of management, such consolidated financial statements include all adjustments (consisting of normal recurring accruals) considered necessary for the fair presentation of the financial position and the results of operations, and cash flows for these periods. These consolidated financial statements do not include all disclosures and footnotes normally included with annual consolidated financial statements, and accordingly, should be read in conjunction with the consolidated financial statements, and the notes thereto, included in the Company's 2008 Annual Report, which can be found on the Company's website at *www.acmecommunications.com.* The results of operations presented in the accompanying consolidated financial statements are not necessarily indicative of the results that may be expected for the year ending December 31, 2009.

The accompanying consolidated balance sheet as of December 31, 2008 is derived from the audited consolidated financial statements included in the Company's 2008 Annual Report.

Recent Accounting Pronouncements

In April 2009, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (FSP FAS 107-1 and APB 28-1), which requires publicly traded companies to include in their interim financial reports certain disclosures about the carrying value and fair value of financial instruments previously required only in annual financial statements and to disclose changes in significant assumptions used to calculate the fair value of financial instruments. FSP FAS 107-1 and APB 28-1 is effective for all interim reporting periods ending after June 15, 2009, with early adoption permitted for interim reporting periods ending after March 15, 2009. The Company does not expect adoption of FSP FAS 107-1 and APB 28-1 will have a material impact on the Company's consolidated financial statements.

In April 2009, the FASB issued FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions that Are Not Orderly*. This FSP identifies the factors that a reporting entity should evaluate to determine whether there has been a significant decrease in the volume and level of activity for the asset or liability when compared with normal market activity for the asset or liability and factors to consider related to whether a transaction is orderly. When there has been a significant decrease in the volume of activity or the transaction is not orderly, a significant adjustment to the transaction or quoted prices may be necessary to estimate fair value in accordance with FASB Statement No. 157, *Fair Value Measurements*. This FSP is effective for interim and annual periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Company does not expect adoption of this FSP will have a material impact on the Company's consolidated financial statements.

In March 2009, the FASB issued FSP FAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination that Arise from Contingencies*. This FSP requires that an asset or liability arising from a contingency in a business combination be recognized at fair value if fair value can be reasonably determined. If the fair value cannot be reasonably determined, the asset or liability should be accounted for in accordance with FASB Statement No. 5, *Accounting for Contingencies* and FASB Interpretation (FIN) No. 14, *Reasonable Estimation of the Amount of a Loss*. This FSP requires that assets and liabilities arising from contingencies be subsequently measured and accounted for using a systematic and rational basis depending on their nature. This FSP is effective for acquisitions that occur on January 1, 2009 or later. The Company did not make any acquisitions in the quarter ended March 31, 2009. This FSP could have a material effect on the Company's consolidated financial statements if the Company makes future acquisitions.

In April 2008, the FASB issued FSP No. FAS 142-3, *Determination of Useful Life of Intangible Assets* (FSP FAS 142-3), which 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 FAS 142-3 became effective, on a prospective basis, for fiscal years and interim periods beginning after December 15, 2008. The Company adopted the provisions of FSP FAS 142-3 in the first quarter of 2009. The adoption did not have any impact on the Company's 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* (SFAS 161). 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 became effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company adopted the provisions of SFAS 161 in the first quarter of 2009. The adoption did not have any impact on the Company's 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, was effective beginning in fiscal year 2009. The Company adopted the provisions of FSP 157-2 in the first quarter of 2009. The adoption did not have any impact on the Company's consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* (SFAS No. 141(R)), which significantly changes the accounting and reporting requirements for business combination transactions, including capitalization of in-process research and development assets and expensing acquisition costs as incurred. SFAS No. 141(R) became effective for business combination transactions occurring in fiscal years beginning after December 15, 2008. The Company adopted the provisions of SFAS No. 141(R) in the first quarter of 2009. The adoption did not have any impact on the Company's consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51* (SFAS No. 160), which changes the accounting and financial reporting of ownership interests in subsidiaries held by parties other than the parent, and the allocation of net income attributable to the parent and the noncontrolling interest. SFAS No. 160 also establishes disclosure requirements to separately identify the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 became effective for fiscal years beginning after December 15, 2008. The Company adopted the provisions of SFAS No. 160 in the first quarter of 2009. The adoption of SFAS No. 160 did not have any impact on the Company's consolidated financial statements.

