

American Community Newspapers Inc.
Form 10-Q
April 30, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the quarterly period ended March 30, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

Commission File Number 001-32549

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American Community Newspapers Inc.
(Exact name of registrant as specified in its charter)

Delaware

20-2521288 (State or other jurisdiction of
incorporation or organization) (I.R.S. Employer
Identification No.)
14875 Landmark Boulevard, Suite 110, Addison, Texas 75254
(Address of principal executive offices)

Telephone: (972) 628-4080
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
No

As of April 30, 2008, 14,623,445 shares of the registrant's common stock, par value \$.0001 per share, were issued and outstanding.

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American Community Newspapers Inc.

Consolidated Balance Sheets

(In thousands, except share and per share data)

(unaudited)

March 30,

2008 December 30,

2007 Assets	Current assets:	Cash and cash equivalents	\$ 631	\$ 1,521	Accounts receivable, net of allowance for doubtful accounts of \$108 and \$88 at March 30, 2008 and December 30, 2007, respectively	7,139	7,010	Inventories	958	618	Other current assets	706	754	Total current assets	9,434	9,903		
Property, plant, and equipment, net of accumulated depreciation of \$1,352 and \$897 at March 30, 2008 and December 30, 2007, respectively	8,912	9,324	Goodwill	90,110	90,110	Intangible assets, net of accumulated amortization of \$8,231 and \$5,487 at March 30, 2008 and December 30, 2007, respectively	102,390	105,111	Other assets	100	100	Total assets	\$ 210,946	\$ 214,548	Liabilities and Stockholders' Equity			
Current liabilities:	Accounts payable	\$ 1,734	\$ 1,401	Accrued expenses	2,055	2,232	Accrued interest	1,910	2,018	Deferred revenue	1,336	1,314	Current portion of long-term liabilities	3,150	2,100	Total current liabilities	10,185	9,065
Long-term liabilities:	Long-term debt	136,826	137,866	Deferred income taxes	2,498	1,862	Redeemable preferred stock, \$.0001 par value, Authorized 1,000,000 shares; 42,193 issued and outstanding shares at March 30, 2008 and December 30, 2007	4,744	4,556	Total liabilities	154,253	153,349	Commitments and contingencies			Stockholders' equity		
Common stock, \$.0001 par value, Authorized 50,000,000 shares Issued and outstanding 14,623,445 and 16,800,000 shares, respectively	1	1	Additional paid-in capital	64,466	64,329	Retained deficit	(7,774)	(3,131)	Total stockholders' equity	56,693	61,199	Total liabilities and stockholders' equity	\$ 210,946	\$ 214,548				

The accompanying notes should be read in conjunction with these unaudited consolidated financial statements.

AMERICAN COMMUNITY NEWSPAPERS INC.

Consolidated Statements of Operations
(In thousands, except share and per share data)
(Unaudited)

Three Months Ended March 30,
2008 March 31,

2007 Revenues:	Advertising	\$ 14,474	\$ —	Circulation	676	—	Commercial printing and other
777	—	Total revenues	15,927	—	Operating costs and expenses:	Operating	7,466
—	—	general and administrative	5,803	82	Depreciation and amortization	3,047	—
—	—	loss	(389)	(82)	Interest expense	(3,618)	—
—	—	before income taxes	(4,007)	439	Income tax expense	(636)	(109)
—	—	330	(Loss) earnings per share:	Basic and diluted	\$ (0.32)	\$ 0.02	Weighted average shares outstanding
—	—	14,623,445	16,800,000				

The accompanying notes should be read in conjunction with these unaudited consolidated financial statements.

AMERICAN COMMUNITY NEWSPAPERS INC.

Consolidated Statement of Stockholders' Equity
(In thousands, except share data)
(Unaudited)

	Common Stock	Additional							
	Paid-In	Capital	Retained	Earnings	(Deficit)	Total	Shares	Amount	Balance, December 30, 2007
	14,623,445	\$ 1	\$ 64,329	\$ (3,131)	\$	61,199			
Stock based compensation	—	—	137	—	137				Net loss for the three months ended March 30, 2008
	(4,643)	(4,643)							Balance, March 30, 2008
	14,623,445	\$ 1	\$ 64,466	\$ (7,774)	\$	56,693			

The accompanying notes should be read in conjunction with these unaudited consolidated financial statements.

AMERICAN COMMUNITY NEWSPAPERS INC.

Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

Three Months Ended March 30,
2008 March 31,

2007 Cash flows from operating activities:	Net (loss) income	\$ (4,643)	\$ 330	Adjustments to
reconcile net (loss) income to net cash provided by				
(used in) operating activities:	Depreciation and amortization	3,047	—	Provision for doubtful accounts
208	— Non-cash interest expense	1,550	—	Stock based compensation
636	— Changes in assets and liabilities, net of effect of acquisition:			Deferred income taxes
Accounts receivable	(337)	—	Inventories	(340)
(162)	Accrued expenses	(177)	—	Accrued interest
payable	—	(238)	Deferred dividends	—
(587)	Cash flows from investing activities:			129
Purchases of property, plant and equipment	(43)	—	Net cash provided by (used in) operating activities	376
Facility	1,300	—	Repayments of Credit Facility	(2,500)
cash (used in) provided by financing activities	(1,223)	180	Net decrease in cash and cash equivalents	(890)
(1,192)	Cash and cash equivalents at beginning of period	1,521	1,193	Cash and cash equivalents at end
\$ 631	\$ 1	Supplemental disclosures:	Interest paid	\$ 2,170
\$ 340	Non-cash investing and financing activities:		Common stock issued at conversion	\$ —
of acquisition costs	\$ —	\$ 341		

The accompanying notes should be read in conjunction with these unaudited consolidated financial statements.

AMERICAN COMMUNITY NEWSPAPERS INC.

Notes to Consolidated Financial Statements
(In thousands, except share and per share data)
(Unaudited)

1. Organization and Basis of Presentation

Courtside Acquisition Corp. (“Courtside”) was incorporated in Delaware on March 18, 2005, as a blank check company whose objective was to acquire an operating business. During the year ended December 31, 2006, Courtside was a corporation in the development stage. On June 20, 2007, Courtside formed a wholly-owned subsidiary, ACN OPCO LLC (the “Operating Company”). On July 2, 2007, in connection with the acquisition of an operating business described in Note 2, Courtside changed its name to American Community Newspapers Inc. (the “Parent”), and the Operating Company changed its name from ACN OPCO LLC to American Community Newspapers LLC. The Parent is now a holding company operating its business through its wholly-owned subsidiary, American Community Newspapers LLC and its wholly-owned subsidiary, Amendment I, Inc. (collectively, the “Company”).

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Certain information and note disclosures normally included in comprehensive annual financial statements presented in accordance with GAAP have generally been condensed or omitted pursuant to Securities and Exchange Commission (“SEC”) rules and regulations. The Company operates on a 52/53 week fiscal year generally ending on the Sunday closest to the end of the calendar year. Each quarter is 13/14 weeks, also generally ending on the Sunday closest to the end of the calendar quarter. The periods presented for both 2008 and 2007 encompass 13 week periods. The periods presented are hereinafter referred to as either “the thirteen weeks”, “quarter ended” or “three months ended.”

Management believes that the accompanying consolidated financial statements contain all adjustments (which include normal recurring adjustments) that, in the opinion of management, are necessary to present fairly the Company’s consolidated financial condition, results of operations and cash flows for the periods presented. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the full year. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 30, 2007, included in the Company’s Annual Report on Form 10-K. The December 30, 2007 balance sheet has been derived from the audited financial statements.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabi