GateHouse Media, Inc.
Form 10-K
March 04, 2010
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2009

OR

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

Commission File Number 001-33091

GateHouse Media, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**36-4197635**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

350 WillowBrook Office Park,

Fairport, New York 14450

(Address of Principal Executive Offices)

Telephone: (585) 598-0030

(Registrant s Telephone Number, Including Area Code)

Securities Registered Pursuant to Section 12(b) of the Act: None

Securities Registered Pursuant to Section 12(g) of the Act: Common stock, $0.01 par value per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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 x	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 x

The aggregate market value of the voting common equity held by non-affiliates of the registrant on June 30, 2009, the last business day of the registrant s most recently completed second fiscal quarter, was approximately $5.4 million. The market value calculation was determined using a per share price of $0.17, the price at which the registrant s common stock was last sold on the Over-the-Counter Bulletin Board System on such date. For purposes of this calculation, shares held by non-affiliates excludes only those shares beneficially owned by the registrant s executive officers, directors, and stockholders owning 10% or more of the outstanding common stock (and, in each case, their immediate family members and affiliates).

As of March 2, 2010, 58,098,231 shares of the registrant s common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s definitive proxy statement, to be delivered to stockholders in connection with the registrant s 2010 annual meeting of stockholders, are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent described herein.

Table of Contents

GATEHOUSE MEDIA, INC.

FORM 10-K

FOR THE YEAR ENDED DECEMBER 31, 2009

TABLE OF CONTENTS

Table of Contents

Unless the context otherwise requires, in this report on Form 10-K:

- 2006 Credit Facility refers to the first and second lien term loan credit facilities that were entered into on June 6, 2006, as amended;
- 2006 Financing refers to the financing transactions contemplated by the 2006 Credit Facility;
- 2006 First Lien Facility refers to the first lien term loan facility, comprising part of the 2006 Credit Facility, remaining after the repayment and termination of the second lien term loan credit facility;
- 2007 Credit Facility refers to the amendment and restatement of the 2006 First Lien Facility that was entered into on February 27, 2007;
- 2007 Financings refers to the financing transactions contemplated by the 2007 Credit Facility, the First Amendment and the Bridge Facility;
- 2008 Bridge Facility refers to the Bridge Credit Agreement entered into with Barclays on February 15, 2008;
- Barclays refers to Barclays Capital;
- Bridge Facility refers to the bridge term loan credit facility that was entered into on April 11, 2007;
- Copley refers to The Copley Press, Inc.;
- Copley Acquisition refers to the acquisition by us of all the stock of certain wholly-owned subsidiaries of Copley and the acquisition by us of certain assets, and the assumption of certain liabilities, of Copley which, taken together, comprised Copley s midwest (Ohio and Illinois) operations and business;
- CP Media and CNC refer to CP Media, Inc. and its predecessor entities;
- CP Media Acquisition and CNC Acquisition refer to the acquisition by us of substantially all of the assets, and assumption of certain liabilities, of CP Media;
- Dover refers to The Dover Post Co.;
- Enterprise refers to Enterprise NewsMedia, LLC and its subsidiaries and predecessor entities;

Enterprise Acquisition refers to the acquisition by us of all of the equity interests of Enterprise;

First Amendment refers to the amendment to the 2007 Credit Facility that was entered into on May 7, 2007;

First Waiver refers to the waiver of compliance with the leverage ratio covenant granted by Barclays on October 17, 2008 with respect to the 2008 Bridge Facility;

Fortress refers to Fortress Investment Group LLC and certain of its affiliates, including certain funds managed by it or its affiliates;

GAAP refers to U.S. generally accepted accounting principles;

Gannett refers to Gannett Co., Inc.;

Gannett Acquisition refers to the acquisition by us of substantially all of the assets, and assumption of certain liabilities, of four daily newspapers and related publications and websites owned by Gannett in Rockford, Illinois; Utica, New York; Norwich, Connecticut; and Huntington, West Virginia;

GateHouse Media, GateHouse, the Company, we, our and us refer to GateHouse Media, Inc. and its subsidiaries and predeces entities;