Critical Accounting Policies and Estimates

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, 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. Our critical accounting policies are fully disclosed in our 2008 Annual Report. There have been no material changes to these policies during the quarter ended March 31, 2009.

3. DISCONTINUED OPERATIONS

As described in Note (1), the Company's stations WTVK and WBUI, both sold in 2007, have been treated as discontinued operations.

As of March 31, 2009 and December 31, 2008, assets held for sale were $268,000 and consisted of the studio and land of our station WBUI.

Summarized operating results of our discontinued operations are as follows:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Net revenues	$ ---	$ ---
Income (loss) from operations, before gain on sale and income tax expense	(5)	8
Gain on sale of assets	-	-
Income tax expense	-	-
Income (loss) from discontinued operations	$ (5)	$ 8

4. PROGRAMMING RIGHTS

Our programming rights are stated, on a gross basis, at the lower of amortized cost or estimated realizable value. Generally, programming 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. We evaluate estimated realizable value of programming rights based on current usage and revenue performance and projected future revenue and usage of such programs. Changes in our programming schedule could impact the estimated realizable value of programming. In addition, estimates of future revenue performance relate to the number of advertising spots we sell and the amount generated from such sales. A decrease in the number of spots sold or the amount for such sales could also impact our estimated realizable value. During the three months ended March 31, 2009 we recorded write-downs of programming rights due to impairments for our Continuing Stations of $78,000. There were no write-downs of programming rights for the three months ended March 31, 2008.

5. 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.

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. There were no impairment charges recorded on the Company's FCC broadcast licenses and goodwill during the three-month periods ended March 31, 2009 and 2008.

6. STOCK-BASED COMPENSATION

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 three-month periods ended March 31, 2009 and 2008. Total stock-based compensation expense was approximately $3,000 and $54,000, for the three months ended March 31, 2009 and 2008, respectively.

As of March 31, 2009, there was approximately $10,000 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.

7. 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 carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. 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 was 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 was not considered necessary nor is a reserve for the income taxes required.

8. 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. The loan agreement allows the Company to borrow up to 20% of the most recent appraised STAC ("start-up stations with affiliation agreements sold in a compressed time period") value, subject to a maximum allowed borrowings amount specified in the agreement. In May 2008, the lender agreed to the Company's request to reduce the maximum allowed borrowings from $17.7 million to $6.0 million.

On March 25, 2009, the Company entered into an amendment with its lender. 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.

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.

At March 31, 2009, the Company had $221,000 in outstanding borrowings under its Revolver and available credit was approximately $4.2 million and was in compliance with all the covenants contained in the loan agreement. As of March 31, 2008, the Company had no outstanding borrowings under its Revolver.

9. 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 $590,000 and $747,000, during the three-month periods ended March 31, 2009 and 2008, 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.

10. 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 shares at March 31, 2009 and 2,350,446 at March 31, 2008, respectively and were not included in the computation of diluted EPS because an inclusion of such shares would have been anti-dilutive.

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

Forward Looking Statements

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

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

Presentation of Financial Information in this MD&A

The financial information and discussion contained in this MD&A for the three-month periods ended March 31, 2009 and 2008 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, included in the Company's 2008 Annual Report, which can be found on the Company's website at *www.acmecommunications.com.*

Overview

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 six television stations and our satellite station in Albuquerque (collectively, 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. All but one of our stations are affiliates of The CW Television Network. Our second station in the Albuquerque-Santa Fe marketplace is an affiliate of MyNetworkTV.

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. 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 do not directly benefit 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.

The national recession that began in the second half of calendar 2008 has had, and continues to have, an adverse impact on our industry and our Company. Total broadcast television advertising revenues in our markets, excluding political business, declined 24% during the fourth quarter of 2008 compared to the fourth quarter of 2007. In the first quarter of 2009, the year-over-year decline was 22%. We expect that second quarter 2009 market revenues will decline in the same general range as the previous two quarters. There is little visibility relative to third or fourth quarter advertising demand and while we are hopeful that the recession has hit bottom, there is a possibility that the slack demand for advertising could extend into 2010.

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.

