

**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)

**May 7, 2008**

**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 May 7, 2008, Appliance Recycling Centers of America, Inc. issued a press release announcing reported results for the first quarter ended March 29, 2008. Total revenue for the first quarter of 2008 increased 29% to \$25.8 million, from \$19.9 million in the first quarter of 2007. ARCA also reported net income of \$117,000 or \$0.03 per diluted share for this period, compared to the net loss of \$472,000 or \$0.11 per share in the first quarter of 2007.

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

(c) Exhibits

**Exhibit  
Number**

**Description**

99.1 Press Release dated May 7, 2008.

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: May 7, 2008

/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 information contact:  
Edward R. (Jack) Cameron, CEO  
Peter Hausback, CFO  
952/930-9000

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

**Appliance Recycling Centers of America Reports Strong First Quarter**

**Operating Results**

**Same-Store Sales Up 2.4%, Revenues Increase 29%**

Minneapolis, MN—May 7, 2008—Appliance Recycling Centers of America, Inc. (Nasdaq: ARCI) today reported results for the first quarter of 2008 ended March 29, 2008.

Financial highlights for the first quarter versus the year-earlier period include:

- Total revenues increased 29% to \$25.8 million.
- ApplianceSmart same-store sales increased 2.4% despite a weakening economy.
- Recycling revenues rose to \$5.9 million, more than triple the year-earlier level.
- Earnings of \$.03 per diluted share were a significant improvement from the net loss of (\$0.11) per share in the first quarter of 2007.

Total revenue for the first quarter of 2008 increased 29% to \$25.8 million, from \$19.9 million in the first quarter of 2007. ARCA also reported net income of \$117,000 or \$0.03 per diluted share for this period, compared to the net loss of \$472,000 or \$0.11 per share in the first quarter of 2007. Earnings for the current period include non-cash stock compensation expense of \$78,000 or \$0.02 per diluted share.

Same-store sales of the 14 ApplianceSmart factory outlets that were open during the complete first quarters of 2008 and 2007 increased 2.4%, while total retail sales rose 7% to \$18,962,000 on a year-over-year basis, reflecting the impact of a new factory outlet in the Columbus, Ohio, market that opened in November 2007.

First quarter recycling revenues increased 214% to \$5,944,000 from \$1,894,000 in the comparable period of 2007. This growth was generated by significant appliance recycling programs in Los Angeles and Ontario, Canada, in addition to other recycling programs in southern California, Wisconsin and Texas.

Edward R. (Jack) Cameron, President and Chief Executive Officer, commented: “ARCA continued its solid turnaround in this year’s first quarter even though this period is typically the seasonally weakest period of the year for our ApplianceSmart and recycling operations. We are particularly encouraged by ApplianceSmart’s same-store sales growth, which was achieved amid ongoing weakness in the nation’s residential construction sector and high gasoline prices. We believe this performance reflects the benefits of ApplianceSmart’s strong value proposition and strategic focus on the appliance replacement and home remodeling market, not new construction. As a result, ApplianceSmart’s sales have been bucking the negative sales trends experienced by most appliance retailers. To further strengthen ApplianceSmart’s momentum, we plan to open our sixth factory outlet in the Minneapolis/St. Paul market later this month. This new outlet, our sixteenth nationally, will enable us to increase our market penetration and generate greater economies of scale as we leverage advertising support and other overhead expenses.”

Cameron continued: “ARCA’s recycling operation posted strong revenue growth in this year’s first quarter, paced by our significant recycling programs with the Ontario Power Authority and the Los Angeles Department of Water and Power. This growth was attained despite the normal seasonal slowdown in advertising support by our utility partners, particularly at our Canadian program. Advertising support is forecasted to resume to more normal levels in the second quarter. We believe that interest in ARCA’s appliance recycling capabilities is continuing to heighten, given the need of North American electric utilities and government agencies to conserve energy and reduce emissions of greenhouse gases. As a result, more recycling opportunities are developing.”

Cameron added: “We believe the second quarter outlook for our ApplianceSmart operation is positive, although we remain alert to the impact of high gas prices, the housing slowdown and a weakening general economy. The prospects for ARCA’s recycling operation are also encouraging.”