IPO refers to our initial public offering of 13,800,000 shares of common stock completed on October 30, 2006 (unless the context otherwise indicates, this does not include the 2,070,000 shares of common stock sold pursuant to the exercise of the underwriters option to purchase additional shares on November 3, 2006);

Massachusetts Acquisitions refers to the CNC Acquisition and the Enterprise Acquisition;

Merger refers to the June 6, 2005 merger pursuant to which FIF III Liberty Holdings LLC, a wholly-owned subsidiary of Fortress, merged with and into the Company, with the Company surviving the merger and Fortress becoming our principal and controlling stockholder;

Morris refers to Morris Publishing Group;

Morris Acquisition refers to the acquisition by us of substantially all of the assets, and assumption of certain liabilities of 15 daily newspapers and related publications and websites owned by Morris Publishing Group in South Dakota, Florida, Kansas, Michigan, Missouri, Nebraska, Oklahoma and Tennessee;

Predecessor refers to GateHouse prior to the consummation of the Merger;

Predecessor Period refers to the period prior to the consummation of the Merger;

Pro forma refers to GateHouse after giving effect to (i) for the year ended December 31, 2007, the Copley Acquisition, the Gannett Acquisition and the 2007 Financings; (ii) for the year ended December 31, 2006, the Massachusetts Acquisitions, the Copley Acquisition, the Gannett Acquisition and the 2007 Financings;

Second Amendment refers to the amendment to the 2007 Credit Facility that was entered into on February 3, 2009;

Second Waiver and Amendment refers to the waiver of compliance with the leverage ratio covenant and amendment of 2008 Bridge Facility entered into on February 12, 2009;

Successor refers to GateHouse after the consummation of the Merger;

Successor Period refers to the period after the consummation of the Merger;

SureWest refers to SureWest Directories; and

SureWest Acquisition refers to the acquisition by us of all the equity interests of SureWest.

Any data set forth anywhere in this report on Form 10-K regarding the number of our products, circulation, facilities, markets or employees is as of December 31, 2009, unless otherwise indicated.

Table of Contents

CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION

The following discussion of our financial condition and results of operations should be read in conjunction with our historical consolidated financial statements and notes to those statements appearing in this report. The discussion and analysis below includes certain forward-looking statements that are subject to risks, uncertainties and other factors described in this report, including under the heading Risk Factors in Item 1A of this report, that could cause actual future growth, results of operations, performance and business prospects and opportunities to differ materially from those expressed in, or implied by, such forward looking information.

Certain statements in this report on Form 10-K may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect our current views regarding, among other things, our future growth, results of operations, performance and business prospects and opportunities, as well as other statements that are other than historical fact. Words such as anticipate(s), expect(s), intend(s), plan(s), target(s), project(s), believe(s), will, would, seek(s), estimate(s) and similar expressions are intended to identif forward-looking statements.

Forward-looking statements are based on management s current expectations and beliefs and are subject to a number of known and unknown risks, uncertainties and other factors that could lead to actual results materially different from those described in the forward-looking statements. We can give no assurance that our expectations will be attained. Factors that could cause actual results to differ materially from our expectations include, but are not limited to the risks identified by us under the heading Risk Factors in Item 1A of this report. Such forward-looking statements speak only as of the date on which they are made. Except to the extent required by law, we expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

Table of Contents

PART I

Item 1. Business

General Overview

We are one of the largest publishers of locally based print and online media in the United States as measured by number of daily publications. We were incorporated in Delaware in 1997 for purposes of acquiring a portion of the daily and weekly newspapers owned by American Publishing Company. Our business model is to be the preeminent provider of local content and advertising in the small and midsize markets we serve. Our portfolio of products, which includes 469 community publications and more than 260 related websites and seven yellow page directories, serves over 289,000 business advertising accounts and reaches approximately 10 million people on a weekly basis. All data contained in this report regarding the number of our products, circulation, facilities or employees is as of December 31, 2009, unless otherwise indicated.

Our core products include:

- 87 daily newspapers with total paid circulation of approximately 741,000;
- 271 weekly newspapers (published up to three times per week) with total paid circulation of approximately 484,000 and total free circulation of approximately 885,000;
- 111 shoppers (generally advertising-only publications) with total circulation of approximately 1.7 million;
- over 260 locally focused websites, which extend our franchises onto the internet; and
- seven yellow page directories, with a distribution of approximately 755,000, that covers a population of approximately 2.0 million people.

In addition to our core products, we also opportunistically produce niche publications that address specific local market interests such as recreation, sports, healthcare and real estate. During the last twelve months, we created approximately 57 niche publications.

Our print and online products focus on the local community from both a content and advertising standpoint. As a result of our focus on small and midsize markets, we are usually the primary, and sometimes, the sole, provider of comprehensive and in-depth local market news and information in the communities we serve. Our content is primarily devoted to topics that we believe are highly relevant and of interest to our audience such as local news and politics, community and regional events, youth sports, opinion and editorial pages, and local schools.

More than 77% of our daily newspapers have been published for more than 100 years and 99% have been published for more than 50 years. We believe that the longevity of our publications demonstrates the value and relevance of the local information that we provide and has created a strong foundation of reader loyalty and a highly recognized media brand name in each community we serve. As a result of these factors, we believe that our publications have high local audience penetration rates in our markets, thereby providing advertisers with strong local market reach.

We have a history of growth through acquisitions and new product launches. Since our inception, we have acquired 420 daily and weekly newspapers, shoppers and directories. We believe we have demonstrated an ability to successfully integrate acquired publications and improve their performance through sound and consistent management practice, including revenue generating and direct cost saving initiatives. We believe that the current economic environment, however, has limited and will continue to limit our ability to grow through acquisition in the near-term future. As a result we are more focused on cost reductions and de-levering opportunities. Longer-term, given our scale, we see significant opportunities to continue our acquisition and integration strategy within the highly fragmented local media industry.

1

Table of Contents

We operate in 358 markets across 21 states. A key element of our business strategy is geographic clustering of publications to realize operating efficiencies and provide consistent management practices. We share best practices across our organization, giving each publication the benefit of proven and executable revenue producing and cost saving initiatives. We regionally cluster functions such as ad composition, accounting and production and give each publication in a cluster access to top quality production equipment, which we believe enables us to cost-efficiently provide superior products and service to our customers. In addition, we believe that our size allows us to achieve economies of scale.

Compared with the industry as a whole, we believe that our advertising revenue tends to be less volatile, especially during economic downturns, such as the one we are currently experiencing. We believe that our lower than industry advertising revenue volatility is a result of our geographic diversity, with our revenues coming from markets across 21 states, the large number of products we publish and our fragmented, diversified local advertising customer base. We also believe that local advertising tends to be less sensitive to economic cycles than national advertising because local businesses generally have fewer advertising channels in which to reach the local audience. We believe we are also less reliant than large metropolitan newspapers upon classified advertising, particularly the recruiting and real estate categories, which are generally more sensitive to economic conditions.

Industry Overview

We operate in what is sometimes referred to as the hyper-local or community market within the media industry. Media companies that serve this segment provide highly focused local content and advertising that is generally unique to each market they serve and is not readily obtainable from other sources. Local publications include community newspapers, shoppers, traders, real estate guides, special interest magazines and directories. Due to the unique nature of their content, community publications compete to a limited extent for advertising customers with other forms of media, including: direct mail, directories, radio, television, outdoor advertising and the internet. We believe that local print publications are the most effective medium for local retail advertising, which emphasizes the price of goods in an effort to move inventory on a regular basis, in contrast to radio, broadcast and cable television, which are generally used for image or branding advertising. In addition, local print publications generally have the highest local audience penetration rates, which allows local advertisers to get their message to a large portion of the local audience.

Locally focused media in small and midsize communities is distinct from national and urban media delivered through outlets such as television, radio, metropolitan and national newspapers and the internet. Larger media outlets tend to offer broad based information to a geographically scattered audience, which tends to be more of a commodity. In contrast, locally focused media delivers a highly focused product that is often the only source of local news and information in the market it serves. Our segment of the media industry is also characterized by high barriers to entry, both economic and social. Small and midsize communities can generally only sustain one newspaper. Moreover, the brand value associated with long-term reader and advertiser loyalty, and the high start-up costs associated with developing and distributing content and selling advertisements, help to limit competition.

