

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) **November 6, 2006**

Appliance Recycling Centers of America, Inc.

(Exact name of registrant as specified in its charter)

Minnesota
(State or other jurisdiction
of incorporation)

000-19621
(Commission
File Number)

41-1454591
(IRS Employer
Identification No.)

7400 Excelsior Blvd., Minneapolis, MN
(Address of principal executive offices)

55426-4517
(Zip Code)

Registrant's telephone number, including area code **(952) 930-9000**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 2.02: RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following information is furnished pursuant to Item 12, "Disclosure of Results of Operations and Financial Condition."

On November 6, 2006, Appliance Recycling Centers of America, Inc. issued a press release announcing reported sales of \$20,783,000 for the third quarter of 2006 ended September 30, virtually unchanged from \$20,706,000 in the year-earlier period. Earnings for this period were \$21,000 or \$0.00 per diluted share, compared to \$47,000 or \$0.01 per diluted share in the third quarter of 2005.

ITEM 9.01: FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(c) Exhibits

| <u>Exhibit Number</u> | <u>Description</u> |
|---------------------------|---------------------------------------|
| 99.1 | Press Release dated November 6, 2006. |

2

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

APPLIANCE RECYCLING CENTERS OF AMERICA, INC.

Date: November 6, 2006

/s/Patrick J. Winters
Patrick J. Winters, Controller

3





Appliance Recycling Centers of America, Inc.
7400 Excelsior Boulevard, Minneapolis MN 55426 (952) 930-9000

For Immediate Release

For Additional Information Contact:

Edward R. (Jack) Cameron (CEO)
(952) 930-9000

Richard G. Cinquina
Equity Market Partners
(904) 415-1415

Appliance Recycling Centers of America Reports Third Quarter Earnings

Minneapolis, MN—November 6, 2006—Appliance Recycling Centers of America, Inc. (Nasdaq: ARCI) today reported sales of \$20,783,000 for the third quarter of 2006 ended September 30, virtually unchanged from \$20,706,000 in the year-earlier period. Earnings for this period were \$21,000 or \$0.00 per diluted share, compared to \$47,000 or \$0.01 per diluted share in the third quarter of 2005. Third quarter earnings included stock compensation expense of approximately \$55,000.

Same-store sales of the 12 ApplianceSmart factory outlets that were open during the complete third quarters of 2006 and 2005 declined 4%, while total retail sales rose 2% to \$16,839,000 from the year-earlier level. Third quarter recycling revenues of \$3,407,000 were down from \$3,757,000 in the comparable period of 2005.

Edward R. (Jack) Cameron, president and chief executive officer, commented: “The performance of our ApplianceSmart retail operation has been affected over the past few quarters by the significant slowdown in the national housing market. Given this difficult economic environment, we are encouraged that our retail sales have remained relatively constant during this period, with purchases by value-conscious customers who are replacing old or broken appliances largely offsetting the decline in the portion of our business related to new home construction and remodeling. Convinced of the fundamental, long-term soundness of ApplianceSmart’s value proposition, we have continued expanding our network of stores. We opened our fourteenth factory outlet in August in the Atlanta suburb of Stockbridge, and later in the fourth quarter, we plan to open our fifteenth store in Lithia Springs, also in the Atlanta market. These new stores are strategically important, since Atlanta was our strongest performing retail market in the third quarter, with same-store sales up a strong 16%. The start-up expenses associated with these new stores affected ARCA’s third quarter profitability.”

Cameron continued: “ARCA’s recycling program for Southern California Edison Company performed at planned levels during the third quarter, but overall recycling revenues were affected by the winding down of a program with a Connecticut utility. Given the economic impact of high fuel costs on American consumers, we believe the outlook is very favorable for the type of utility-sponsored residential energy conservation programs that ARCA has been handling for nearly 20 years.”

As previously reported, the U.S. District Court for the Central District of California recently denied the motion for summary judgment filed by JACO Environmental, Inc., in which JACO asked the Court to dismiss ARCA’s lawsuit that charges JACO with engaging in unfair business practices in violation of federal and California laws by committing fraud on the U.S. Patent Office in order to obtain a patent for a refrigerator recycling method that was previously developed by ARCA. As a result of the Court’s action, ARCA’s litigation against JACO will proceed. ARCA is seeking permanent injunctive relief barring JACO and its officers from engaging in unlawful business practices by informing customers that it invented refrigerator recycling. ARCA is also seeking monetary damages for JACO’s unfair business practices.

Immediately following the denial of JACO’s motion for summary judgment, JACO and SEG Umwelt-Service/Basis of Mettlach, Germany (SEG) filed a patent infringement lawsuit in Federal Court on October 24 against ARCA. The suit claims that ARCA has been using refrigerator recycling systems and processes invented by SEG and protected by two U.S. patents issued to SEG and exclusively licensed to JACO.

In commenting on the JACO lawsuit, Cameron said: “We believe JACO’s recent patent infringement lawsuit is retaliatory in nature, given the Court’s denial of JACO’s request to have our litigation dismissed. We intend to vigorously defend ARCA against this baseless suit.”