**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 March 2008, ApplianceSmart was operating 15 factory outlets: five in the Minneapolis/St. Paul market; four in the Columbus, Ohio, market; four in the Atlanta market; and two in San Antonio, Texas.

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This press release contains statements that are forward-looking statements as defined within the Private Securities Litigation Reform Act of 1995, including statements regarding ARCA's future success. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the statements made, including the risks associated with general economic conditions, competition in the retail and recycling industries and regulatory risks. Other factors that could cause operating and financial results to differ are described in ARCA's periodic reports filed with the Securities and Exchange Commission. Other risks may be detailed from time to time in reports to be filed with the SEC.

**Appliance Recycling Centers of America, Inc. and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**1st Quarter 2008 RESULTS**  
**(000's omitted except for per share amounts)**

	Three months ended	
	29-Mar 2008	31-Mar 2007
<b>Revenues</b>		
Retail	\$ 18,962	\$ 17,689
Recycling	5,944	1,894
ByProduct	900	349
Total revenues	<u>25,806</u>	<u>19,932</u>
<b>Cost of revenues</b>	<u>17,826</u>	<u>13,366</u>
Gross profit	7,980	6,566
<b>Selling, General &amp; Administrative Expenses</b>	<u>7,579</u>	<u>6,742</u>
Operating income (loss)	401	(176)
<b>Other Income (Expense)</b>		
Other income	—	2
Interest expense	(397)	(298)
Income (loss) before provision for income taxes	4	(472)
<b>Provision for (benefit of) income taxes</b>	<u>(113)</u>	<u>—</u>
<b>Net income (loss)</b>	<u>\$ 117</u>	<u>\$ (472)</u>
<b>Basic Income (Loss) per Common Share</b>	<u>0.03</u>	<u>(0.11)</u>
<b>Diluted Income (Loss) per Common Share</b>	<u>0.03</u>	<u>(0.11)</u>
<b>Basic Weighted average no. of common shares outstanding</b>	<u>4,556</u>	<u>4,341</u>
<b>Diluted Weighted average no. of common shares outstanding</b>	<u>4,624</u>	<u>4,341</u>

**APPLIANCE RECYCLING CENTERS OF AMERICA, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)**

	March 29, 2008	December 29, 2007
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 1,853,000	\$ 2,777,000
Accounts receivable, net of allowance of \$170,000 and \$152,000, respectively	5,689,000	10,086,000
Inventories, net of reserves of \$61,000 and \$84,000, respectively	14,771,000	14,064,000
Deferred income taxes	259,000	259,000
Other current assets	687,000	995,000
Total current assets	<u>23,259,000</u>	<u>28,181,000</u>
<b>Property and Equipment:</b>	15,483,000	15,154,000
Less: accumulated depreciation	8,659,000	8,392,000
Net property and equipment	<u>6,824,000</u>	<u>6,762,000</u>
<b>Other Assets</b>	<u>579,000</u>	<u>589,000</u>
Total assets	<u>\$ 30,662,000</u>	<u>\$ 35,532,000</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current Liabilities:</b>		
Accounts payable	\$ 2,014,000	\$ 4,350,000
Checks issued in excess of cash in bank	75,000	310,000
Accrued expenses	3,383,000	4,113,000
Line of credit	11,772,000	13,585,000
Long-term obligations, current portion	530,000	479,000
Income taxes payable	12,000	218,000
Total current liabilities	<u>17,786,000</u>	<u>23,055,000</u>
<b>Long-Term Obligations, less current maturities</b>	<u>4,984,000</u>	<u>4,956,000</u>
<b>Deferred Income Tax Liabilities</b>	<u>259,000</u>	<u>259,000</u>

Total liabilities	<u>23,029,000</u>	<u>28,270,000</u>
<b>Commitments and Contingencies</b>	—	—
<b>Shareholders' Equity:</b>		
Common Stock, no par value; authorized 10,000,000 shares; issued and outstanding 4,567,777 and 4,509,277 shares, respectively	15,754,000	15,475,000
Accumulated deficit	(8,172,000)	(8,289,000)
Accumulated Other Comprehensive Income		
Foreign Currency Translation Adjustments	51,000	76,000
Total shareholders' equity	<u>7,633,000</u>	<u>7,262,000</u>
Total liabilities and shareholders' equity	<u>\$ 30,662,000</u>	<u>\$ 35,532,000</u>