Advertising Market

The primary sources of advertising revenue for local publications are small businesses, corporations, government agencies and individuals who reside in the market that a publication serves. By combining paid circulation publications with total market coverage publications such as shoppers and other specialty publications (tailored to the specific attributes of a local community), local publications are able to reach nearly 100% of the households in a distribution area. As macroeconomic conditions in advertising change due to increasing internet usage and the wide array of available information sources, we have seen mass advertisers shift their focus toward targeted local advertising. Moreover, in addition to printed products, the majority of our local publications have an online presence that further leverages the local brand, ensures higher penetration into the market, and provides alternative distribution for local advertisers.

The Internet

The time spent online each day by media consumers continues to grow and newspaper web sites offer a wide variety of content providing comprehensive, in-depth and up to the minute coverage of news and current events. The ability to generate, publish and archive more news and information than most other sources has allowed newspapers to produce some of the most visited sites on the internet.

We believe local publications are well positioned to capitalize on their existing market franchise and grow their total audience base by publishing proprietary local content online. Local online media sites now include classifieds, directories of business information, local advertising, databases and most recently, audience-contributed content. We believe this additional community-specific content will further extend and expand both the reach and the brand of our publications with readers and advertisers. We believe that building a strong local online business extends the core audience of a local publication.

The opportunity created by the extension of the core audience makes local online advertising an attractive complement for existing print advertisers, while opening up new opportunities to attract local advertisers that have never advertised with local publications. In addition, we believe that national advertisers have an interest in reaching buyers on a hyper-local level and, although they typically are not significant advertisers in community publications, we believe the internet offers them a powerful medium to reach targeted local audiences.

Circulation

Overall daily newspaper circulation, including national and urban newspapers, has been declining steadily over the past several years. Small and midsize local market newspapers have tended to have smaller declines and more stability in their paid circulation volumes due to the relevant and unique hyper-local news they produce. In addition, this unique and valuable hyper-local content allows smaller market newspapers to continue to be able to raise prices, leading to stable circulation revenues.

Our Strategy

We plan to maximize our revenue and cash flow potential in the existing economic and industry climate through a combination of (i) organic growth in our existing portfolio, including internet based products, (ii) taking advantage of cost reductions and de-leveraging opportunities, and (iii) the realization of economies of scale and operating efficiencies. Longer term, given our scale, we see significant opportunities to continue our previous acquisition and integration strategy. The key elements of our strategy are:

Maintain Our Dominance in the Delivery of Proprietary Content in Our Communities. We seek to maintain our position as a leading provider of local content in the markets we serve and to leverage this position to strengthen our relationships with both readers and advertisers, thereby increasing penetration rates and market share. A critical aspect of this approach is to continue to provide local content that is not readily obtainable elsewhere. We believe it is also very important for us to protect the content from unauthorized users for commercial purposes.

Strengthening our Balance Sheet and Managing our Operations. Our focus continues to be on strengthening our balance sheet and managing our operations. From an operations standpoint, we intend to continue to invest in our online business. With our revolving credit facility balance at zero and no amortization on our long term credit facility that matures in 2014, we have increased flexibility to allow us to use available cash generated from operations to strengthen our balance sheet, build liquidity, and put ourselves in a position to potentially take advantage of the dislocation in the markets, particularly with regard to valuations.

We also intend to continue to invest in recruitment and training of our sales staffs in order to capture new or additional revenues and market share. In addition, we intend to continue to aggressively pursue cost reductions on our controllable expenses and look for ways to manage inflationary pressures and to become more efficient.

Table of Contents

Leverage Benefits of Scale and Clustering to Increase Cash Flows and Operating Profit Margins. We intend to continue to take advantage of geographic clustering to realize operating and economic efficiencies in areas such as labor, production, overhead, raw materials and distribution costs. We believe we will be able to increase our cash flows and expand our operating profit margins as we streamline and further centralize purchasing and administrative functions.