Results of Operations

Three Months Ended March 31, 2009 Compared to March 31, 2008

Net revenues from continuing operations for the first quarter of 2009 decreased $1.6 million, or 20%, to $6.5 million compared to net revenues of $8.2 million in the first quarter of 2008. Net revenues from our Continuing Stations decreased 22% in the first quarter of 2009 compared to the first quarter of 2008, driven mainly by sharply lower advertising demand, reflected by a 22% decline in non-political advertising expenditures in our five television markets.

Programming expenses decreased $371,000, or 11%, to $3.0 million in the first quarter of 2009 from $3.4 million in the first quarter of 2008. This decrease relates primarily to lower programming amortization and lower barter costs during the three months ended March 31, 2009 when compared to the three months ended March 31, 2008.

Other costs of service decreased $213,000, or 17%, to $1.0 million in the first quarter of 2009 from $1.2 million in the first quarter of 2008 primarily due to lower promotion costs in 2009.

Selling, general and administrative expenses for the first quarter of 2009 decreased $376,000, or 13%, to $2.6 million in the first quarter of 2009 from $3.0 million in the first quarter of 2008 primarily due to lower sales commissions and lower sales incentive trips and incentive compensation expenses.

Depreciation and amortization decreased $122,000, or 16%, to $640,000 in the first quarter of 2009 from $762,000 for the first quarter of 2008 due to more assets becoming fully depreciated compared to new assets placed in service over the past year.

There were no impairment charges recorded during the first quarter of 2009 or 2008 related to our FCC broadcast licenses or our goodwill.

Corporate expenses for the first quarter of 2009 decreased $129,000, or 21%, to $484,000 compared to $613,000 for the first quarter of 2008 principally as a result of lower public-company related costs and lower compensation expense due to across-the-board salary cuts effective January 1, 2009.

Income tax expense for the first quarter of 2009 for continuing operations was $265,000, compared to an income tax expense of $695,000 for the first quarter of 2008. The income tax expense for the 2009 quarter was comprised of a $25,000 current tax expense and a $240,000 deferred tax expense related to the amortization of our intangible assets for tax purposes.

Our loss from continuing operations, net of tax expense, for the first quarter of 2009 and 2008 was $1.6 million.

Our loss from discontinued operations, net of income tax, for the first quarter of 2009 was $5,000 compared to a net income of $8,000 for the first quarter of 2008.

As a result, our net loss for the first quarter of 2009 was $1.6 million, virtually unchanged from our net loss of $1.6 million for the first quarter of 2008.

Liquidity and Capital Resources

Cash flow provided by operating activities was $534,000 for the three months ended March 31, 2009, compared to cash flow used by operating activities of $447,000 for the first three months of 2008. This decrease in cash flow usage of $981,000 is reflective of seasonal working capital changes and the Company's efforts to manage its liquidity through the timing of major supplier payments in the face of a severe economic downturn.

Cash flow used in investing activities during the first three months of 2009 was $222,000, compared to cash flow used in investing activities of $59,000, consisting solely of capital expenditures.

Cash flow used in financing activities was $2,000 during the first three months of 2009 compared to cash flow used of $16,000 during the first three months of 2008 consisting mainly of capital lease payments, net of borrowings and payments of a refinancing fee on the Company's revolving credit facility.

Cash flow used in operating activities of our discontinued operations during the first three months of 2009 was $4,000 compared to cash flow provided by operating activities during the first three months of 2008 of $150,000. This decrease in cash flow relates primarily to the fact that our first quarter 2008 cash from operations included the results of station WBUI, which sold in October 2007.

There was no cash used in investing or financing activities for our discontinued operations during the first three months of 2009 and 2008.

We have a revolving credit facility (our "Revolver") which is secured by substantially all of our assets and which matures on May 8, 2011. At March 31, 2009 we had $221,000 in outstanding borrowings under our Revolver and available credit was approximately $4.2 million and we were in compliance with all the covenants contained in the loan agreement.

Given the sharp national economic recession and the adverse impact on advertising demand, we likely will need to make additional borrowings during the last nine months of 2009 to help fund working capital needs and capital expenditures, the latter which are estimated to be approximately $178,000 for that nine-month period. 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. We are also working with several of our larger suppliers to restructure payments on long-term contracts, moving a portion of those commitments out of 2009 and 2010 to later years. We expect that we will get some relief from some of these suppliers, which will provide us with additional liquidity to our Revolver availability to weather the current recession, even if it continues into 2010.

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.