ACME
COMMUNICATIONS

2101 E. Fourth Street, Suite 202A
Santa Ana, California 92705

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

AUGUST 17, 2011

To Our Stockholders:

ACME Communications, Inc. will hold its Annual Meeting of Stockholders at 10474 Santa Monica Blvd., Suite 200, Los Angeles, California on Wednesday, August 17, 2011 at 9:00 a.m. (local time) for the following purposes:

1. To elect five directors to serve until our 2012 Annual Meeting of Stockholders or until their successors are elected.

2. To ratify the appointment of Mayer Hoffman McCann P.C. as our independent public accountants for 2011; and

3. To transact such other business as may properly come before the meeting.

Stockholders who owned stock at the close of business on July 7, 2011 are entitled to vote at this meeting and any adjournments. Even though you may plan to attend the meeting, we ask that you sign and date the enclosed proxy card, and return it without delay in the enclosed postage-paid envelope. If you are present, you may withdraw your proxy card and vote in person. A list of stockholders entitled to vote at the Annual Meeting will be available for inspection at our principal executive offices and at the Annual Meeting.

As indicated in the attached proxy instructions, you have multiple ways to vote your shares – via the internet, by phone or by mail. If mailing, please sign, date and mail the enclosed proxy card promptly in the enclosed envelope so that your shares of stock may be present at the meeting.

By order of the Board of Directors,

/s/Jamie Kellner
Jamie Kellner
Chairman of the Board

July 13, 2011

ACME COMMUNICATIONS, INC.
2011 PROXY STATEMENT
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ACME COMMUNICATIONS

2101 E. Fourth Street, Suite 202A
Santa Ana, California 92705

PROXY STATEMENT

FOR ANNUAL MEETING OF STOCKHOLDERS TO BE HELD AUGUST 17, 2011

GENERAL

The Board of Directors of ACME Communications, Inc. (the "Company") is soliciting the enclosed proxy for use at our Annual Meeting of Stockholders to be held on Wednesday, August 17, 2011 at 10474 Santa Monica Blvd., Suite 200, Los Angeles, California at 9:00 a.m. (local time) and at any adjournment thereof (the "Annual Meeting" or the "Meeting"). The approximate date on which this Proxy Statement and the enclosed form of proxy are first being sent or given to stockholders entitled to vote at the Annual Meeting is July 13, 2011.

We will vote all valid and properly executed proxies that we receive before the Annual Meeting in accordance with the instructions specified in the proxy. If proxies do not give any instructions, we will vote shares **FOR**: (1) the election of the named nominees for director and (2) the ratification of Mayer Hoffman McCann P.C.'s appointment as our independent public accountants for 2011. As to any other business which may properly come before the Annual Meeting, the persons named in such proxies will vote in accordance with their best judgment.

You may revoke your proxy at any time before it is actually voted at the Annual Meeting. You may do this by (a) delivering to the Secretary of the Company at our principal executive offices, at or prior to the Annual Meeting, an instrument of revocation or another proxy bearing a date or time later than the date or time of the proxy being revoked or (b) voting in person at the Annual Meeting. Mere attendance at the Annual Meeting will not serve to revoke your proxy.

We will pay the cost of this proxy solicitation. Brokers and nominees should forward soliciting materials to the beneficial owners of the stock such brokers and nominees hold of record. We will reimburse them for their reasonable forwarding expenses. Our directors, officers and regular employees, without extra compensation, may solicit proxies personally, by telephone, by mail or by other means of communication.

VOTING SECURITIES

Each share of common stock has one vote on all matters submitted to our stockholders at the Annual Meeting. Stockholders of record at the close of business on July 7, 2011 are entitled to vote at the Annual Meeting. On July 7, 2011, our issued and outstanding voting securities consisted of 16,046,763 shares of common stock.

The presence at the Annual Meeting, in person or by proxy, of the holders of a majority in voting power of the outstanding shares of our common stock entitled to vote will constitute a quorum for the meeting. Assuming such a quorum is present, for the purpose of electing directors, the five nominees receiving the highest number of affirmative votes of our common stock, present in person or by proxy and entitled to vote thereon, will be elected. For the purpose of approving all other proposals presented to our stockholders at the Annual Meeting, the affirmative vote of a majority in voting power of the shares of common stock that are present in person or by proxy and entitled to vote thereon is necessary for approval.

Counting of Votes

Our inspector of elections will count all votes cast in person, by proxy or by written consent at the meeting. Abstentions and broker non-votes will be treated as shares that are present for purposes of determining the presence of a quorum. With regard to the election of directors, broker non-votes and votes marked "withheld" will not be counted towards the tabulations of votes cast on such proposal presented to the stockholders, will not have the effect of negative votes and will not affect the outcome of the election. With regard to each of the other proposals, abstentions will be counted towards the tabulations of votes cast on such proposal presented to the stockholders and will have the same effect as negative votes, whereas broker non-votes will not be counted for purposes of determining whether such proposal has been approved and will not have the effect of negative votes.

PROPOSAL ONE:

ELECTION OF DIRECTORS

The nominees proposed for election are Jamie Kellner, Douglas Gealy, Thomas Allen, Michael Corrigan and Frederick Wasserman. Each of these nominees has been proposed by the Nominating and Governance Committee and will serve until the Annual Meeting of Stockholders in 2012 or until his successor is elected and qualified.

Each nominee has indicated his willingness to serve if elected, but if any nominee should become unable to serve, we will vote your proxies for the election of such other person as our directors select.

Nominees for Election as Directors

The following table sets forth information about our directors as of July 7, 2011, each of whom is a nominee for election as a director.

Name	Age	Position	Year First Elected /Appointed
Jamie Kellner	64	Chairman of the Board	1997
Douglas Gealy	50	President, Chief Executive Officer and Director	1997
Thomas Allen	58	Director	1997
Michael Corrigan	53	Director	2004
Frederick Wasserman	56	Director	2006

Jamie Kellner is one of our founders and has served as our Chairman of the Board since 1997. From 2007 until July 2010, Mr. Kellner also served as our Chief Executive Officer. Mr. Kellner was also a founder and served as Chairman and Chief Executive Officer of The WB Network from 1993 to 2004. Additionally, from March 2001 through March 2003, Mr. Kellner served as Chairman and Chief Executive Officer of AOL Time Warner's Television Networks division. Mr. Kellner was President of Fox Broadcasting Company from its inception in 1986 to 1993. Effective July 1, 2010, Mr. Kellner relinquished his Chief Executive Officer role, but continues to serve as the Company's Chairman of the Board.

Douglas Gealy is one of our founders and has served as our President and as a member of our Board since 1997. From 1997 to June 2010, Mr. Gealy served as the Company's Chief Operating Officer. In July 2010, he became our Chief Executive Officer. Before founding ACME, Mr. Gealy served for one year as Executive Vice President of Benedek Broadcasting Corporation. From 1991 to 1996, Mr. Gealy was a Vice President and General Manager of WCMH and, under a local marketing agreement, WWHO, both of which are television stations in Columbus, Ohio, and following the acquisition of these stations by NBC, served as President and General Manager of these stations.

Thomas Allen is one of our founders and has served as a director since 1997. Mr. Allen served as our Executive Vice President and Chief Financial Officer from 1997 to July 2010 and from June 1996 until 1997 was involved in development activities for ACME. From August 1993 to May 1996, Mr. Allen was the Chief Operating Officer and Chief Financial Officer for Virgin Interactive Entertainment. Before that, Mr. Allen served as Senior Vice President and Chief Financial Officer of Fox Broadcasting Company from its inception in 1986 to 1993. In July 2010, Mr. Allen became Executive Vice President & Chief Financial Officer for Outdoor Channel Holdings, Inc., a position he still currently holds. Mr. Allen provides financial and strategic services to the Company under a consulting agreement.

Michael Corrigan was appointed to the Board in April 2004. Mr. Corrigan is an experienced media and entertainment executive and consultant. He currently serves on the boards of a number of privately held entertainment companies. He has previously served as a member of the Board of Directors and Chairman of the Audit Committee of Tropicana Entertainment Inc., a gaming company and as Chairman of the Board of Directors of Atari Inc., a game publisher and distributor. Mr. Corrigan was formerly Senior Executive Vice President and Chief Financial Officer of Metro Goldwyn Mayer Inc. and prior thereto was a senior partner in the Entertainment, Media and Communications practice at Price Waterhouse.

Frederick Wasserman has served as a member of our Board since December 2006. Mr. Wasserman currently is President of FGW Partners LLC, which provides financial and management consulting services. From 2005 through 2006, Mr. Wasserman served as Chief Operating Officer and Chief Financial Officer of Mitchell & Ness Nostalgia Company, a manufacturer and distributor of licensed sportswear. From 2001 through 2005, he served as Chief Financial Officer and then President of Goebel of North America, an international manufacturer of collectibles, gifts and home decor. Mr. Wasserman currently serves on the Board of Directors of Breeze-Eastern Corporation and TeamStaff, Inc., both publicly traded companies on the Nasdaq Capital Market. In addition, Mr. Wasserman also serves on the Board of Directors of Gilman Ciocia, Inc. and MAM Software Group, both publicly traded companies on the OTC Bulletin Board.

Mr. Gealy, who is a co-founder and current officer of the Company, and Messrs. Kellner and Allen, co-founders and former executives of the Company, are not independent directors. The Board has determined that Messrs. Corrigan and Wasserman are independent. There are no family relationships among any of our directors, nominees or executive officers.

The five nominees receiving the highest number of affirmative votes of the outstanding shares of the Common Stock present in person or by proxy and entitled to be voted for them will be elected as directors. Each proxy cannot be voted for a greater number of persons than five.

The Board of Directors unanimously recommends a vote FOR the election of the directors listed above. Unless otherwise directed in the accompanying proxy, the persons named therein will vote for the election of the above nominees.

Directors' Compensation

Director Compensation Table

The following table sets forth the compensation earned for the year ended December 31, 2010 for services performed for us as a director by each member of our Board of Directors during 2010, other than Jamie Kellner, Douglas Gealy and Thomas Allen, who served as executive officers of the Company for at least part of 2010. Please see the Summary Compensation Table for compensation information relating to Messrs. Kellner, Gealy and Allen.

Name	Fees Earned or Paid in Cash ($)	Option Awards ($)	All Other Compensation ($)	Total ($)
Michael Corrigan (1)	28,000	—	—	28,000
Frederick Wasserman	20,000	—	—	20,000

(1) Mr. Corrigan's fees include $8,000 as additional compensation for chairing the Audit Committee.

As of December 31, 2010, Messrs. Corrigan and Wasserman each had stock options outstanding to purchase 20,000 shares of our common stock. Mr. Corrigan has two tranches of options. The first tranche is for 10,000 shares and is exercisable at $7.99 per share and expires on April 1, 2014. The second tranche is for 10,000 shares and is exercisable at $5.72 per share and expires on February 1, 2015. Mr. Wasserman's options are exercisable at $4.89 per share and expire on December 21, 2016. All of Mr. Corrigan's and Mr. Wasserman's options are fully vested.

Directors who also are employees of the Company are not paid any fees or remuneration, as such, for their service on the Board of Directors or on any Board committee. Also, Mr. Kellner and Mr. Allen, though not employees or officers of the Company since mid-2010, have waived any compensation for their board services. The Company does not have a standard compensation arrangement with its non-employee directors. Messrs. Corrigan and Wasserman receive an annual fee of $20,000, payable quarterly in arrears, for their service on the Board of Directors. Mr. Corrigan receives an additional annual fee of $8,000 for his service as the Chairman of the Audit Committee. No other directors receive additional compensation for service on any committees of the Board. All directors are reimbursed for expenses they incur in attending Board and committee meetings.