Increase Sales Force Productivity. We aim to continue to increase the productivity of our sales force and, in turn, help maximize advertising revenues. Our approach includes ongoing company-wide training of sales representatives and sales managers with training programs that focus on strengthening their ability to gather relevant demographic information, present to customers, understanding multi-media and product portfolio sales, effectively utilize time and close on sales calls. Our training includes sharing best practices of our most successful account representatives. We regularly evaluate the performance of our sales representatives and sales management and implement contests and other incentive compensation programs. We also regularly evaluate our advertising rates to ensure we are maximizing revenue opportunities. We believe better accountability and measurement of our sales force, when combined with training and access to better demographic and marketing information, will lead to greater productivity and revenue from our sales force. We also aim to create a multi-media sales culture and feel that is critical to our long term success.

Introduce New Products or Modify Our Products to Enhance the Value Proposition for Our Advertisers. We believe that our established positions in local markets, combined with our publishing and distribution capabilities, allow us to develop and customize new products to address the evolving interests and needs of our readers and advertisers. These products are often specialty publications that address specific interests such as employment, healthcare, hobbies and real estate. In addition, we intend to capitalize upon our unique position in local markets to introduce other marketing oriented products such as directories, magazines, shoppers and other niche publications in both online and print to further enhance our value to advertisers.

Pursue a Content-Driven Internet Strategy. We believe that we are well-positioned to increase our online penetration and generate additional online audience and revenues due to both our ability to deliver unique local content and our relationships with readers and advertisers. We believe this presents an opportunity to increase our overall audience penetration rates and advertising market share in each of the communities we serve. We expect that centralizing our technology and building a network of websites will allow us to aggregate classified advertisements and build online classified products in areas such as real estate, automotive and recruitment. We also have the ability to sell online display advertising and online video advertising locally and nationally. Finally, we intend to share resources across our organization in order to give each of our publications access to technology, online management expertise, content and advertisers that they may not have been able to obtain or afford if they were operating independently.

Table of Contents

Products

Our product mix consists of four publication types: (i) daily newspapers, (ii) weekly newspapers, (iii) shoppers and (iv) niche publications. Some of the key characteristics of each of these types of publications are summarized in the table below. Through our 2007 SureWest acquisition, we increased the number of on-line and print telephone directories in our product mix.

	Daily Newspapers	**Weekly Newspapers**	**Shoppers**	**Niche Publications**
Cost:	Paid	Paid and free	Paid and free	Paid and free
Distribution:	Distributed four to seven days per week	Distributed one to three days per week	Distributed weekly	Distributed weekly, monthly or on annual basis
Format:	Printed on newsprint, folded	Printed on newsprint, folded	Printed on newsprint, folded or booklet	Printed on newsprint or glossy, folded, booklet, magazine or book
Content:	50% editorial (local news and coverage of community events, some national headlines) and 50% ads (including classifieds)	50% editorial (local news and coverage of community events, some national headlines for smaller markets which cannot support a daily newspaper) and 50% ads (including classifieds)	Almost 100% ads, primarily classifieds, display and inserts	Niche content and targeted ads (e.g., Chamber of Commerce city guides, tourism guides and special interest publications such as, seniors, golf, real estate, calendars and directories)
Income:	Revenue from advertisers, subscribers, rack/box sales	*Paid:* Revenue from advertising, subscribers, rack/box sales	*Paid:* Revenue from advertising, rack/box sales	*Paid:* Revenue from advertising, rack/box sales
		Free: Advertising revenue only, provide 100% market coverage.	*Free:* Advertising revenue only, provide 100% market coverage	*Free:* Advertising revenue only
Internet Availability:	Maintain locally oriented websites	Major publications maintain locally oriented websites	Major publications maintain locally oriented websites	Selectively available online

Overview of Operations

We operate in five geographic regions: Western, Southern Midwest, New England, Atlantic and Northern Midwest. A list of our dailies, weeklies, shoppers and websites in each of our geographic regions is included under List of Our Dailies, Weeklies, Shoppers, Websites and Directories in this report. We also operate over 260 related websites.

Table of Contents

The following table sets forth information regarding our publications.

	Number of Publications			Circulation[1]		
Operating Region	**Dailies**	**Weeklies**	**Shoppers**	**Paid**	**Free**	**Total Circulation**
Western	23	69	33	422,471	562,329	984,800
Southern Midwest	23	31	20	109,012	386,978	495,990
New England	8	113	7	342,685	446,434	789,119
Atlantic	10	46	23	146,542	616,351	762,893
Northern Midwest	23	12	28	203,522	581,869	785,391
Total	87	271	111	1,224,232	2,593,961	3,818,193

(1) Circulation statistics are estimated by our management as of December 31, 2009, except that audited circulation statistics, to the extent available, are utilized as of the audit date.

