ACME COMMUNICATIONS, Inc.

Quarterly Financial Report
(unaudited)

June 30, 2009

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ACME Communications, Inc. and Subsidiaries
Consolidated Balance Sheets

(In thousands, except share data)

	June 30, 2009 (Unaudited)	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 917	$ 676
Restricted cash	50	50
Accounts receivable, net of allowance for doubtful accounts of $869 and $842 as of June 30, 2009 and December 31, 2008, respectively	4,853	5,396
Current portion of programming rights	5,071	5,077
Prepaid expenses and other current assets	370	217
Assets held for sale	200	268
Total current assets	11,461	11,684
Property and equipment, net	10,967	11,887
Programming rights, net of current portion	10,364	13,009
Goodwill, net	13,839	13,839
Broadcast licenses, net	10,950	10,950
Other assets	119	36
Total assets	$ 57,700	$ 61,405
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,817	$ 2,333
Accrued liabilities	4,486	4,528
Current portion of programming rights payable	6,053	6,246
Current portion of obligations under lease	48	47
Income taxes payable	344	351
Total current liabilities	14,748	13,505
Programming rights payable, net of current portion	11,930	14,591
Obligations under lease, net of current portion	729	753
Notes payable under revolving credit facility	257	---
Other liabilities	581	628
Deferred income taxes	1,682	1,379
Total liabilities	29,927	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 June 30, 2009 and December 31, 2008, respectively	168	168
Additional paid-in capital	132,998	132,991
Accumulated deficit	(100,393)	(97,610)
Less: Treasury stock, at cost; 725,652 shares	(5,000)	(5,000)
Total stockholders' equity	27,773	30,549
Total liabilities and stockholders' equity	$ 57,700	$ 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 June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net revenues	$ 6,850	$ 8,670	$ 13,381	$ 16,828
Operating expenses:				
Cost of service:				
Programming, including program amortization	3,013	4,266	6,044	7,668
Other costs of service (excluding depreciation and amortization of $604 and $664 for the three months ended June 30, 2009 and 2008, respectively, and $1,241 and $1,419 for the six months ended June 30, 2009 and 2008, respectively)	1,053	1,334	2,075	2,569
Selling, general and administrative expenses	2,646	2,946	5,264	5,940
Depreciation and amortization	607	670	1,247	1,432
Impairment of broadcast licenses	---	11,959	---	11,959
Lease termination costs	---	653	---	653
Corporate expenses	506	578	990	1,191
Operating expenses	7,825	22,406	15,620	31,412
Operating loss	(975)	(13,736)	(2,239)	(14,584)
Other expenses:				
Interest, net	(71)	(238)	(135)	(333)
Loss from continuing operations, before income taxes	(1,046)	(13,974)	(2,374)	(14,917)
Income tax benefit (expense)	(69)	2,740	(334)	2,045
Loss from continuing operations	(1,115)	(11,234)	(2,708)	(12,872)
Discontinued operations (Note 3):				
Income (loss) from discontinued operations, before income taxes	(70)	20	(75)	28
Income tax benefit (expense)	---	---	---	---
Income (loss) from discontinued operations	(70)	20	(75)	28
Net loss	$ (1,185)	$ (11,214)	$ (2,783)	$ (12,844)
Net income (loss) per share, basic and diluted:				
Continuing operations	$ (0.07)	$ (0.70)	$ (0.17)	$ (0.80)
Discontinued operations	---	---	---	---
Net loss per share	$ (0.07)	$ (0.70)	$ (0.17)	$ (0.80)
Weighted average basic and diluted common shares outstanding	16,047	16,047	16,047	16,047

See the accompanying notes to the unaudited consolidated financial statements.

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

	Common Stock		Additional Paid-in	Accumulated	Treasury	Total Stockholders'
	Shares	Amount	Capital	Deficit	Stock	Equity
Balance at December 31, 2008	16,772	$ 168	$ 132,991	$ (97,610)	$ (5,000)	$ 30,549
Stock-based compensation	---	---	7	---	---	7
Net loss	---	---	---	(2,783)	---	(2,783)
Balance at June 30, 2009	16,772	$ 168	$ 132,998	$ (100,393)	$ (5,000)	$ 27,773

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

	For the Six Months Ended June 30,	
	2009	2008
Cash flows from operating activities:		
Net loss	$ (2,783)	$ (12,844)
Less: Income (loss) from discontinued operations, net of income tax	75	(28)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Provision for doubtful accounts receivable	78	120
Depreciation and amortization	1,247	1,432
Impairment of broadcast licenses	---	11,959
Lease termination costs	---	653
Amortization of program rights	2,650	3,891
Amortization of prepaid financing costs	65	254
Stock-based compensation	7	107
Deferred income taxes	303	(2,123)
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivables	465	(367)
Increase in prepaid expenses and other current assets	(153)	(76)
Increase (decrease) in other assets	68	(12)
Increase in accounts payable	1,486	101
Increase (decrease) in accrued liabilities	303	(369)
(Decrease) increase in income taxes payable	(7)	110
Payments of programming rights payable	(3,195)	(3,289)
Decrease in other liabilities	(46)	(29)
Net cash provided by (used in) operating activities	563	(510)
Cash flows from investing activities:		
Purchase of property and equipment	(327)	(63)
Proceeds from sale of property and equipment	---	50
Net cash used in investing activities	(327)	(13)

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 Six Months Ended June 30,	
	2009	**2008**
Cash flows from financing activities:		
Borrowings under revolving credit facility	$ 257	$ ---
Payment of financing costs on credit facility	(215)	(3)
Payments on capital lease obligations	(23)	(23)
Net cash provided by (used in) financing activities	19	(26)
Increase (decrease) in net cash from continuing operations	255	(549)
Discontinued operations:		
Net cash (used in) provided by operating activities	(14)	139
Net cash used in investing activities	---	---
Net cash used in financing activities	---	---
Net cash (used in) provided by discontinued operations	(14)	139
Increase (decrease) in cash and cash equivalents	241	(410)
Cash and cash equivalents at beginning of period	676	891
Cash and cash equivalents at end of period	$ 917	$ 481
Cash payments for:		
Interest	$ 63	$ 85
Taxes	$ 38	$ (32)
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 June 30, 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 - 29 / KWBR - 21	Albuquerque – Santa Fe, NM	44	CW
KASY - 45	Albuquerque – Santa Fe, NM	44	MNT
WBXX - 20	Knoxville, TN	59	CW
WBDT - 26	Dayton, OH	64	CW
WIWB - 21	Green Bay – Appleton, WI	70	CW
WBUW - 32	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 and six months ended June 30, 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.

The Company has evaluated all events or transactions that occurred after June 30, 2009 up through August 17, 2009, the date the Company issued these consolidated financial statements. During this period the Company did not have any material recognizable subsequent events, however the Company did have a non-recognizable subsequent event. See Note 13.

Adoption of New Accounting Standards

On April 9, 2009, the Financial Accounting Standards Board ("FASB") issued three FASB Staff Positions ("FSP") intended to provide additional application guidance and enhanced disclosures regarding fair value measurements and other-than-temporary impairments of securities.

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,* provides guidelines for making fair value measurements more consistent with the principles presented in FASB Statement No. 157, *Fair Value Measurements.* FSP FAS 157-4 must be applied prospectively and retrospective application is not permitted. FSP FAS 157-4 is effective for interim and annual periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. An entity early adopting FSP FAS 157-4 must also early adopt FSP FAS 115-2 and FAS 124-2.

FSP FAS 115-2 and FAS 124-2*, Recognition and Presentation of Other-Than-Temporary Impairments,* provides additional guidance designed to create greater clarity and consistency in accounting for and presenting impairment losses on debt securities. FSP FAS 115-2 and FAS 124-2 are effective for interim and annual periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. An entity may early adopt this FSP only if it also elects to early adopt FSP FAS 157-4.

FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments,* enhances consistency in financial reporting by increasing the frequency of fair value disclosures. FSP 107-1 and APB 28-1 are effective for interim periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. However, an entity may early adopt these interim fair value disclosure requirements only if it also elects to early adopt FSP FAS 157-4 and FSP FAS 115-2 and FAS 124-2.

The Company adopted these three FSPs on June 1, 2009 and the adoption did not have a material impact on its consolidated financial statements.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events,* or SFAS 165. This Statement establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. This Statement is effective for interim and annual periods ending after June 15, 2009. On June 1, 2009, the Company adopted SFAS 165, which did not have a material impact on is consolidated financial statements.

Recently Issued Accounting Standards

In June 2009, the FASB issued the following new accounting standards:

- SFAS No. 166, *Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140*, or SFAS 166;

- SFAS No. 167, *Amendments to FASB Interpretation No. 46(R),* or SFAS 167; and

- SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162, or SFAS 168*

SFAS 166 prescribes the information that a reporting entity must provide in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement in transferred financial assets. Specifically, among other aspects, SFAS 166 amends Statement of Financial Standard No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, or SFAS 140, by removing the concept of a qualifying special-purpose entity from SFAS 140 and removes the exception from applying FIN 46(R) to variable interest entities that are qualifying special-purpose entities. It also modifies the financial-components approach used in SFAS 140. SFAS 166 is effective for transfer of financial assets occurring on or after January 1, 2010. The Company has not determined the effect that the adoption of SFAS 166 will have on its consolidated financial statements.

SFAS 167 amends FASB Interpretation No. 46, *Consolidation of Variable Interest Entities (revised December 2003) — an interpretation of ARB No. 51*, or FIN 46(R), to require an enterprise to determine whether it's variable interest or interests give it a controlling financial interest in a variable interest entity. The primary beneficiary of a variable interest entity is the enterprise that has both (1) the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and (2) the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. SFAS 167 also amends FIN 46(R) to require ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. SFAS 167 is effective for all variable interest entities and relationships with variable interest entities existing as of January 1, 2010. The Company has not determined the effect that the adoption of SFAS 167 will have on its consolidated financial statements.

In July 2009, FASB issued FASB Statement No. 168 *FASB Accounting Standards Codification TM and the Hierarchy of Generally Accepted Accounting Principles.* FASB Statement No. 168 establishes the *FASB Accounting Standards Codification TM* (Codification) as the single source of authoritative U.S. generally accepted accounting principles (U.S. GAAP) recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. FASB Statement No. 168 and the Codification are effective for financial statements issued for interim and annual periods ending after September 15, 2009. As FASB Statement No. 168 is not intended to change or alter existing GAAP, it will not impact the Company's consolidated financial statements. The Company will adjust historical GAAP references in its third quarter 2009 to reflect accounting guidance references included in the Codification.

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 goodwill and 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 June 30, 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 June 30, 2009 and December 31, 2008, assets held for sale were $200,000 and $268,000, respectively, and consisted of the studio and land of our station WBUI.

Summarized operating results of our discontinued operations are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net revenues	$ ---	$ ---	$ ---	$ ---
Income (loss) from operations, before impairment loss and income tax benefit (expense)	(2)	20	(75)	28
Impairment on property and equipment	(68)	---	---	---
Income tax benefit (expense)	---	---	---	---
Income (loss) from discontinued operations	$ (70)	$ 20	$ (75)	$ 28

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 six months ended June 30, 2009 we did not record any write-down of programming rights. During the six months ended June 30, 2008, we recorded write-downs of programming rights due to impairments for our Continuing Stations of $807,000.

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 during the six months ended June 30, 2009. The Company performed its annual test for goodwill impairment as of December 31, 2008. The Company has determined that there was no indication of impairment as of June 30, 2009. The Company recorded a non-cash impairment charge of $11,959,000 for its FCC broadcast licenses during the six months ended June 30, 2008. There was no impairment of goodwill at June 30, 2008.