Board of Directors Meetings

The Board of Directors met six times during 2010. Each of our directors attended at least 75% of the aggregate number of board meetings and meetings of committees on which he served in 2010.

CORPORATE GOVERNANCE, BOARD COMPOSITION AND BOARD COMMITTEES

We have an Audit Committee, a Compensation Committee and a Nominating and Governance Committee. Each Committee operates under a written charter adopted by our Board of Directors. The full text of all of our committee charters is available on the Corporate Governance page on the Company's website at www.acmecommunications.com. The inclusion of our web site address in this Proxy Statement does not include or incorporate by reference the information on our web site into this Proxy Statement.

Code of Conduct and Ethics

Our Board of Directors has adopted a Code of Conduct and Ethics which applies to all directors, officers (including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) and employees. The full text of our Code of Conduct and Ethics is available on the Corporate Governance page on our website at www.acmecommunications.com. We intend to disclose future amendments to certain provisions of the Code of Conduct and Ethics, and any waivers of provisions of the Code of Conduct and Ethics at the same location on our website. The inclusion of our web site address in this Proxy Statement does not include or incorporate by reference the information on our web site into this Proxy Statement.

Director Attendance at Annual Stockholders Meeting

It is our policy that all directors make every reasonable effort to attend the Annual Stockholders Meeting, either in person or by telephone. Messrs. Kellner, Allen and Corrigan were physically present at the Company's 2010 Annual Stockholders Meeting, held in Los Angeles, California, on August 12, 2010. All of our other directors were present by telephone.

Stockholder Communications

Stockholders may communicate with any director, the entire Board, or any committee by sending a letter to that person(s), care of the Company's Secretary, at 2101 E. Fourth St., Suite 202A, Santa Ana, CA 92705, or by sending an e-mail to them at: board@acmecomm.com. The Secretary will log in all such correspondence and forward the relevant letters and emails to the addressee(s) for appropriate action. Messages pertaining to administrative matters, ordinary business matters, personal grievances, and similar issues will be handled by the Secretary.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following contains information regarding the beneficial ownership of our common stock as of July 7, 2011 for:

- holders or groups of related holders who, individually or as a group, are known to us to be the beneficial owners of 5% or more of our common stock;
- each of our Named Executive Officers (as defined and set forth on the Summary Compensation Table);
- each director;
- our executive officers and directors as a group.

The number of shares beneficially owned and the percentage of shares beneficially owned are based on 16,046,763 shares of common stock outstanding as of July 7, 2011. Beneficial ownership generally includes the shares over which the person has voting or investment power with respect to the securities. Shares subject to options that are exercisable within 60 days following July 7, 2011 are deemed to be outstanding and beneficially owned by the optionee for purposes of computing share and percentage ownership of that optionee, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. Except as indicated by footnote and subject to community property laws where applicable, the persons named in the table below have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. Unless otherwise noted, the address for each person or entity named below is c/o ACME Communications, Inc. 2101 E. Fourth Street, Suite 202A, Santa Ana, California 92705.

	Shares of Common Stock Beneficially Owned	Percentage of Common Stock Beneficially Owned
Jamie Kellner (1)	791,800	4.93%
Douglas Gealy	568,576	3.54%
Thomas Allen	565,911	3.53%
Michael Corrigan (2)	20,000	*
Frederick Wasserman (2)	20,000	*
All directors and executive officers as a group (5 persons)	1,966,287	12.22%
Wynnefield Capital Management LLC et al (3)	3,788,663	23.61%
Gamco Investors, Inc. et al (formerly Gabelli Asset Management Inc. et al) (3)	1,915,977	11.94%
West Creek Capital, LLC (3)	1,592,159	9.92%
Christopher R. Kelly (3)	1,557,765	9.71%
Wapiti Partners, LP (formerly Resilient Partners, L.P.) (3)	1,418,401	8.84%

* Represents beneficial ownership of less than 1%.

(1) Includes 765,191 shares held by Kellner Enterprises, L.P., a family limited partnership of which the Kellner Living Trust, dated September 26, 1991, is the sole general partner and of which the Melissa Pamela Kellner Irrevocable Trust, dated April 30, 1998, the Christopher Smith Kellner Irrevocable Trust, dated April 30, 1998, and the Kellner Living Trust, dated September 26, 1991, are the limited partners. Mr. Kellner disclaims beneficial ownership of the shares held by Kellner Enterprises, L.P., except to the extent of his pecuniary interest therein.

(2) Consists solely of options to purchase shares.

(3) Based solely on information provided by the shareholder.

No director, officer, affiliate of the Company or record owner of more than five percent of the Common Stock, or any associate of such person, is a party adverse to the Company in any material pending legal proceeding or has a material interest adverse to the Company in such proceeding.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

Since January 1, 2006, there has not been, nor is there any proposed transaction, arrangement or relationship or series of similar transactions, arrangements or relationships, including those involving indebtedness not in the ordinary course of business, to which we or our subsidiaries were or will be a party, or in which we or our subsidiaries were or will be a participant, in which the amount involved exceeded or will exceed the lesser of $120,000 or one percent (1%) of the average of our total assets at year end for the last two completed fiscal years, and in which any director, executive officer, beneficial owner of more than 5% of any class of our voting securities, or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest, other than the compensation agreements and other agreements and transactions which are described elsewhere in this Proxy Statement and the transactions described below.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table shows information regarding the compensation earned during the fiscal years ended December 31, 2010 and 2009 by our Chief Executive Officer and our two other most highly compensated executive officers who were serving as executive officers at the end of the last fiscal year and whose total compensation exceeded $100,000 during that fiscal year.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Option Awards ($)	All Other Compensation[6] ($)	Total ($)
Jamie Kellner (1)	2010	--	--	--	--	--
Chairman of the Board and Chief Executive Officer	2009	--	--	--	--	--
Douglas Gealy (2)	2010	291,779	--	--	461	292,240
President and Chief Executive Officer	2009	304,665	--	--	3,139	307,804
Stan Gill (3)	2010	205,991	--	--	22,424	228,415
Executive Vice President and Chief Operating Officer	2009	199,020	--	--	20,051	219,071
John Hannon (4)	2010	181,890	--	--	10,120	192,010
Executive Vice President	2009	158,100	45,000	--	3,114	206,214
Thomas Allen (5)	2010	133,760	--	--	1,200	134,960
Executive Vice President and Chief Financial Officer	2009	304,665	--	--	6,043	310,708

(1) Effective November 1, 2007, Mr. Kellner waived his consulting fee for the remainder of the term of his consulting agreement. Mr. Kellner resigned from his position as Chief Executive Officer effective June 30, 2010.

(2) Mr. Gealy became Chief Executive Officer effective July 1, 2010.

(3) Mr. Gill became Executive Vice President and Chief Operating Officer effective July 1, 2010. Prior to that time, he served and still serves as Vice President and General Manager of the Company's television station operations in Albuquerque, NM.

(4) Mr. Hannon became Executive Vice President effective July 1, 2010. Prior to that time, he served as Vice

President and General Manager of the Company's television station in Dayton, OH.

(5) Mr. Allen resigned from employment by the Company effective July 15, 2010.

(6) The amounts disclosed in this column represent the following other compensation:

	Year	Company Matching Contributions Under 401(k) Plan	Personal Use of Company Automobile	Housing/ Moving Allowance	Total
		$	$	$	$
Douglas Gealy	2010	--	461	--	461
	2009	--	3,139	--	3,139
Stan Gill	2010	--	6,370	16,054	22,424
	2009	--	2,947	17,104	20,051
John Hannon	2010	--	3,120	7,000	10,120
	2009	--	3,114	--	3,114
Thomas Allen	2010	--	1,200	--	1,200
	2009	--	6,043	--	6,043

Please also see the information under the heading "Directors' Compensation" appearing elsewhere in this Proxy Statement.

EMPLOYMENT ARRANGEMENTS AND AGREEMENTS

On June 30, 2010, Mr. Kellner and the Company agreed to terminate his non-exclusive consulting agreement with the Company. In connection with that agreement, Mr. Kellner had directed overall Company strategy and supervised the Company's Chief Operating Officer and Chief Financial Officer and was regularly involved with senior management in monitoring and overseeing the Company's progress and performance. Mr. Kellner continues to serve as the Company's Chairman of the Board of Directors.

Effective October 1, 2009, Messrs. Gealy and Allen each entered into a new non-exclusive employment agreement which (a) provided for an annual salary of $195,000 each, (2) required them to each devote a majority of their time fulfilling their respective duties to the Company, (3) provided them with an annual cash bonus equal to a percentage of positive EBITDA (earnings before income taxes, depreciation and amortization) (the "EBITDA Bonus"), (4) provided them with a sale bonus equal to increasing percentages of ultimate shareholder distributions in excess of $.75 per share (the "Sale Bonus") and (5) required a minimum of 90 days notice to terminate the agreement by either party.

Effective July 1, 2010, Mr. Gealy was promoted to President and Chief Executive Officer, and returned to exclusive service to the Company. In addition, his annual base salary was increased to $300,000, and he retains his EBITDA Bonus and Sale Bonus. Prior to July 1, 2010, Mr. Gealy's base salary was $195,000, and his services were non-exclusive to the Company. On May 29, 2011, following the sale of the Company's Knoxville, Dayton and Green Bay stations, the Company and Mr. Gealy agreed in principle to amend his employment agreement, effective September 1, 2011, to (a) reduce his annual compensation to $200,000 and (b) to provide for the non-exclusive services of Mr. Gealy but require him to devote a majority of his time fulfilling his duties to the Company. The amendment has not yet been finalized.

Effective July 16, 2010, Mr. Allen's employment agreement was terminated and he ceased being an employee of the Company. Since that date, Mr. Allen has provided financial and strategic services to the Company under a consulting agreement. Mr. Allen retains his EBITDA Bonus and his Sale Bonus as part of his new consulting agreement.

As of December 31, 2010, Mr. Gealy's base salary was $300,000. Neither Mr. Gealy nor Mr. Allen received any cash bonuses for the years ended December 31, 2010 or 2009.

Effective July 1, 2010, Mr. Gill was promoted to Executive Vice President and Chief Operating Officer. He assumed these duties in addition to his duties as Vice President and General Manager of the Company's duopoly in the Albuquerque-Santa Fe marketplace. Concurrent with his promotion, Mr. Gill also assumed the additional responsibilities of overseeing the Company's Madison television station. Mr. Gill's employment agreement, which became effective on July 1, 2010 provides for (a) an annual salary of $210,000, (2) an annual cash bonus equal to a percentage of positive EBITDA (the "EBITDA Bonus"), (3) a sale bonus equal to increasing percentages of ultimate shareholder distributions in excess of $.75 per share (the "Sale Bonus") and (4) a requirement of a minimum of 90 days notice to terminate the agreement by either party.

Effective July 1, 2010, Mr. Hannon was promoted to Executive Vice President. He assumed these duties in addition to his duties as general manager of the Company's television station in Knoxville marketplace and oversight of affiliate distribution for The Daily Buzz, LLC, the Company's production company. Mr. Hannon's employment agreement, which became effective on July 1, 2010 provides for (a) an annual salary of $200,000, (2) an annual cash bonus equal to a percentage of positive EBITDA (the "EBITDA Bonus"), (3) a sale bonus equal to increasing percentages of ultimate shareholder distributions in excess of $.75 per share (the "Sale Bonus") and (4) requirement of a minimum of 90 days notice to terminate the agreement by either party.

