

Edgar Filing: American Community Newspapers Inc. - Form 10-Q

American Community Newspapers Inc.
Form 10-Q
November 14, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2007

Transition report under Section 13 or 15(d) of the Exchange Act

For the transition period from _____ to _____

Commission File Number 001-32549

American Community Newspapers Inc.

(Exact Name of Issuer 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 Office)

972-628-4080
(Issuer'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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one).

Large accelerated filer Accelerated filer Non-accelerated filer

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 November 14, 2007, 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.
Condensed Consolidated Balance Sheets

September 30, 2007	December 31, 2006 (unaudited)	Assets	Current assets:	Cash and cash equivalents	\$ 2,429,484	\$
1,192,704	Cash equivalents held in Trust Fund	—	77,036,463	Accounts receivable, net of allowance for doubtful accounts of \$13,368 at September 30, 2007	7,914,262	—
764,006	125,066	Total current assets	11,781,647	Inventory	673,895	—
				Prepaid expenses and other		
				Property, plant, and equipment, net of accumulated depreciation		
				of \$457,586 at September 30, 2007	9,673,935	—
				Goodwill	90,285,205	—
				Intangible assets, net of accumulated amortization of \$2,743,450 at September 30, 2007	107,853,493	—
				Other assets	100,000	—
				Total assets	\$ 219,694,280	\$ 78,354,233
				Liabilities and Stockholders' Equity		
				Current liabilities:		
				Current portion of long-term debt	\$ 1,050,000	\$ —
				Accounts payable	1,433,232	278,348
				Accrued expenses	2,531,090	—
				Accrued interest	2,181,693	—
				Deferred revenue	1,360,996	—
				Income taxes payable	7,146	248,828
				Deferred dividends	—	654,165
				Total current liabilities	8,564,157	1,181,341
				Long-term liabilities:		
				Long-term debt	140,559,589	—
				Deferred income taxes	2,323,005	—
				Redeemable preferred stock, \$.0001 par value; 1,000,000 authorized shares; 42,193 issued and outstanding shares at September 30, 2007	4,377,610	—
				Total liabilities		
				Common Stock, subject to conversion 2,758,620 shares at conversion value		—
				Stockholders' equity		
				Common stock, \$.0001 par value; 50,000,000 authorized shares; 14,623,445 and 16,800,000 issued and outstanding shares at September 30, 2007 and December 31, 2006, respectively	1,462	1,680
				Additional paid-in capital		
				Retained earnings (deficit)	(359,239)	1,456,710
				Total stockholders' equity		
				Total liabilities and stockholders' equity	\$ 219,694,280	\$ 78,354,233

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

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AMERICAN COMMUNITY NEWSPAPERS INC.
 Unaudited Condensed Consolidated Statements of Operations

Three Months Ended	Nine Months Ended	September 30,	September 30,	2007	2006	2007	2006		
Revenues:	Advertising	\$ 17,160,633	\$ —	\$ 17,160,633	\$ —	Circulation	679,843	—	
679,843	—	Commercial printing and other	695,609	—	695,609	—	Total revenues	18,536,085	—
18,536,085	—	Operating costs and expenses:				Operating costs	8,080,168	—	8,080,168
—	Selling, general and administrative	6,209,330	87,696	6,468,189	262,688	Depreciation and			
amortization	3,201,036	—	3,201,036	—	17,490,534	87,696	17,749,393	262,688	Operating
income (loss)	1,045,551	(87,696)	786,692	(262,688)	Interest expense	(3,671,609)	—		
(3,675,863)	—	Other income	187,747	524,397	1,211,138	1,464,757	Income (loss) from operations		
before income taxes	(2,438,311)	436,701	(1,678,033)	1,202,069	Income tax benefit (expense)				
106,084	(106,000)	(137,916)	(303,000)	Net income (loss)	\$ (2,332,227)	\$ 330,701	\$ (1,815,949)		
)	\$ 899,069	Earnings (loss) per share:			Basic and diluted:	\$ (0.16)	\$ 0.02	\$ (0.11)	\$
0.05	Weighted average shares outstanding	14,623,445	16,800,000	16,066,509	16,800,000				

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

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AMERICAN COMMUNITY NEWSPAPERS INC.
Condensed Statement of Stockholders' Equity

	Common Stock	Additional																																																																																			
Paid-In																																																																																					
Capital	Retained																																																																																				
Earnings																																																																																					
(Deficit) Total Shares	Amount	Sale of 3,000,000 shares of common stock at \$.0083 per share to initial stockholders committed for on March 18, 2005	3,000,000	\$ 300	\$ 24,700	\$ —	\$ 25,000	Sale of 12,000,000 units, net of underwriter's discount and offering expenses on July 7, 2005 (includes 2,398,800 shares subject to possible conversion)	12,000,000	1,200	65,645,882	—	65,647,082	Proceeds subject to possible conversion of 2,398,800 shares	—	—	(12,737,628)	—	(12,737,628)	Proceeds from issuance of option	—	—	100	—	100	Sale of 1,800,000 units, net of underwriter's discount on July 11, 2005 (includes 359,820 shares subject to possible conversion)	1,800,000	180	10,043,820	—	10,044,000	Proceeds subject to possible conversion of 359,820 shares	—	—	(2,007,796)	—	(2,007,796)	Net income for the period	—	—	—	411,112	411,112	Balance, December 31, 2005	16,800,000	1,680	60,969,078	411,112	61,381,870	Net income for the year ended December 31, 2006	—	—	—	1,045,598	1,045,598	Balance, December 31, 2006	16,800,000	1,680	60,969,078	1,456,710	62,427,468	Common stock conversion	(2,176,555)	(218)	3,111,125	—	3,110,907	Stock based compensation	—	—	147,493	—	147,493	Net loss for the nine months ended September 30, 2007	—	—	—	(1,815,949)	(1,815,949)	Balance, September 30, 2007	14,623,445	\$ 1,462	\$ 64,227,696	\$ (359,239)	\$ 63,869,919

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AMERICAN COMMUNITY NEWSPAPERS INC.
 Unaudited Condensed Consolidated Statements of Cash Flows

Months Ended	September 30,	2007	2006	Cash flows from operating activities:	Net income (loss)	Nine
(1,815,949)	\$ 899,069			Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	\$	
				— Depreciation and amortization	3,201,036	
				— Bad debt expense	226,265	
				— Non-cash compensation expense	147,493	
				— Non-cash interest	1,267,899	
				— Changes in assets and liabilities, net of acquisitions:		
				Decrease (increase) in trust fund	77,036,463	
				(1,771,132)		
				Decrease in accounts receivable	484,855	