6. LEASE TERMINATION COSTS

In June 2008, the Company decided to cease using a back-up transmission facility for its Albuquerque-Santa Fe station and concurrently sold its related broadcast transmission line to an independent third party. In connection with that decision, the Company recorded a charge of approximately $653,000, representing the present value of the projected remaining lease obligation for that facility which is included in “lease termination costs” in the accompanying consolidated statements of operations and the obligation is included in accrued liabilities in the accompanying consolidated balance sheet. No such charge was recorded during the six months ended June 30, 2009.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company adopted SFAS No. 157 *Fair Value Measurements* (as amended by associated FSPs), prospectively effective January 1, 2008, with respect to fair value measurements of (a) nonfinancial assets and liabilities that are recognized or disclosed at fair value in the Company's financial statements on a recurring basis (at least annually) and (b) all financial assets and liabilities. The Company adopted the remaining aspects of SFAS No. 157 relative to nonfinancial assets and liabilities that are measured at fair value, but are recognized and disclosed at fair value on a nonrecurring basis, prospectively effective January 1, 2009.

SFAS No. 157 applies to certain assets and liabilities that are being measured and reported on a fair value basis. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosure about fair value measurements. Broadly, the SFAS No. 157 framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. This Statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The Statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
Level 3: Unobservable inputs that are not corroborated by market data.

The fair values of the Company’s cash and cash equivalents, restricted cash, trade accounts receivable, prepaid expenses and other current assets, trade accounts payable, accrued expenses, and income taxes payable approximate the carrying values due to the relatively short maturities of these instruments. The fair values of the Company’s long-term liabilities, if recalculated based on current interest rates, would not significantly differ from the recorded amounts.

Certain assets are measured at fair value on a non-recurring basis. These assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances. Included in this category are goodwill written down to fair value when determined to be impaired, and long-lived assets that are written down to fair value when they are held for sale or determined to be impaired.

8. 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 six months ended June 30, 2009 and 2008. Total stock-based compensation expense was approximately $7,000 and $107,000, for the six months ended June 30, 2009 and 2008, respectively.

As of June 30, 2009, there was approximately $3,000 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 its third quarter ending September 30, 2009.

9. 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.

10. 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 June 30, 2009, the Company had $257,000 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 June 30, 2008, the Company had no outstanding borrowings under its Revolver.

11. 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 $632,000 and $802,000, during the three months ended June 30, 2009 and 2008, respectively, and $1,222,000 and $1,549,000 for the six months ended June 30, 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.

12. 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 2,329,096 shares at June 30, 2009 and 2,350,446 at June 30, 2008, respectively and were not included in the computation of diluted EPS because an inclusion of such shares would have been anti-dilutive.

13. SUBSEQUENT EVENT

In July 2009, the Company was named as a defendant in a lawsuit brought by one of its non-programming vendors. The lawsuit alleges a breach of contract and seeks a judgment of $2.3 million in damages and other costs. The Company has reviewed the suit and, along with its outside legal counsel, believes that the lawsuit is without merit. However, no assurance can be given that this matter will be resolved in the Company’s favor.

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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 and six months ended June 30, 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 Web site 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 22% during the first quarter of 2009 compared to the fourth quarter of 2007. In the second quarter of 2009, the year-over-year decline was 20%. We expect that third quarter 2009 market revenues will decline in the same general range as the previous two quarters. There is little visibility relative to the fourth quarter advertising demand and while we believe that the recession has hit bottom, it is likely 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*, 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 June 30, 2009 Compared to June 30, 2008

Net revenues from continuing operations for the second quarter of 2009 decreased $1.8 million, or 21%, to $6.9 million compared to net revenues of $8.7 million in the second quarter of 2008. Net revenues from our Continuing Stations decreased 23% in the second quarter of 2009 compared to the second quarter of 2008, driven mainly by sharply lower advertising demand, reflected by a 20% decline in non-political advertising expenditures in our five television markets and a slight decrease in our market share of those revenues.