On May 29, 2011, following the sale of the Company's Knoxville station, the Company notified Mr. Hannon that his employment would be terminated effective August 31, 2011.

Neither Mr. Gill nor Mr. Hannon received any cash bonuses in 2010 and their base salaries at December 31, 2010 were $210,000 and $200,000, respectively.

The Company maintains broad-based benefits that are provided to all employees, including health and dental insurance, life and disability insurance, and a 401(k) plan. Executive employees are eligible to participate in all of the Company's employee benefit plans, in each case on the same basis as other employees. The Company generally provides a matching contribution equal to 50% of the employee's deferral contributions that do not exceed 6% of their qualified compensation. However, effective January 1, 2009, due to adverse economic conditions affecting the Company's business, the Company's matching contribution was suspended indefinitely and is not expected to be resumed.

Outstanding Equity Awards Value at Fiscal Year-End

There were no options issued during 2010 to any of the Named Executive Officers. Options issued to the Named Executives in September 1999 expired unexercised in September 2009 and there are no options outstanding for any of the Named Executive Officers.

Securities Authorized for Issuance Under Equity Compensation Plans

Below is a summary of the number of securities issuable and available for future issuance under the Company's equity compensation plans as of December 31, 2010:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance
Equity compensation plans approved by security holders	793,750	$ 6.48	3,406,250
Equity compensation plans not approved by security holders	--	--	--
Total	793,750	$ 6.48	3,406,250

PROPOSAL TWO:

RATIFICATION OF APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS

Our Audit Committee has appointed Mayer Hoffman McCann P.C. as our independent public accountants for the year ending December 31, 2011. Mayer Hoffman McCann P.C. has served as our independent public accountants since October 2006.

We expect a representative of Mayer Hoffman McCann P.C. to be at the Annual Meeting and to be available to respond to questions from stockholders. We will give the Mayer Hoffman McCann P.C. representative an opportunity to make a statement if they desire.

Stockholder ratification of the selection of Mayer Hoffman McCann P.C. is not required by our Bylaws or otherwise. However, we are submitting the selection of Mayer Hoffman McCann P.C. to the stockholders for ratification. If the stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain that firm. Even if the stockholders ratify the selection, the Audit Committee, in its discretion, may direct the appointment of a different independent firm at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders.

Ratification of appointment of Mayer Hoffman McCann P.C. as our independent public accountants for 2011 will require the affirmative vote of a majority of the outstanding voting shares of the common stock represented in person or by proxy at the Annual Meeting. If the stockholders do not make such ratification, the Audit Committee and the Board of Directors will reconsider the appointment.

The Board of Directors unanimously recommends a vote FOR ratification of the appointment of Mayer Hoffman McCann P.C. as our independent public accountants for the year ending December 31, 2011.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Public Accountants

All engagements for services by Mayer Hoffman McCann P.C. or other independent public accountants are subject to prior approval by the Audit Committee. The Audit Committee, or the Chairman where authority has been delegated to him, pre-approved all professional services provided by Mayer Hoffman McCann P.C. during 2010 and 2009.

Fees billed by Mayer Hoffman McCann P.C. for its 2010 audit services were approximately $85,000. Fees billed by and paid to Mayer Hoffman McCann P.C. for its 2009 audit services were approximately $75,000.

Mayer Hoffman McCann P.C. performed no other service for the Company during either 2010 or 2009.

FINANCIAL AND OTHER INFORMATION

Our Annual Report to Stockholders for the fiscal year ended December 31, 2010 is enclosed with this Proxy Statement.

OTHER MATTERS

The Board of Directors knows of no matters to be presented for action by the stockholders at the Annual Meeting other than those described in this Proxy Statement. Unless otherwise indicated, if any other matter is properly brought before the meeting and may be properly acted upon, the persons named in the accompanying form of proxy will be authorized by such proxy to vote the proxies thereon in accordance with their best judgment.

ACME COMMUNICATIONS, Inc.

ANNUAL REPORT

2010

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Management's Discussion and Analysis ("MD&A") of Financial Condition and Results of Operations

Forward Looking Statements

This Annual Report includes forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. In some cases, you can identify forward-looking statements by terminology such as "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 Annual Report. We undertake no duty to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this Annual Report. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Annual Report might not occur.

Presentation of Financial Information in this MD&A

The financial information and discussion contained in this MD&A for the years ended December 31, 2010 and 2009 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, 2010 and 2009, which can be found on the Company's Web site at *www.acmecommunications.com.*

Overview

This MD&A is provided as a supplement to our audited Consolidated Financial Statements and notes thereto, as discussed above, in order to enhance your understanding of our results of operations and financial condition. Our MD&A is organized as follows:

☐ *Introduction*. This section provides a general description of our Company and discussion about our operations.

☐ *Recent Developments and Sales of Stations*. This section provides a general description of our Company's recent developments including the pending sales of the Company's WBXX, WBDT and WCWF (formerly WIWB) television stations.

☐ *Critical Accounting Policies and Estimates.* This section discusses those accounting policies that are considered important to the evaluation and reporting of our financial condition and results of operations, and whose application requires us to exercise subjective or complex judgments in making estimates and assumptions. In addition, all of our significant accounting policies, including our critical accounting policies, are summarized in Note 2 to our audited Consolidated Financial Statements, which are, as mentioned above, posted separately on our Company's website at *www.acmecommunications.com*.

☐ *Results of Operations*. This section provides our analysis and outlook for the significant line items on our consolidated statements of operations, as well as other information that we deem meaningful to understand our results of operations on both a continuing and discontinuing operations basis.

☐ *Liquidity and Capital Resources*. This section provides an analysis of our liquidity and cash flows and discussions of our contractual obligations and commitments, as well as our outlook on our available liquidity as of December 31, 2010.

☐ *Recent Accounting Pronouncements.* This section provides a summary of the most recent authoritative accounting standards and guidance that have either been recently adopted by our Company or may be adopted in the future.

Our Company ACME Communications, Inc. and its wholly-owned subsidiaries (together, unless the context otherwise requires, the "Company" or "we") owns and operates six independently programmed broadcast television stations serving markets reaching 2.2% of the nation's television households. Our stations are: KWBQ-TV and KASY-TV, Albuquerque-Santa Fe, NM; WBXX-TV, Knoxville, TN; WBDT-TV, Dayton, OH; WCWF-TV, Green Bay-Appleton, WI and WBUW-TV, Madison, WI. Five of these stations are network affiliates of The CW Television Network and one station, our second station in the Albuquerque-Santa Fe market, is a network affiliate of MyNetworkTV. In addition, we own KRWB in the Albuquerque-Santa Fe market, which is a satellite of KWBQ-TV. In addition to our television stations, we also produce a three-hour weekday news and lifestyle morning program, The Daily Buzz, which airs on all of our stations and on 163 television stations across the United States.

Since we reached a high of eleven television stations in 2002, we have been seeking to monetize shareholder value by the selective sale of our stations. We expect to continue to be sellers rather than buyers of television station assets. Sales of our stations, as discussed below under *Recent Developments and Sales of Stations*, in Knoxville, Dayton and Green Bay (collectively, our "Discontinuing Stations") are pending and in accordance with U.S. generally accepted accounting principles, we have presented the results of these stations as discontinued operations for all periods presented.

Our remaining three continuing stations are our duopoly in the Albuquerque-Santa Fe marketplace (ranked 46th by Nielsen in terms of television households) and our station in the Madison marketplace (ranked 85th by Nielsen) (collectively, our "Continuing Stations") KWBQ and WBUW are affiliates of The CW Television Network and KASY 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 from other stations and distributors related to *The Daily Buzz.* Our advertising revenues depend on popular programming that attracts audiences in the demographic groups targeted by advertisers, allowing us to sell advertising time at satisfactory rates. Similar to all commercial television stations, our rates are directly affected by the number of and demographic makeup of our viewing audience, as measured by Nielsen Media Research. Our revenues also depend significantly on factors such as the national and local economy and the level of local competition.

Approximately 65-75% of our revenues are derived from programming that airs between the hours of 5:00 p.m. to midnight. Network prime time, which is a subset of this broad daypart, accounts for 12-15% of our total revenues.

Our 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.

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 including but not limited to annual audit and legal expenses, directors and officers insurance and other related corporate overhead.

The national recession that began in the second half of calendar 2008 had an adverse impact on our industry and our Company during 2009, but advertising demand improved in our continuing markets in 2010 as evidenced by a near 5% increase compared to year ago levels in non-political revenues and a 27% increase including political revenues. We believe that non-political advertising business will continue to moderately improve in 2011 compared to 2010 levels, although there will not be meaningful amounts of political advertising in 2011.

Recent Developments and Sale of Stations

On March 17, 2010, we entered into a three-year license and consulting agreement, effective April 1, 2010, and an option agreement with Fisher Communications, Inc ("Fisher") for the Company's Daily Buzz unit. Under the license and consulting agreement Fisher will provide oversight of the program's daily operations, license certain of the program's assets to expand the digital content opportunities and provide funding of up to $500,000 for the program's transition to wide screen high-definition broadcast. The option agreement provides Fisher with the ability to acquire a 50% interest in The Daily Buzz, LLC at any time during the term and, if exercised, a further option to acquire the remaining 50% interest.

On May 28, 2010, we and LIN Television ("LIN") entered into a shared services arrangement and related agreements with respect to our stations KWBQ-TV and KASY-TV in Albuquerque-Santa Fe, NM; WBDT-TV in Dayton, OH; and WCWF-TV in Green Bay-Appleton, WI. Under the terms of the agreements, LIN will provide technical, engineering, promotional, administrative and other operational support services from its stations KRQE-TV and KASA-TV in the Albuquerque-Santa Fe market, WDTN-TV in the Dayton market, and WLUK-TV in the Green Bay-Appleton market. In addition, LIN will provide advertising sales services under a joint sales agreement for our stations in the Dayton and Green Bay-Appleton markets. Concurrent with the execution of these agreements, we entered into an option agreement, giving LIN the right to acquire any or all of the stations covered under these

agreements.

On August 26, 2010, LIN exercised its option to acquire WCWF-TV and certain assets of WBDT-TV. LIN assigned its rights to acquire the remaining WBDT-TV assets, including the FCC license, to WBDT Television, LLC ("WT"). The aggregate purchase price for both stations was $11.5 million, of which LIN agreed to pay approximately $10.5 million and WBDT Television, LLC agreed to pay approximately $1.0 million. LIN also has the option to fund 50% of its portion of the purchase price with unregistered shares of LIN's common stock. On April 8, 2011 the Federal Communications Commission ("FCC") approved the transfer of its application for the assignment of the stations' FCC licenses to LIN and WT, respectively. We expect the LIN transactions to be consummated by May 2011.

On January 27, 2011, we entered into a definitive agreement to sell WBXX in Knoxville to the Lockwood Broadcast Group for $5.6 million. The transfer was approved by the FCC on March 21, 2011 and is expected to close in May 2011.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to program rights, bad debts, intangible assets, including our broadcast licenses and goodwill, income taxes, and contingencies and litigation reserves. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may materially differ from these estimates under different assumptions or conditions.