About ARCA

ARCA is one of the nation’s largest recyclers of major household appliances for the energy conservation programs of electric utilities. Through its ApplianceSmart operation, ARCA also is one of the nation’s leading retailers of special-buy household appliances, primarily those manufactured by Maytag, GE, Frigidaire and Whirlpool. These special-buy appliances, which include close-outs, factory overruns and scratch-and-dent units, typically are not integrated into the manufacturer’s normal distribution channel. ApplianceSmart sells these virtually new appliances at a discount to full retail, offers a 100% money-back guarantee and provides warranties on parts and labor. As of November 2006, ApplianceSmart was

operating 14 factory outlets: five in the Minneapolis/St. Paul market; three in the Columbus, Ohio, market; three in the Atlanta market; two in San Antonio, Texas and one in Los Angeles.

Statements about ARCA’s outlook are forward-looking and involve risks and uncertainties, including but not limited to: the strength of recycling programs, the growth of appliance retail sales, the speed at which individual retail stores reach profitability, and other factors discussed in the Company’s filings with the Securities and Exchange Commission.

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Visit our web sites at www.arcainc.com and www.ApplianceSmart.com.

Appliance Recycling Centers of America, Inc. and Subsidiaries
CONSOLIDATED STATEMENT OF OPERATIONS
3rd Quarter 2006 Results
(000's omitted except for share amounts)

| | Three months ended | | Nine months ended | |
|--|----------------------|-------------------|----------------------|-------------------|
| | September 30 2006 | October 1 2005 | September 30 2006 | October 1 2005 |
| Revenues | | | | |
| Retail | \$ 16,839 | \$ 16,513 | \$ 48,786 | \$ 47,709 |
| Recycling | 3,407 | 3,757 | 7,685 | 7,973 |
| Byproduct | 537 | 436 | 1,389 | 1,075 |
| Total revenues | <u>20,783</u> | <u>20,706</u> | <u>57,860</u> | <u>56,757</u> |
| Cost of Revenues | <u>14,068</u> | <u>14,873</u> | <u>40,243</u> | <u>39,667</u> |
| Gross profit | 6,715 | 5,833 | 17,617 | 17,090 |
| Selling, General & Administrative Expenses | <u>6,413</u> | <u>5,517</u> | <u>17,969</u> | <u>16,389</u> |
| Operating income (loss) | 302 | 316 | (352) | 701 |
| Other Income (Expense) | | | | |
| Other income | 2 | 2 | 7 | 1 |
| Interest expense | (283) | (259) | (773) | (672) |
| Minority interest | — | (12) | — | (12) |
| Net income (loss) | <u>\$ 21</u> | <u>\$ 47</u> | <u>\$ (1,118)</u> | <u>\$ 18</u> |
| Basic Earnings (Loss) per Common Share | <u>\$ 0.00</u> | <u>\$ 0.01</u> | <u>\$ (0.26)</u> | <u>\$ 0.00</u> |
| Diluted Earnings (Loss) per Common Share | <u>\$ 0.00</u> | <u>\$ 0.01</u> | <u>\$ (0.26)</u> | <u>\$ 0.00</u> |
| Basic Weighted Average No. of Common Shares Outstanding | <u>4,341</u> | <u>4,269</u> | <u>4,332</u> | <u>4,242</u> |
| Diluted Weighted Average No. of Common Shares Outstanding | <u>4,388</u> | <u>4,388</u> | <u>4,332</u> | <u>4,353</u> |

Appliance Recycling Centers of America, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEET
As of September 30, 2006
(000's)

| | September 30, 2006 (Unaudited) | December 31, 2005 |
|--|--------------------------------------|----------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 3,214 | \$ 2,095 |
| Receivables - net of allowance of \$152,000 | 3,774 | 2,896 |
| Inventories, net of reserves of \$246,000 and \$379,000 respectively | 13,313 | 11,900 |
| Deferred income taxes | 393 | 393 |
| Other current assets | 721 | 449 |
| Total Current Assets | <u>21,415</u> | <u>17,733</u> |
| Property and Equipment, at cost | | |
| Land | 1,140 | 2,050 |
| Building and Improvements | 2,307 | 4,501 |
| Equipment | 6,673 | 6,299 |
| | <u>10,120</u> | <u>12,850</u> |
| Less accumulated depreciation | 6,554 | 6,798 |
| Net property and equipment | <u>3,566</u> | <u>6,052</u> |
| Asset held for sale, net | 2,437 | — |
| Other assets | 468 | 356 |
| Restricted cash | — | 350 |
| Total Assets | <u>\$ 27,886</u> | <u>\$ 24,491</u> |
| Liabilities and Shareholders' Equity | | |
| Current Liabilities | | |
| Line of credit | \$ 6,583 | \$ 6,125 |
| Current maturities of long term obligations | 309 | 262 |
| Accounts payable | 7,113 | 3,868 |
| Accrued expenses | 3,536 | 3,541 |
| Income taxes payable | 58 | 58 |
| Total Current Liabilities | <u>17,599</u> | <u>13,854</u> |
| Long-Term Obligations, less current maturities | 4,745 | 4,823 |
| Deposit | 730 | — |
| Deferred Income Tax Liabilities | 393 | 393 |
| Total Liabilities | <u>23,467</u> | <u>19,070</u> |

Shareholders' Equity

| | | |
|---|------------------|------------------|
| Common stock, no par value; authorized 10,000,000 shares; issued and outstanding 4,339,000 and 4,320,000 shares respectively | 14,956 | 14,840 |
| Accumulated Deficit | (10,537) | (9,419) |
| Total Shareholders' Equity | <u>4,419</u> | <u>5,421</u> |
| Total Liabilities and Shareholders' Equity | <u>\$ 27,886</u> | <u>\$ 24,491</u> |