Programming expenses decreased $1.3 million, or 29%, to $3.0 million in the second quarter of 2009 from $4.3 million in the second quarter of 2008. This decrease relates primarily to lower programming amortization, lower barter costs and lower program impairment write-downs during the three months ended June 30, 2009 when compared to the three months ended June 30, 2008.

Other costs of service decreased $281,000, or 21%, to $1.1 million in the second quarter of 2009 from $1.3 million in the second quarter of 2008 primarily due to our decision to reduce our discretionary promotion costs in 2009.

Selling, general and administrative expenses for the second quarter of 2009 decreased $300,000 or 10%, to $2.6 million in the second quarter of 2009 from $2.9 million in the second quarter of 2008 primarily due to lower sales commissions, lower sales incentive trip expense, lower incentive compensation expenses and reductions in staff levels and compensation.

Depreciation and amortization decreased $63,000, or 9%, to $607,000 in the second quarter of 2009 from $670,000

for the second 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 on our FCC broadcast licenses during the second quarter of 2009. We recorded an impairment charge relating to our FCC broadcast licenses of approximately $12.0 million during the second quarter of 2008 as a result of our review of intangible assets and our determination that these assets had been impaired.

We recorded lease termination costs of $653,000 during the second quarter of 2008 as a result of the abandonment of our backup tower facility in New Mexico. There were no such charges during the second quarter of 2009.

Corporate expenses for the second quarter of 2009 decreased $72,000, or 12%, to $506,000 compared to $578,000 for the second quarter of 2008, principally as a result of lower public-company related costs and lower compensation expense due to management salary reductions effective January 1, 2009.

Income tax expense for the second quarter of 2009 for continuing operations was $69,000, compared to an income tax benefit of $2.7 million for the second quarter of 2008. The income tax expense for the 2009 quarter was comprised of a $6,000 current tax expense and a $63,000 deferred tax expense related to the amortization of our intangible assets for tax purposes. The income tax benefit for the 2008 quarter relates primarily to the reversal of deferred tax liabilities resulting from the impairment of intangibles recorded during the quarter, net of $38,000 in current tax expense.

Our loss from continuing operations, net of tax expense, for the second quarter of 2009 and 2008 was $1.1 million and $11.2 million, respectively.

Our loss from discontinued operations, net of income tax, for the second quarter of 2009 was $70,000 compared to income of $20,000 for the second quarter of 2008, primarily due to an additional impairment charge of $68,000 taken on our studio building of our station WBUI during the three months ended June 30, 2009. There was no income tax expense for discontinued operations for the three months ended June 30, 2009 and 2008.

As a result, our net loss for the second quarter of 2009 and 2008 was $1.2 million and $11.2 million, respectively.

Six Months Ended June 30, 2009 Compared to June 30, 2008

Net revenues from continuing operations for the six months ended June 30, 2009 decreased $3.4 million, or 20%, to $13.4 million compared to net revenues of $16.8 million for the six months ended June 30, 2008. Net revenues from our Continuing Stations decreased 22% in the six months ended June 30, 2009 compared to the six months ended June 30, 2008, driven mainly by sharply lower advertising demand, reflected by a 21% decline in non-political advertising expenditures in our five television markets.

Programming expenses decreased $1.6 million, or 21%, to $6.0 million in the first six months of 2009 from $7.7 million in the first six months of 2008. This decrease relates primarily to lower programming amortization, lower barter costs and lower write-downs of program rights during the six months ended June 30, 2009 when compared to the six months ended June 30, 2008.

Other costs of service decreased $494,000 or 19%, to $2.1 million in the first six months of 2009 from $2.6 million in the first six months of 2008 primarily due to our decision to reduce our promotion costs in 2009.

Selling, general and administrative costs for the first six months of 2009 decreased $676,000, or 11%, to $5.3 million compared to $5.9 million in the first six months of 2008 primarily due to lower sales commissions, lower sales incentive trip expense, lower incentive compensation expense, and reductions in staff levels and compensation.