Results of Operations

Year Ended December 31, 2010 compared to Year Ended December 31, 2009

Net revenues from continuing operations for 2010 increased $246,000, or 2%, to $14.6 million compared to net revenues of $14.4 million for 2009 mainly driven by a 7% increase in revenues at the Daily Buzz on higher advertising sales. Net revenues from our continuing stations remained flat at $11.2 million for 2010 compared to 2009.

Programming expenses for 2010 increased $703,000, or 10%, to $8.1 million compared to $7.4 million in programming expense for 2009. This increase relates primarily to higher write-downs of program license rights to adjust to net realizable value and higher barter programming expense during the twelve months ended December 31, 2010 compared to the twelve months ended December 31, 2009.

Other costs of services for 2010 decreased $162,000, or 9% to $1.6 million compared to $1.7 million in other costs of services for 2009. The decrease is principally due to some reductions in our advertising and promotion costs and due to lower utility costs compared to the prior year period when we were broadcasting in both analog and digital frequencies.

Selling, general and administrative expenses for 2010 decreased $490,000, or 11% to $4.1 million compared to $4.6 million in 2009. The decrease relates primarily to lower sales commission expenses and reductions in staff levels and compensation.

During 2010 we recorded a litigation reserve of $1.6 million for our continuing stations (and another $1.9 million for our discontinued stations) relating to our pending litigation with MMT. No such litigation reserve was recorded during the prior year period.

Depreciation and amortization expense for 2010 decreased $190,000, or 12% to $1.4 million compared to $1.6 million for 2009. This decrease relates primarily to more assets becoming fully depreciated compared to new assets placed in service over the past year as well as due to the sale of our Madison tower and transmitter building during the fourth quarter of 2010.

In accordance with FASB ASC Topic 350-30, *Intangibles — Goodwill and Other,* or ASC 350-30 and as a result of our annual test for impairment of our intangible assets with indefinite lives, which consist of FCC broadcast licenses and goodwill we recorded a $4.5 million impairment charge of our FCC broadcast licenses and goodwill at our continuing stations during 2009. No impairment charge was recorded during 2010.

We recorded a loss on disposal of our long-lived assets of $1.2 million during 2010 mainly related to the above mentioned sale of our Madison tower and transmitter building during the fourth quarter of 2010. There were no such losses recorded during calendar 2009.

Corporate expenses for 2010 decreased $249,000, or 12% to $1.8 million, compared to $2.1 million in 2009 principally as a result of significantly lower compensation expense due to corporate management salary reductions and the corporate management team restructuring during 2010, offset by increased legal expenses related to our MMT litigation and severance expenses during 2010.

Our 2010 income tax benefit for continuing operations was $172,000, compared to an income tax benefit of $1.6 million in 2009. The income tax benefit for 2010 is comprised of a net $896,000 current tax benefit mainly relating to our September 2010 election to amend our 2008 tax return and carry back losses which effectively eliminated much of the alternative minimum taxes we paid for the 2007 and 2003 tax years, net ofa $724,000 deferred tax expense related to the amortization of our intangible assets for tax purposes. The $1.6 million income tax benefit for our continuing operations for calendar 2009 mainly relates to the reversal of deferred tax liabilities resulting from the impairment of intangibles recorded during 2009.

Our loss from continuing operations in 2010, net of income tax benefit, was $5.3 million, compared to a loss of $6.1 million in 2009. The reduction in our loss from continuing operations was primarily due to the $4.5 million decrease in impairment charges that were recorded on our FCC broadcast licenses and goodwill during 2009 offset by an increase of $1.6 million in litigation reserve relating to our MMT litigation.

Our loss from discontinued operations in 2010, net of income tax expense, was $3.1 million, compared to a loss of $2.6 million in 2009. The increase in loss arose primarily from a $1.9 million litigation reserve allocated to our discontinued operations relating to our MMT litigation as well as the reversal of prior accruals in 2009 related to our discontinued operations, based on the lapsing of statute of limitations, net of an income tax expense of $898,000. There was no income tax expense for discontinued operations in 2010.

As a result, our net loss for the twelve months of 2010 was $8.5 million, compared to net loss of $8.7 million in 2009.

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 requesting them 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.

Net cash used in operating activities for our continuing operations was $2.2 million for 2010, compared to net cash used of $379,000 for 2009. The increase in cash flow use of $1.8 million is primarily related to the catch up payments made to our largest programming suppliers in April and July 2010 following the executed restructure agreements, and the fact that during calendar 2009 we generally suspended program payments to these two program suppliers while we were negotiating our restructure agreements, and to an increase in accounts receivable driven by increasing sales compared to decreasing sales a year ago.

Net cash provided by investing activities for our continuing operations was $1.3 million for 2010, consisting mainly of net proceeds received in connection with our Madison tower and transmitter building sale. Net cash provided by investing activities for 2009 was $58,000 consisting of proceeds received for the sale of property and equipment, net of capital expenditures mainly relating to the digital conversion readiness, net of proceeds received for the sale of property and equipment.

Net cash provided by financing activities for our continuing operations was $477,000 for 2010 compared to cash flow provided of $794,000 for 2009, consisting mainly of lower program payment deferrals with several of our program suppliers when compared to 2009 net of decreased prepaid financing costs payments since 2009, included our $200,000 Revolver amendment fee in March 2009.

Net cash used in operating activities of our discontinued operations for 2010 was $329,000 compared to $276,000 net cash used by operating activities for 2009 relating primarily to catch up payments made to our largest program suppliers in April and July 2010 following the executed restructure agreements

Net cash used in investing activities for our discontinued operations for 2010 was $459,000 relating mainly to the purchase of our Dayton station studio facility as well as capital expenditures relating to our final digital broadcast conversion net of approximately $500,000 in net proceeds received for the sale of our analog towers at our Dayton and Green Bay stations compared to cash provided by investing activities for 2009 of $192,000 consisting primarily of proceeds received from the sale of our former Decatur station's land and building.

Net cash provided by financing activities for our discontinued operations for 2010 was $1.5 million relating primarily to $650,000 in borrowings in connection with our purchase of the Dayton office building as well as the above discussed program restructure deferrals compared to cash provided by financing activities for our discontinued operations of $987,000 for 2009.

We have a revolving credit facility (the "Revolver") which is secured by substantially all of the Company's assets. The loan agreement matures on May 8, 2011 and allows us 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. Interest under the borrower is LIBOR plus 4.50% for LIBOR loans and prime plus 2.75% for prime-rate based loans, the latter subject to a minimum rate.

The LIN Transaction agreements required approval by our lender which was provided by a consent and amendment to the Company's Revolver on May 28, 2010. The consent and amendment also eliminated the STAC appraisal values of stations WBDT and WCWF from the borrowing base calculation since these stations are being fully integrated into LIN's sales and technical operations and would therefore be difficult for our lender to extract in the case of a default under our credit agreement. Based on the March 1, 2010 STAC appraised values for the stations, excluding WBDT and WCWF, the maximum available borrowings following the LIN Transaction was approximately $1.8 million, before interest and liquidity reserves.

At December 31, 2010, we had no outstanding borrowings under our Revolver and available credit was approximately $1.7 million and we were in compliance with all covenants contained in the loan agreement with exception of the timely delivery of the 2010 audited financial statements.

Costs associated with the procuring and amending our credit facilities, including loan fees and related professional fees, are included in other current assets and are amortized on a straight-line basis, which approximates the effective interest method, over the term, including amended terms, of the facilities.

We do not plan on renewing or extending the Revolver beyond its May 8, 2011 maturity.

In 2009, as discussed above, we negotiated program license fee restructure deals with our top five suppliers (Fox, Warner Bros., Sony, Carsey-Werner and CBS/Kingworld), allowing us to push out payments from the fourth quarter of 2008, 2009 and 2010 to later years. These deferrals are reversing in 2011. In June 2011, we have a balloon payment of $1.5 million due to Fox.

On March 21, 2011, we received an unfavorable judgment in connection with our pending litigation brought by our former national sales representation firm. The order and decision granted by the New York Supreme Court granted the plaintiff's motion for summary judgment and awarded the plaintiff a $2.4 million "break-up" fee as well as interest thereon, and other costs and disbursements to be submitted by the plaintiff. We have appealed the judgment and have also just filed a motion to reargue with the state court. In connection with the above judgment we have recorded a litigation reserve, which is included in accrued liabilities in our audited consolidated balance sheet, for approximately $3.5 million consisting of the "break-up" fee, together with interest at 9% per annum as well as an estimate of plaintiff's costs and other disbursements. It is uncertain however, whether or not we will be able to defer the payment of the court award until our counter-claim is heard and it is likely that we will have to post a performance bond related to our appeal or establish an escrow fund. The amount required to collateralize the performance bond or to fund the escrow account could be the entire amount of our litigation reserve of $3.5 million. However, in the event that the judge grants our motion to either stay or vacate his earlier summary decision, no such performance bond or escrow fund would be required. Any other developments in this litigation or other adverse or positive developments or rulings could affect our assumptions and, thus, our accrual.

During 2010, we sold three of our broadcast towers. The non-core analog towers in the Dayton and Green Bay markets were sold to SBC Towers on October 22, 2010 for approximately $600,000 and on November 1, 2010 we sold our Madison tower and transmitter building to Gray Television for approximately $1.4 million. The aggregate net proceeds from these sales were approximately $1.8 million and we used approximately $1.1 million of these net proceeds to pay down our revolving credit agreement to a zero balance. In addition, on April 15, 2011 we received our tax refund from the Internal Revenue Service of $967,000, including interest, related to our amended 2008 tax filing described previously herein.

On January 27, 2011, we entered into a definitive agreement with Lockwood Broadcast Group ("LB") to sell LB our WBXX Knoxville station for $5.6 million in cash. The Federal Communication Commission ("FCC") approved that transfer on Monday, March 21, 2011 and the sale is expected to close in early May 2011.

In August 2010, LIN exercised its early option to acquire our Dayton and Green Bay stations at an aggregate purchase price of $11.5 million (the "LIN Transaction"). The purchase price is payable in cash and at LIN's election, up to 50% in LIN unregistered stock. LIN must notify the Company within 15 days of the closing if it intends to pay any of the $11.5 million in its stock. On April 8, 2011, the FCC approved the LIN Transaction and we expect to close by the end of May 2011.

We anticipate that the above referenced sales (LIN transaction and WBXX) will result in immediate net cash proceeds of approximately $10 million by the end of May, assuming LIN will pay 50% of the purchase price in cash at the time of the close and 50% in unregistered stock which we anticipate to be able to start liquidating beginning in the fourth quarter of 2011. Further, we anticipate that upon the successful closing of the above referenced sales transaction management will approve the payment of a cash distribution to our shareholders at an amount to be determined at management's discretion and based on the basis of cash on hand and our expected future needs.

We believe that we have enough cash on hand and anticipated liquidity from the above mentioned contractually binding station sales to adequately meet our working capital needs during 2011. Should the above mentioned station sales transactions fail to close, we will likely need to find a short-term financing facility to replace our current revolving credit agreement which expires on May 8, 2011 or sell some of our other remaining assets during 2011 in order to continue to meet our liquidity requirements.

We cannot be certain that we will be able to either successfully replace our credit facility or sell any assets to meet 2011 or beyond liquidity needs.

New Accounting Pronouncements

Refer to Note 2, *New and Recently Adopted Accounting Pronouncements,* in "Notes to Consolidated Financial Statements", for a discussion of new accounting standards.

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.

Directors and Executive Officers

The following table sets forth information about our directors and executive officers at December 31, 2010:

Name	Age (1)	Position
Jamie Kellner	63	Chairman of the Board
Douglas Gealy	50	President and Chief Executive Officer and Director
Stan Gill	55	Chief Operating Officer
John Hannon	43	Executive Vice President
Thomas Allen	58	Director
Michael Corrigan	52	Director
Frederick Wasserman	55	Director

(1) as of March 31, 2011

Jamie Kellner is a co-founder of ACME and is our Chairman of the Board. He served as our Chief Executive Officer from our inception in 1997 until July 2010. Mr. Kellner co-founded The WB Network in 1993 and served as its Chairman and Chief Executive Officer from 1994 until June 2004. Mr. Kellner was President of Fox Broadcasting Company from its inception in 1986 to 1993. Mr. Kellner also served as Chairman and Chief Executive Officer of Turner Networks, a division of AOL-Time Warner, from March 2001 to February 2003.

Douglas Gealy is a co-founder of ACME and has served as our President and, since July 2010, our Chief Executive Officer. Prior to July 2010, Mr. Gealy served as the Company's President and Chief Operating Officer. He has been a member of our Board since 1997. Before co-founding ACME, Mr. Gealy served for one year as Executive Vice President of Benedek Broadcasting Corporation. From 1991 to 1996, Mr. Gealy was a Vice President and General Manager of WCMH and its local marketing agreement, WWHO, both in Columbus, Ohio, and following the acquisition of these stations by NBC, served as President and General Manager of these stations.

Stan Gill began serving as ACME's Chief Operating Officer in July 2010. Simultaneously, Mr. Gill also serves as Vice President and General Manager of ACME's duopoly, KWBQ / KASY TV in Albuquerque, New Mexico, a position he's held since 2006. In July 2010, Mr. Gill also began oversight of ACME's WBUW, in Madison, Wisconsin. From 1999 to 2006 Mr. Gill served as Vice President and General Manager of WBDT and while at WBDT Mr. Gill was also involved and instrumental in taking ACME's The Daily Buzz, a 3 hour live national morning news program, from concept to on-air reality. Prior to joining ACME, Mr. Gill was Vice President at NBC Corporate, Six Sigma Quality Sales Division, New York, New York from 1997 to 1999. A 30 plus year TV and Radio veteran, Mr. Gill has held key management, sales and operations positions at WCMH TV, WBNS TV/Radio and WMNI Radio.

John Hannon joined ACME in October of 2001 and has served as our Executive Vice President since July 2010. Mr. Hannon served as Vice President and General Manager at WBDT-TV, the Company's The CW affiliate in Dayton, Ohio, from April 2006 to June 2010. Before joining ACME, Mr. Hannon served in multiple station management and sales management roles at ABC, NBC and FOX affiliates in Ohio and Montana with Sullivan Broadcasting, Sinclair Broadcasting and Quorum Broadcasting.

Thomas Allen is a co-founder of ACME and from our inception in 1997 until July 2010 served as our Executive Vice President and Chief Financial Officer. He has been a member of our Board since 1997 and has served as a consultant to the Company since July 2010. From August 1993 to May 1996, Mr. Allen was the Chief Operating Officer and Chief Financial Officer for Virgin Interactive Entertainment, Inc. Before that Mr. Allen served as Senior Vice President and Chief Financial Officer of the Fox Broadcasting Company from 1986 to 1993. Since July 2010, Mr. Allen has served as Executive Vice President and Chief Financial Officer of Outdoor Channel Holdings, Inc., a national cable network publicly traded on the Nasdaq Global Market.

Michael Corrigan was appointed to the Board in April 2004. Mr. Corrigan is an experienced media and entertainment executive and consultant. He currently serves on the boards of a number of privately held entertainment companies. He has previously served as a member of the Board of Directors and Chairman of the Audit Committee of Tropicana Entertainment Inc., a gaming company and as Chairman of the board of Directors of Atari Inc., a game publisher and distributor. Mr. Corrigan was formerly Senior Executive Vice President and Chief Financial Officer of Metro Goldwyn Mayer Inc. and prior thereto was a senior partner in the entertainment, Media and Communications practice at Price Waterhouse.

Frederick Wasserman has served as a member of our Board since December 2006. Mr. Wasserman currently is President of FGW Partners LLC, which provides financial and management consultant services. From 2005 through 2006, Mr. Wasserman served as Chief Operating and Chief Financial officer of Mitchell & Ness Nostalgia Company, a manufacturer and distributor of licensed sportswear. From 2001 through 2005, he served as Chief Financial Officer and then President of Goebel of North America, an international manufacturer of collectibles, gifts and home decor. Mr. Wasserman currently serves on the board of directors of Allied Defense Group, Inc., a publicly traded company on the American Stock Exchange. He also serves on the board of directors of Breeze-Eastern Corporation and TeamStaff, Inc., both publicly traded companies on the Nasdaq Capital Market. In addition, Mr. Wasserman also serves on the board of directors of Gilman Ciocia, Inc. and MAM Software Group, both publicly traded companies on the OTC Bulletin Board.

Transfer Agent and Stock Registrar

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

Independent Public Accountants

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

ACME COMMUNICATIONS, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders

ACME Communications, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of ACME Communications, Inc. and Subsidiaries as of December 31, 2010 and 2009, and the related statements of operations, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ACME Communications, Inc. and Subsidiaries as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Mayer Hoffman McCann P.C.

Orange County, California
April 22, 2011

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

	December 31, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,331	$ 2,052
Restricted cash	50	50
Accounts receivable, net of allowance for doubtful accounts of $938 and $898 as of December 31, 2010 and December 31, 2009, respectively	5,963	4,994
Current portion of programming rights	2,092	2,330
Prepaid expenses and other current assets	1,184	277
Assets held for sale	11,347	13,421
Total current assets	22,967	23,124
Property and equipment, net	2,786	6,599
Programming rights, net of current portion	3,252	4,135
Goodwill, net	11,401	11,401
Broadcast licenses, net	3,359	3,359
Other assets	40	79
Total assets	$ 43,805	$ 48,697
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,483	$ 4,362
Accrued liabilities	6,409	2,122
Current portion of programming rights payable	4,655	2,807
Current portion of obligations under lease	51	49
Income taxes payable	346	341
Liabilities held for sale	7,501	8,619
Total current liabilities	22,445	18,300
Programming rights payable, net of current portion	4,838	6,768
Obligations under lease, net of current portion	653	704
Notes payable secured by trust deed	624	---
Other liabilities	529	478
Deferred income taxes	1,306	582
Total liabilities	30,395	26,832
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 December 31, 2010 and December 31, 2009	168	168
Additional paid-in capital	133,004	133,004
Accumulated deficit	(114,762)	(106,307)
Less: Treasury stock, at cost; 725,652 shares	(5,000)	(5,000)
Total stockholders' equity	13,410	21,865
Total liabilities and stockholders' equity	$ 43,805	$ 48,697

See the accompanying notes to the consolidated financial statements.

ACME Communications, Inc. and Subsidiaries

Consolidated Statements of Operations

(In thousands, except per share data)

	For the Year Ended December 31, 2010	2009
Net revenues	$ 14,601	$ 14,355
Operating expenses:		
Cost of service:		
Programming, including program amortization	8,057	7,354
Other costs of service (excluding depreciation and amortization of $1,370 and $1,556 for the years ended December 31, 2010 and 2009, respectively)	1,573	1,735
Selling, general and administrative expenses	4,089	4,579
Litigation reserve	1,619	---
Depreciation and amortization	1,375	1,565
Impairment of long-lived assets	---	4,540
Loss (gain) on disposal of assets	1,175	(82)
Corporate expenses	1,849	2,098
Operating expenses	19,737	21,789
Operating loss	(5,136)	(7,434)
Other expenses:		
Interest, net	(385)	(261)
Loss from continuing operations, before income tax benefit	(5,521)	(7,695)
Income tax benefit	172	1,634
Loss from continuing operations	(5,349)	(6,061)
Discontinued operations:		
Loss from discontinued operations, before income taxes	(3,106)	(1,738)
Income tax expense	---	(898)
Loss from discontinued operations	(3,106)	(2,636)
Net loss	$ (8,455)	$ (8,697)
Net loss per share, basic and diluted:		
Continuing operations	$ (0.33)	$ (0.38)
Discontinued operations	(0.19)	(0.16)
Net loss per share	$ (0.53) *	$ (0.54)
Weighted average basic and diluted common shares outstanding	16,047	16,047

* does not foot due to rounding

See the accompanying notes to the consolidated financial statements.

ACME Communications, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
(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	---	---	13	---	---	13
Net loss	---	---	---	(8,697)	---	(8,697)
Balance at December 31, 2009	16,772	168	133,004	(106,307)	(5,000)	21,865
Net loss	---	---	---	(8,455)	---	(8,455)
Balance at December 31, 2010	16,772	$ 168	$ 133,004	$ (114,762)	$ (5,000)	$ 13,410

See the accompanying notes to the consolidated financial statements.

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

	For the Year Ended December 31,	
	2010	**2009**
Cash flows from operating activities:		
Net loss	$ (8,455)	$ (8,697)
Add: Loss from discontinued operations, net of income tax	3,106	2,636
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for doubtful accounts receivable	195	167
Depreciation and amortization	1,375	1,565
Impairment of long-lived assets	---	4,540
Loss (gain) on disposal of assets	1,175	(82)
Amortization of program rights	2,561	2,379
Amortization of prepaid financing costs	130	118
Stock-based compensation	---	10
Deferred income tax provision (benefit)	724	(797)
Changes in operating assets and liabilities:		
Increase in accounts receivable	(966)	(150)
Increase in prepaid expenses and other current assets	(1,035)	(51)
Decrease in other assets	39	71
Increase (decrease) in accounts payable	(160)	974
Increase in accrued liabilities	2,005	180
Decrease in income taxes payable	---	(10)
Payments of programming rights payable	(2,950)	(3,081)
Increase (decrease) in other liabilities	52	(151)
Net cash used in operating activities	(2,204)	(379)
Cash flows from investing activities:		
Purchase of property and equipment	(15)	(224)
Proceeds from sale of property and equipment	1,278	282
Net cash provided by investing activities	1,263	58

See the accompanying notes to the consolidated financial statements.

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

	For the Year Ended December 31, 2010	For the Year Ended December 31, 2009
Cash flows from financing activities:		
Payment of financing costs on credit facility	$ (155)	$ (231)
Borrowings under revolving credit facility	1,155	---
Repayments under revolving credit facility	(1,000)	---
Deferrals of program payments	526	1,072
Payments on capital lease obligations	(49)	(47)
Net cash provided by financing activities	477	794
Increase (decrease) in net cash from continuing operations	(464)	473
Discontinued operations:		
Net cash used in operating activities	(329)	(276)
Net cash provided by (used in) investing activities	(459)	192
Net cash provided by financing activities	1,531	987
Net cash provided by discontinued operations	743	903
Increase in cash and cash equivalents	279	1,376
Cash and cash equivalents at beginning of year	2,052	676
Cash and cash equivalents at end of year	$ 2,331	$ 2,052
Cash payments for:		
Interest	$ 230	$ 137
Taxes	$ 40	$ 71
Non-cash transactions:		
Program rights in exchange for program rights payable (continuing operations)	$ 1,440	$ 1,133

See the accompanying notes to the consolidated financial statements.

1. NATURE OF BUSINESS

Nature of Business

The Company commenced operations in 1997 and ACME Communications, Inc. was formed as the Company's holding company on July 23, 1999, in preparation for and in conjunction with an initial public offering of its stock.