Depreciation and amortization decreased $185,000, or 13%, to $1.2 million for the first six months of 2009 from $1.4 million for the first six months 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 on our FCC broadcast licenses during the six months ended June 30, 2009. We recorded an impairment charge relating to our FCC broadcast licenses of approximately $12.0 million in the first six months of 2008 as a result of our review of intangible assets and our determination that these assets had been impaired.

We recorded lease termination costs of $653,000 in the first six months of 2008 as a result of the abandonment of our backup tower facility in New Mexico. There were no such charges during the same period for 2009.

Corporate expenses for the first six months of 2009 decreased $201,000, or 17%, to $1.0 million compared to $1.2 million for the first six months of 2008 principally as a result of lower public-company related costs and lower compensation expense due to management salary reductions effective January 1, 2009.

Income tax expense for the first six months of 2009 for continuing operations was 334,000, compared to an income tax benefit of $2.0 million for the six months ended June 30, 2008. The income tax expense for the first six months of 2009 is comprised of a $31,000 current tax expense and a $303,000 deferred tax expense related to the amortization of our intangible assets for tax purposes. The income tax expense for the first six months of 2008 is comprised of a $78,000 current tax expense and a $2.1 million deferred tax benefit, which relates primarily to reversal of deferred tax liabilities resulting from the impairment of intangibles recorded during the second quarter of 2008.

Our loss from continuing operations for the first six months of 2009 was $2.7 million compared to a loss of $12.9 million for the for the first six months of 2008 primarily due to the impairment charge relating to our FCC broadcast licenses, the program write-down and lease termination expense, net of the decrease in corporate expenses as discussed above.

Our loss from discontinued operations for the first six months of 2009 was $75,000 compared to income of $28,000 for the first six months of 2008, primarily due to an additional impairment charge taken on our studio building of our station WBUI during the six months ended June 30, 2009. There was no income tax expense for discontinued operations for the first six months of 2009 and 2008.

As a result, our net loss for the six months ended June 30, 2009 and 2008 was $2.8 million and $12.8 million, respectively.

Liquidity and Capital Resources

In early 2009, in an effort to provide the Company with more cash liquidity during the difficult economic and operating climate, management initiated discussions with several of its larger programming suppliers in an effort to amend underlying programming agreements to revise payment due dates. The Company was successful in reaching agreements with these suppliers and the revised terms generally provide payment relief in 2009 and 2010 with those deferrals being caught up in 2011 and beyond.

Cash flow provided by operating activities was $563,000 for the six months ended June 30, 2009, compared to cash flow used by operating activities of $510,000 for the first six months of 2008. This increase in cash flow of $1.1 million is reflective of seasonal working capital changes and due to the delay in program payments made to several of the above referenced program suppliers pending the final documentation of the program payment restructures. We expect these agreements will be finalized and the reduced payments caught up by the end of the third quarter of 2009.

Cash flow used in investing activities during the first six months of 2009 was $327,000, consisting solely of capital expenditures mainly relating to the digital conversion readiness, compared to cash flow used in investing activities of $13,000 for the first six months of 2008.

Cash flow provided by financing activities was $19,000 during the first six months of 2009 compared to cash flow used of $26,000 during the first six 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 six months of 2009 was $14,000 compared to cash flow provided by operating activities during the first six months of 2008 of $139,000. 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 six 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 June 30, 2009 we had $257,000 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 six months of 2009 to help fund working capital needs and capital expenditures, the latter which are estimated to be approximately $100,000 for that six-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 believe that our payment restructure arrangements with certain of our key program suppliers and the additional availability under our Revolver will provide us with enough liquidity 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.

During our 2009 Annual Meeting of Stockholders held on June 24, 2009, our five directors (Jamie Kellner, Douglas Gealy, Thomas Allen, Michael Corrigan and Frederick Wasserman), constituting the entire Board of Directors, were reelected to hold office until the 2010 annual meeting of stockholders or until their respective successors are duly elected and Mayer Hoffman McCann P.C. was reappointed as our independent public accounting firm for the fiscal year ending December 31, 2009.