ACME Communications, Inc. (together with its subsidiaries, hereinafter, individually and collectively, "ACME" or the "Company") is a holding company with no independent operations other than through its indirect wholly-owned subsidiary, ACME Television, LLC ("ACME Television"). As of December 31, 2010, 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	46	CW
KASY - 45	Albuquerque – Santa Fe, NM	46	MNT
WBXX - 20	Knoxville, TN	59	CW
WBDT – 26	Dayton, OH	62	CW
WCWF – 21 (3)	Green Bay – Appleton, WI	71	CW
WBUW - 32	Madison, WI	85	CW

(1) based on television households per Nielsen Market Research for the 2010/2011 broadcast season.
(2) "CW" refers to The CW Television Network and "MNT" refers to MyNetworkTV.
(3) formerly WIWB

Effective November 4, 2008, the Company's common stock was delisted from the Nasdaq Global Market and on that same day the Company filed a Form 15 with the U.S. Securities & Exchange Commission ("SEC") to deregister its common stock under Section 12 of the Securities Exchange Act of 1934. Upon the filing of the Form 15, the Company's obligation to file certain reports with the SEC, including Forms 10-K, 10-Q, and 8-K, was immediately suspended. The deregistration of the Company's common stock became effective February 1, 2009. The Company's common stock is currently quoted on the Pink Sheets®, a centralized electronic quotation service for over-the counter securities.

Recent Developments

On March 17, 2010, the Company entered into a three-year license and consulting agreement, effective April 1, 2010, and an option agreement with Fisher Communications, Inc ("Fisher") for the Company's Daily Buzz unit. Under the license and consulting agreement Fisher will provide oversight of the program's daily operations, license certain of the program's assets to expand the digital content opportunities and provide funding of up to $500,000 for the program's transition to wide screen high-definition broadcast. The option agreement provides Fisher with the ability to acquire a 50% interest in The Daily Buzz, LLC and, if exercised, a further option to acquire the remaining 50% interest. As the Company believes that it is likely that Fisher will exercise its option to acquire an interest in The Daily Buzz, LLC, it has treated the annual license fee of $250,000 paid in 2010, which is fully creditable against the purchase price, as deferred revenue.

On May 28, 2010, the Company and LIN Television ("LIN") entered into a shared services arrangement and related agreements with respect to its stations KWBQ-TV and KASY-TV in Albuquerque-Santa Fe, NM; WBDT-TV in Dayton, OH; and WCWF-TV in Green Bay-Appleton, WI. Under the terms of the agreements, LIN will provide technical, engineering, promotional, administrative and other operational support services from its stations KRQE-TV and KASA-TV in the Albuquerque-Santa Fe market, WDTN-TV in the Dayton market, and WLUK-TV in the Green Bay-Appleton market. In addition, LIN will provide advertising sales services under a joint sales agreement for the Company's stations in the Dayton and Green Bay-Appleton markets. Concurrent with the execution of these agreements, the Company entered into an option agreement, giving LIN the right to acquire any or all of the stations covered under these agreements.

On August 26, 2010, LIN exercised its option to acquire WCWF-TV and certain assets of WBDT-TV. LIN assigned its rights to acquire the remaining WBDT-TV assets, including the FCC license, to WBDT Television, LLC (“WT”). The aggregate purchase price for both stations was $11.5 million, of which LIN Television agreed to pay approximately $10.5 million and WBDT Television, LLC agreed to pay approximately $1.0 million. LIN also has the option to fund 50% of its portion of the purchase price with unregistered shares of LIN TV’s common stock. On April 8, 2011 the Federal Communications Commission ("FCC") approved the transfer of its application for the assignment of the stations’ FCC licenses to LIN and WT, respectively.

On January 27, 2011, the Company entered into a definitive agreement to sell WBXX in Knoxville to the Lockwood Broadcast Group for $5.6 million. The sale was approved by the FCC on March 21, 2011 and is expected to close by the end of the second quarter of 2011. WBXX is currently affiliated with the CW Network.

Discontinued Operations

The Company sold five of its stations – KPLR (St. Louis), KWBP (Portland, OR), KUWB (Salt Lake City), WTVK (Ft. Myers-Naples) and WBUI (Champagne-Springfield-Decatur, IL) in previous periods and per the above recent developments is currently in the process of selling WBDT (Dayton, OH); WCWF (Green Bay, WI) and WBXX (Knoxville, TN). In accordance with U.S. generally accepted accounting principles, the accompanying consolidated statements of operations and cash flows reflect the results of these stations as discontinued operations for all periods presented.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles 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.

Basis of Presentation

Effective for the year ended December 31, 2009, the Financial Accounting Standards Board ("FASB") established Accounting Standards Codification ("ASC") as the primary source of authoritative generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. Although the establishment of the ASC did not change current GAAP, it did change the way we refer to GAAP throughout this document to reflect the updated referencing convention.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

In accordance with the FASB ASC Topic 855, *Subsequent Events,* or ASC 855, the Company evaluated all events or transactions that occurred after December 31, 2010 through April 22, 2011, which represents the date the consolidated financial statements were available to be issued.

Reclassification

The consolidated balance sheet at December 31, 2009 and the consolidated statements of operations and cash flows for the year ended December 31, 2009 have been reclassified to conform to present year presentation in connection with Discontinued Operations.

Revenue Recognition

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

Cash and Cash Equivalents

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

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are presented net of the related allowance for doubtful accounts which totaled $938,000 and $898,000 at December 31, 2010 and 2009, respectively. The Company does not charge interest on past due receivables. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The Company utilizes information available to it, including the timing of payments and the financial condition of our customers, to estimate its allowance for doubtful accounts. If the financial condition of its customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The Company does not have a significant concentration of accounts receivable from any single customer or industry segment.

Concentration of Credit Risk and Fair Value of Financial Instruments

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of accounts receivable and cash. Due to the short-term nature of these instruments, the carrying value approximates the fair value. The Company believes that concentrations of credit risk with respect to accounts receivable, which are unsecured, are limited due to the Company's ongoing relationship with its clients and limited exposure to any one customer. The Company provides its estimate of uncollectible accounts. The Company has not experienced significant losses relating to accounts receivable. The Company may be exposed to credit loss for amounts in excess of the Federal Deposit Insurance Corporation insurance limit of $250,000 per owner, in the event of non-performance by the institutions; however, the Company does not anticipate non-performance by these institutions.

The carrying amounts reported in the consolidated balance sheets for accounts receivable and accounts payable approximate fair values because of the immediate or short-term maturity of these financial instruments.

Goodwill and Indefinite Life Intangible Assets

In accordance with FASB ASC Topic 350-30, *Intangibles — Goodwill and Other, Goodwill,* or ASC 350-30, 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.

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. The annual impairment testing date is December 31. The Company will also test for impairment between annual test dates if an event occurs or circumstances change that would indicate the carrying amount may be impaired. Impairment testing for goodwill is performed at a reporting unit level. An impairment loss would generally be recognized when the carrying amount of the reporting unit’s net assets exceeds the estimated fair value of the reporting unit.

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

The Company has determined that the appropriate level to test goodwill and its FCC broadcast licenses for impairment is at the respective station market level, except for its two stations serving the Albuquerque - Santa Fe, New Mexico marketplace, which are evaluated together. The fair value at December 31, 2010 and 2009 was primarily determined by evaluating discounted cash flow models and a market-based approach, including the consideration of the sales price for stations WBDT, WCWF and WBXX in arriving at the fair value. The assumptions in the models were based on the market clusters’ projected ability to generate cash flows in various cities or nearby cities based on signal coverage of the markets. The fair value of the reporting unit and the FCC broadcast licenses contains significant assumptions incorporating variables that are based on past

experiences and judgments about future performance using industry normalized information for an average station within a market. These variables would include the forecasted growth rate of each television market, including population, household income, retail sales and other expenditures that would influence advertising expenditures, market share and profit margin of an average station within a market, estimated capital start-up costs and losses incurred during the early years, risk-adjusted discount rate based on the risk inherent in the future cash flows and the likely media competition within the market area. The market-based approach used comparable company earnings multiples.

As a result of the Company's annual test for impairment of its intangible assets with indefinite lives, the Company determined that neither goodwill nor its FCC broadcast licenses had become impaired at December 31, 2010. During the year ended December 31, 2009, the Company recorded non-cash impairment charges for its FCC broadcast license and goodwill charges for its Continuing Stations of $2,102,000 and $2,438,000, respectively.

Long-Lived Assets, Including Intangibles Subject to Amortization

The Company assesses the recoverability of long-lived assets at least annually or whenever adverse events or changes in circumstances indicate that impairment may have occurred in accordance with FASB ASC Topic 360-10, *Property, Plant, and Equipment, Impairment or Disposal of Long-Lived Assets*, or ASC 360-10. If the future undiscounted cash flows expected to result from the use of the related assets are less than the carrying value of such assets, an impairment has been incurred and a loss is recognized to reduce the carrying value of the long-lived assets to fair value, which is determined by discounting estimated future cash flows.

Depreciation and amortization of our long-lived assets is provided using the straight-line method over their estimated useful lives. Changes in circumstances, such as the passage of new laws or changes in regulations, technological advances, changes to our business model or changes in our capital strategy could result in the actual useful lives differing from initial estimates. In those cases where we determine that the useful life of a long-lived asset should be revised, we will depreciate the net book value in excess of the estimated residual value over its revised remaining useful life. Factors such as changes in the planned use of equipment, customer attrition, contractual amendments or mandated regulatory requirements could result in shortened useful lives.

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

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

Program rights represent costs incurred for the right to broadcast certain features and syndicated television programs. Program rights are stated on a gross basis, at the lower of amortized cost or estimated realizable value. Generally, program rights are amortized over the life of the contract on a straight-line basis related to the usage of the program. Any reduction in unamortized costs to net realizable value is included in amortization of program rights in the accompanying consolidated statements of operations. We evaluate estimated realizable value of program 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 years ended December 31, 2010 and 2009, the Company recorded write-downs of program rights due to impairments for our Continuing Stations of $126,000 and $17,000, respectively.

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

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

Buildings and improvements	20 - 40 years
Broadcast and other equipment	3 - 20 years
Furniture and fixtures	5 - 7 years
Vehicles	5 years

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 for our Continuing stations amounted to $1,308,000 and $1,233,000 for the years ended December 31, 2010 and December 31, 2009, respectively. Trade transactions, which represent the exchange of advertising time for goods or services, are recorded at the estimated fair value of the products or services received based on comparable cash transactions. Barter and trade revenue is recognized when advertisements are broadcast. Merchandise or services received from airtime trade sales are charged to expense or capitalized and expensed when used.

Advertising Expenses

The Company records advertising expense when the advertising is run. Production costs associated with such advertising are expensed upon the initial air date of the advertising. Advertising expense, which consists primarily of media costs, production costs and promotion staff salaries and related costs, is included in Other Costs of Service and for our Continuing Stations was $588,000 and $518,000, for the years ended December 31, 2010 and 2009, respectively.

Income Taxes

The Company accounts for income taxes in accordance with FASB ASC Topic 740, *Income Taxes,* or ASC 740**.** Income taxes are provided based on current taxable income and the future tax consequences of temporary differences between the basis of assets and liabilities for financial and tax reporting. The deferred income tax assets and liabilities represent the future state and federal tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred income taxes are also recognized for operating losses that are available to offset future taxable income and tax credits that are available to offset future income taxes. At each reporting period, management assesses the realizable value of deferred tax assets based on, among other things, estimates of future taxable income, and adjusts the related valuation allowance as necessary. Management makes a number of assumptions and estimates in determining the appropriate amount of expense to record for income taxes. These assumptions and estimates consider the taxing jurisdiction in which the Company operates as well as current tax regulations. Accruals are established for estimates of tax effects for certain transactions and future projected profitability of the Company's businesses based on management's interpretation of existing facts and circumstances.

ASC 740 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. The Company has reviewed its tax positions and determined that an adjustment to the tax provision is not considered necessary nor is a reserve for income taxes required.

Income (Loss) per Share

Basic income (loss) per common share is computed by dividing net income (loss) to common stockholders by the weighted average number of common shares outstanding for the period. Diluted income (loss) per share includes the effect of our outstanding stock options, warrants and shares issuable pursuant to convertible debt, convertible preferred stock and certain stock incentive plans under the treasury stock method, if including such instruments is dilutive.

During the year ended December 31, 2010, 193,350 stock options expired or were forfeited reducing our stock options outstanding at December 31, 2010 to 793,750 shares compared to stock options outstanding at December 31, 2009 of 987,100 Stock options were not included in the computation of diluted EPS because an inclusion of such shares would have been anti-dilutive.

Stock-Based Compensation

FASB ASC Topic 718 *Compensation — Stock Compensation,* or ASC 718**,** requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. There were no stock options granted or any other type of share-based issuances during the years ended December 31, 2010 and 2009. There was no stock-based compensation expense for continuing operations during the year ended December 31, 2010 and approximately $13,000 for the year ended December 31, 2009. There was no stock-based compensation expense for discontinued operations for the years ended December 31, 2010 or 2009.

As of December 31, 2010, there is no unrecognized compensation cost related to unvested stock options.

Use of Estimates in the Preparation of Financial Statements

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. 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. In addition, changes in market conditions or stations' actual or expected performance could materially affect future estimated fair values of the Company's stations or of the estimated fair value of the Company's intangible assets, including the Company's broadcast licenses and goodwill.

New and Recently Adopted Accounting Pronouncements

Fair Value Measurements and Disclosures. The Company's nonfinancial assets and liabilities measured at fair value on a nonrecurring basis include goodwill and intangible assets acquired in connection with business combinations. The Company adopted the fair value measurement guidance as it relates to these assets and liabilities as of January 1, 2009. The adoption of this guidance did not have a significant impact on the Company's financial statements.

In January 2010, the FASB issued additional guidance that requires new disclosures related to transfers into and out of Levels 1 and 2 of the fair value hierarchy and separate disclosures related to purchases, sales, issuances and settlements in the roll forward for Level 3 inputs. The update also clarifies existing guidance for fair value measurements for each class of assets and liabilities as well as for disclosures about inputs and valuation techniques. This guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures related to purchases, sales, issuances and settlements in the roll forward for Level 3 inputs which are effective for interim and annual reporting periods beginning after December 15, 2010. The adoption of this update is not expected to have a significant impact on the Company's consolidated financial statements.

Subsequent Events. In May 2009, the FASB issued guidance on subsequent events which 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. This guidance is based on the same principles as currently exist in auditing standards and was issued by the FASB to include accounting guidance that originated as auditing standards into the body of authoritative literature issued by the FASB. The standard addresses the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The guidance is effective for financial statements issued for fiscal years and interim periods ending after June 15, 2009.

Consolidation of Variable Interest Entities. In June 2009, the FASB issued guidance that amends the consolidation guidance that applies to variable interest entities ("VIEs"). The amendments significantly affect the overall consolidation analysis under the existing guidance. Accordingly, an enterprise needs to reconsider its previous conclusions, including (1) whether an entity is a VIE, (2) whether the enterprise is the VIE's primary beneficiary, and (3) what type of financial statement disclosures are required. The guidance is effective for the Company as of January 1, 2010. Early adoption is prohibited. The adoption of this guidance did not have an impact on the Company's consolidated financial statements.

Stock-based Compensation. In April 2010, the FASB issued an amendment to its stock-based compensation guidance to clarify that employee stock options that have exercise prices denominated in the currency of any market in which a substantial portion of the entity's securities trade should be classified as equity, assuming all other criteria for equity classification are met. The amendment is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. Early adoption is permitted. The adoption of this amendment is not expected to have any effect on the Company's consolidated financial statements.

Business Combinations. In December 2007, FASB issued new guidance on business combinations. This guidance establishes principles and requirements for how the Company: (1) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; (2) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and (3) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The business combinations guidance also requires acquisition-related transaction and restructuring costs to be expensed rather than treated as part of the cost of the acquisition. This guidance applies prospectively to business beginning of the first annual reporting period beginning on or after December 15, 2008.

In December 2010, the FASB issued guidance on disclosure of supplementary pro forma information for business combinations which states that when a public entity's business combinations are material on an individual or aggregate basis, the notes to its financial statements must provide pro forma revenue and earnings of the combined entity as if the acquisition date(s) had occurred as of the beginning of the annual reporting period. It clarifies that if comparative financial statements are presented, the pro forma disclosures for both periods presented (the year in which the acquisition occurred and the prior year) should be reported as if the acquisition had occurred as of the beginning of the comparable prior annual reporting period only and not as if it had occurred at the beginning of the current annual reporting period. It is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 15 December 2010, and should be applied prospectively.

Intangible Assets. In December 2010, the FASB issued additional guidance which does not prescribe a specific method of calculating the fair value of a reporting unit in the performance of step 1 of the goodwill impairment test and requires entities with a zero or negative carrying value to assess, considering qualitative factors, whether it is more likely than not that a goodwill impairment exists. If an entity concludes that it is more likely than not that goodwill impairment exists, the entity must perform step 2 of the goodwill impairment test. It is effective for the impairment tests performed during entities' fiscal years (and interim periods within those years) that begin after December 15, 2010. Early application will not be permitted. The adoption of this amendment is not expected to have a material effect on the Company's consolidated financial statements.

3. DISCONTINUED OPERATIONS

In accordance with U.S. generally accepted accounting principles, the accompanying consolidated statements of operations and cash flows reflect the results of operations of the stations discussed in Note 1, as discontinued operations for all periods presented.

Selected operating results and balance sheet information related to these discontinued operations, in thousands, are as follows:

	For the Year Ended December 31,	
	2010	2009
Net revenues	$ 12,201	$ 12,494
Income (loss) from operations, before impairment charges, loss on disposal of assets, restructuring charges and income tax benefit (expense)	(2,517)	1,394
Impairment charges	(150)	(3,057)
Loss on disposal of assets	(340)	(75)
Restructuring charges	(99)	---
Income tax expense	---	(898)
Loss from discontinued operations	$ (3,106)	$ (2,636)

Assets held for sale:

	December 31, 2010	December 31, 2009
Programming rights	$ 6,643	$ 7,918
Property and equipment, net	2,272	3,071
Broadcast licenses, net	2,432	2,432
Assets held for sale	$ 11,347	$ 13,421

Liabilities held for sale:

	December 31, 2010	December 31, 2009
Programming liabilities	$ 7,501	$ 8,619
Liabilities held for sale	$ 7,501	$ 8,619

The 2009 income from operations arose primarily from the reversal of prior accruals based on the lapsing of statute of limitations and the Company's determination that it would not pay the underlying liabilities giving rise to the accruals. The income tax expense in 2009 relates to the statutory federal and state tax rates applied against the pre-tax income. This tax expense was offset by an equivalent tax benefit for continuing operations since the Company's continuing operations net loss carryover for book and tax purposes exceeds the taxable income for discontinued operations in 2009.

For the year ended December 31, 2010, there was no income tax expense or benefit for our discontinued operations since the current tax benefit of $940,000 which the Company recorded in the third quarter of 2010 representing an estimate of a tax refund to be received relating to the Company's September 2010 election to amend its 2008 tax return and carry back losses. This election effectively eliminated much of the alternative minimum taxes the Company paid for the 2007 and 2003 tax years is presented as part of our continuing operations for the year ended December 31, 2010.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 2010	December 31, 2009
	(in thousands)	
Buildings and improvements	$ 1,327	$ 2,194
Broadcast and other equipment	15,563	20,287
Furniture and fixtures	433	429
Vehicles	87	92
Total property and equipment, at cost	17,410	23,003
Less: Accumulated depreciation and amortization	(14,624)	(16,403)
Property and equipment, net	$ 2,786	$ 6,599

Property and equipment for the Company's stations WBXX, WBDT and WCWF are included in the consolidated balance sheets as of December 31, 2010 and 2009 in "Assets held for sale" as disclosed in Note 3 – Discontinued Operations.

Included in property and equipment at both December 31, 2010 and 2009 are assets subject to capital leases with a total cost of $1,082,000 and associated accumulated depreciation of approximately $917,000 and $881,000 at December 31, 2010 and 2009, respectively.

The Company sold three of its broadcast towers. It sold its non-core analog towers in the Dayton and Green Bay markets to SBC Towers on October 22, 2010 for $600,000 and on November 1, 2010 sold its Madison tower and transmitter building to Gray Television for $1.4 million. The aggregate net proceeds from these sales were approximately $1.8 million and the Company used $1.1 million of these net proceeds to pay down its revolving credit agreement to a zero balance.

5. FAIR VALUE MEASUREMENTS

The Company adopted FASB ASC Topic 820 *Fair Value Measurements and Disclosures,* or ASC 820 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 consolidated financial statements on a recurring basis (at least annually) and (b) all financial assets and liabilities. The Company adopted the remaining aspects of ASC 820 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. ASC 820 prioritizes the inputs used in measuring fair value into the following hierarchy:

- Level 1 — Valuations based on quoted prices in active markets for identical assets or liabilities
- Level 2 — Valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.
- Level 3 — Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair values of the Company's cash and cash equivalents, restricted cash, accounts receivable, prepaid expenses and other current assets, accounts payable, accrued liabilities, 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 non-financial assets are measured at fair value on a non-recurring basis and are subject to fair value adjustments only in certain circumstances. Included in this category are FCC broadcast licenses and goodwill written down to fair value when determined to be impaired and long-lived assets including program rights and property and equipment that are written down to fair value when they are held for sale or determined to be impaired. The valuation methods for FCC broadcast licenses, goodwill and long-lived assets involve assumptions concerning interest and discount rates, growth projections, and/or other assumptions of future business conditions. As all of the assumptions employed to measure these assets and liabilities on a nonrecurring basis are based on management's judgment using internal and external data, these fair value determinations are classified in Level 3 of the valuation hierarchy.

6. 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 matures on May 8, 2011 and 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. Interest under the borrower is LIBOR plus 4.50% for LIBOR loans and prime plus 2.75% for prime-rate based loans, the latter subject to a minimum rate.

The LIN Transaction agreements required approval by the Company's lender which was provided by a consent and amendment to the Company's Revolver on May 28, 2010. The consent and amendment also eliminated the STAC appraisal values of stations WBDT and WCWF from the borrowing base calculation since these stations are being fully integrated into LIN's sales and technical operations and would therefore be difficult for our lender to extract in the case of a default under our credit agreement. Based on the March 1, 2010 STAC appraised values for the stations, excluding WBDT and WCWF, the maximum available borrowings following the LIN Transaction was approximately $1.8 million, before interest and liquidity reserves.

During 2010, the Company sold three of its broadcast towers. The non-core analog towers in the Dayton and Green Bay markets were sold to SBC Towers on October 22, 2010 for approximately $600,000 and on November 1, 2010 the Company sold its Madison tower and transmitter building to Gray Television for approximately $1.4 million. The aggregate net proceeds from these sales were approximately $1.8 million and the Company used approximately $1.1 million of these net proceeds to pay down its revolving credit agreement to a zero balance.

At December 31, 2010, the Company had no outstanding borrowings under its Revolver. The available credit was approximately $1.7 million and the Company was in compliance with all of the covenants contained in the loan agreement with the exception of the timely delivery of the 2010 audited financial statements. As of December 31, 2009, the Company had no outstanding borrowings under its Revolver.

Costs associated with the procuring and amending the Company's credit facilities, including loan fees and related professional fees, are included in other current assets and are amortized on a straight-line basis, which approximates the effective interest method, over the term, including amended terms, of the facilities

7. NOTES PAYABLE SECURED BY TRUST DEED

On March 26, 2010 the Company purchased its Dayton studio facility for $950,000. The Company financed the purchase with a $650,000 Promissory Note with interest at seven percent (7%) per annum on the unpaid principal balance, payable in thirty six (36) equal consecutive monthly installments of $5,038 with all remaining principal and interest due and payable on April 3 2013. Future principal payments, the current portion of which is included in accrued liabilities in the accompanying consolidated balance sheet as of December 31, 2010 are as follows:

For the year ended December 31:	In thousands
2011	$ 16
2012	17
2013	607
Thereafter	-
Total principal payments	640
Less: Current portion	(16)
Long-term portion	$ 624

8. COMMITMENTS AND CONTINGENCIES

Obligations Under Operating Leases

The Company is obligated under non-cancelable operating leases for office space, office equipment, broadcast equipment and tower sites. Future minimum lease payments under non-cancelable operating leases, including approximately $343,000 of accrued lease termination costs, for the Company's continuing operations as of December 31, 2010 are:

For the year ended December 31:	In thousands
2011	$ 532
2012	405
2013	286
2014	125
2015	113
Thereafter	581
Total	$ 2,042

Total rental expense for continuing operations under operating leases for the years ended December 31, 2010 and 2009 was approximately $420,000 and $480,000, respectively.

Obligations Under Capital Leases

As of December 31, 2010, certain equipment was leased under capital equipment facilities. Future minimum lease payments for the Company's continuing operations under capital leases as of December 31, 2010 are:

For the year ended December 31:	In thousands
2011	$ 85
2012	85
2013	85
2014	85
2015	85
Thereafter	485
Total minimum lease payments	910
Less: Amount representing interest	(206)
Present value of minimum lease payments	704
Less: Current portion	(51)
Long-term portion	$ 653

Programming Rights Payable

Commitments for programming rights that have been executed, but which have not been recorded in the accompanying consolidated financial statements, as the underlying programming is not yet available for broadcast, were approximately $1,834,000 for the Company's continuing operations.

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

For the year ended December 31:	In thousands
2011	$ 3,456
2012	2,542
2013	2,166
2014	605
2015	355
Thereafter	483
Program rights payable maturities	$ 9,607

In addition to the above commitments, included in our program rights payable at December 31, 2010 is approximately $1,722,000 of deferred program payment obligations that the buyers of stations WBXX, WBDT and WCWF are not assuming and which will be paid by the Company upon the sale of those stations.

Other Commitments

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

For the year ended December 31:	In thousands
2011	$ 1,589
2012	722
2013	124
2014	74
2015	69
Thereafter	-
Total	$ 2,578

Legal Proceedings

The Company is currently involved in a lawsuit brought by its former national sales representation firm. On March 21, 2011, the Company received an unfavorable judgment in connection with the above mentioned lawsuit. The order and decision granted by the New York Supreme Court granted Plaintiff's motion for summary judgment and awarded the plaintiff a $2.4 million breakup fee as well as interest thereon, and other costs and disbursements to be submitted by plaintiff.

In connection with the above judgment the Company has recorded a litigation reserve, which is included in accrued liabilities in the accompanying consolidated balance sheet as of December 31, 2010, for approximately $3.5 million consisting of the "break-up" fee, together with interest at 9% per annum as well as an estimate of plaintiff's costs and other disbursements. Additional developments in our litigation or other adverse or positive developments or rulings in our litigation could affect our assumptions and, thus, our accrual.

9. INCOME TAXES

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

	Year ended December 31,	
	2010	2009
	(In thousands)	
Continuing Operations:		
Current:		
Federal	$ (940)	$ (799)
State	44	(38)
Total current tax benefit	(896)	(837)
Deferred:		
Federal	$ 644	$ (709)
State	80	(88)
Total deferred tax (benefit) expense	724	(797)
Total income tax benefit	$ (172)	$ (1,634)
Discontinued Operations:		
Current:		
Federal	$ ---	$ 799
State	---	99
Total current tax expense	---	898
Deferred:		
Federal	$ ---	$ ---
State	---	---
Total deferred tax benefit	---	---
Total income tax expense	$ ---	$ 898

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

	Year ended December 31,	
	2010	2009
	(In thousands)	
Tax benefit at U.S. federal statutory rate	$ (1,877)	$ (3,506)
State income taxes, net of federal tax expense (benefit)	124	(126)
Increase in valuation allowance	2,197	1,936
Refund of AMT credits	(940)	---
Other	324	62
Income tax benefit	$ (172)	$ (1,634)

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

	Year ended December 31,	
	2010	2009
	(In thousands)	
Deferred tax assets:		
Accrued vacation	$ 66	$ 140
AMT credits	524	1,464
Bad debt and other reserves	359	343
Deferred income	92	118
Litigation reserve	1,338	---
Deferred compensation	1,239	1,239
Intangible amortization	2,484	3,604
Net operating loss carryforward	32,644	30,062
Other	7	8
Total deferred tax assets	38,753	36,978
Less: valuation allowance	(38,547)	(36,397)
Deferred tax assets	206	581
Deferred tax liabilities:		
Property and equipment depreciation	(207)	(582)
Intangible amortization	(1,305)	(581)
Other	---	---
Deferred tax liabilities	(1,512)	(1,163)
Net deferred income tax liabilities	$ (1,306)	$ (582)

In assessing the realizability of deferred tax assets, management considered whether it is more likely than not that some portion or all deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which the differences become tax deductible. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes that it is not more likely than not that the deferred tax assets will be realized. Accordingly, the Company has recorded a valuation allowance of $38.5 million and $36.4 million, respectively as of December 31, 2010 and 2009. At December 31, 2010, the Company had, for federal and state tax purposes, net operating loss carryforwards of approximately $89.6 million that expire at various dates through 2029. The Internal Revenue Code substantially restricts the ability of a corporation to utilize existing net operating losses and credits in the event of an "ownership change". Therefore, the Company's net operating loss carryforwards for federal income tax purposes may be limited if changes in ownership occur.

The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense. For 2010 and 2009, the Company did not incur any interest or penalties related to income taxes. The Company does not anticipate any significant events or circumstances that would cause a change to these uncertainties during the ensuing year. The Company is subject to taxation in the United States and various states and is generally open to examination from the year ended December 31, 2006 forward.

10. DEFINED CONTRIBUTION PLAN

In 1998, the Company established a 401(k) defined contribution plan (the "Plan") which covers all eligible employees (as defined in the Plan). Participants are allowed to make non-forfeitable contributions up to 50% of their annual salary, but may not exceed the annual maximum contribution limitations established by the Internal Revenue Service. The Company currently matches 50% of the amounts contributed by each participant but does not match participants' contributions in excess of 6% of their compensation per pay period. The Company suspended its matching contributions effective January 1, 2009 and, accordingly, there were no matching contributions or expense in the years ended December 31, 2010 and 2009.

11. STOCK OPTION COMPENSATION

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

A maximum of 4,200,000 shares of the Company's common stock may be issued under the plan, (approximately 26% of the Company's current outstanding shares). As of December 31, 2010, 3,406,250 shares are reserved and available for future exercises of stock options. The number of shares subject to all awards granted under the plan to any one person in a calendar year cannot exceed 1,000,000 shares. Performance-based awards payable solely in cash that are granted under the plan to any one person in a calendar year cannot provide for payment of more than $1,000,000.

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

A summary of the status of the Company's Stock Incentive Plan, and changes for the years ended December 31, 2010, and 2009 is presented below:

	Options	Weighted Average Exercise Price
Outstanding at December 31, 2008	2,330,446	$ 15.79
Granted	---	---
Exercised	---	---
Forfeited	(1,343,346)	21.63
Outstanding at December 31, 2009	987,100	$ 7.85
Granted	---	---
Exercised	---	---
Forfeited	(193,350)	13.47
Outstanding at December 31, 2010	793,750	$ 6.48
Exercisable at December 31, 2010	793,750	$ 6.48

All of our stock options outstanding at December 31, 2010 were exercisable and are summarized in the following table:

	Options Outstanding			
Range of Exercise Prices	Number Outstanding at December 31, 2010	Weighted Average Remaining Contractual Life	Intrinsic Value of In the Money Outstanding Options at December 31, 2010	Weighted Average Exercise Price
$ 4.89	20,000	5.97	$ -	$ 4.89
$ 5.72 - $ 6.00	377,125	4.59	-	5.99
$ 6.95 - $ 7.99	396,625	4.42	-	7.03
	793,750	4.54	$ -	$ 6.48

	Options Exercisable			
Range of Exercise Prices	Number Exercisable at December 31, 2010	Weighted Average Remaining Contractual Life	Intrinsic Value of In the Money Exercisable Options at December 31, 2010	Weighted Average Exercise Price
$ 4.89	20,000	5.97	$ -	$ 4.89
$ 5.72 - $ 6.00	377,125	4.59	-	5.99
$ 6.95 - $ 7.99	396,625	4.42	-	7.03
	793,750	4.54	$ -	$ 6.48

The values of the Company's options were calculated at the date of grant using the Black-Scholes option-pricing model. No options were granted during the years ended December 31, 2010 and 2009 and no options were exercised during the years ended December 31, 2010 or 2009. The total fair value of shares vested during the year ended December 31, 2009 was $13,000. No shares vested during the year ended December 31, 2010.

12. SUBSEQUENT EVENTS

On April 8, 2011, in connection with the adverse judgment received relating to the MMT litigation as discussed above in Note 8 – *Commitments and Contingencies*, ACME Television Holdings, LLC and the Company's stations were served with Restraining Notices by plaintiffs'' counsel to prevent the transfer of any property or other assets in the absence of a bond or other security to secure payment of the judgment. The Company, which appealed the court's summary judgment order on April 1, 2011, filed a motion to stay or vacate the entry of judgment and reargue the case with the trial court on April 11, 2011 because the court failed to dispose of the Company's counterclaims (which are still pending). The presiding judge has agreed to hear oral arguments regarding the motion to reargue on April 28, 2011.

It is likely that the Company will have to post a performance bond related to its appeal or establish an escrow fund agreeable to the plaintiffs prior to the judge's decision regarding the Company's motion to reargue. The amount required to collateralize the performance bond or to fund the escrow account could be the entire amount of our litigation reserve of $3.5 million. In the event that the judge grants our motion to either stay or vacate his earlier summary judgment decision, no such performance bond or escrow fund would be required and any such bond or fund established would be terminated and the collateral released or funds returned to the Company. The litigation would then continue and ultimately be tried before the same court.

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