Western Region. Our Western region encompasses Illinois, parts of Minnesota, California, and Colorado with a total of 23 daily newspapers, 69 weekly newspapers and 33 shoppers. In addition to a good geographic mix, we benefit from a diverse economic and employment base across this region.

From the western shore of Lake Michigan to the eastern shore of the Mississippi River and running over 400 miles north to south, Illinois is a picture of manufacturing, agricultural and recreational diversity. With major daily newspapers in Rockford, Peoria, and the state capital of Springfield coupled with the southern and western Chicago suburbs, we are the largest publishing company in Illinois. 20 paid daily newspapers, 44 paid weekly newspapers, 10 free weekly papers, and 24 shoppers provide inclusive coverage across our three main clusters which are further supported by eight print production facilities.

The suburban Chicago cluster publishes 21 weekly newspapers in the southern and western suburbs. Coupled with these publications is the door-to-door Independent Delivery Service which offers targeted delivery to over 2 million households per week in the nine county suburban Chicago cluster.

Approximately 85 miles to the west of the Chicago suburban cluster is the *Rockford Register Star* supported by its over 47,240 daily paid circulation base and ancillary product the *Star Shopper*. The *Rockford Register Star* operates successful web sites that have more than 800,000 combined monthly unique visitors. Rockford is recognized as a world leader in the production of machine tools and auto parts, and is increasingly becoming recognized as an important center for aerospace components. Over the years, Rockford business has become diversified and it is now home to a broader set of enterprises, including distribution centers and call center/office operations.

The western cluster of Illinois is composed of eight daily newspapers, 14 weekly newspapers, and 10 shoppers. *The Peoria Journal Star* with its daily paid circulation of approximately 60,712 has also provided print efficiencies to neighboring publications. This coupled with the print capacities of our Galesburg print facility located at *The Register-Mail* has enhanced print and distribution levels. The market we serve includes manufacturing facilities for Caterpillar and John Deere, higher education including Bradley University, Monmouth College, Knox College, and Western Illinois University, various health care centers and providers, and agricultural concerns such as Pioneer and Monsanto. *The Peoria Journal Star* also has web sites with combined monthly unique visitors of more than 500,000.

The Springfield *State Journal-Register* with a daily paid circulation of over 52,100 covers the state capital of Illinois. *The State Journal-Register* also has successful web sites with combined monthly unique visitors of more than 900,000. Further south, the *SI Trader* with its paid weekly circulation of 17,386, adds further support to the additional eight daily newspapers, 14 paid weekly publications, and 11 weekly shoppers throughout this section of the state.

Table of Contents

We are represented in southwestern Minnesota through seven paid weekly newspapers and four shoppers. St. James, Redwood Falls, Sleepy Eye, Granite Falls, Cottonwood, Wabasso, and Montevideo are all communities with populations of 10,000 and under. These papers represent the primary local news and information source for these communities.

La Junta in the southeastern part of the state represents the Colorado properties. Along with La Junta we also serve Bent County and Fowler and produce the weekly agricultural newspaper, *The Ag Journal*.

We are represented in California by two daily newspapers in Ridgecrest and Yreka, five paid weekly papers in Dunsmuir, Mt. Shasta, Weed, Gridley, and Taft, and five shoppers in Gridley, Mt. Shasta, Taft, Ridgecrest and Yreka. These publications reach from northern California through the southern desert and China Lake naval base in Ridgecrest.

The following table sets forth information regarding the number of publications and production facilities in the Western region:

State of Operations	Dailies	Publications Weeklies	Shoppers	Production Facilities
Illinois	20	54	24	8
California	2	5	5	3
Southern Minnesota	0	7	4	0
Colorado	1	3	0	1
Total	23	69	33	12

Southern Midwest Region. Our Southern Midwest region comprises 23 daily newspapers, 31 weekly newspapers and 20 shoppers in parts of Missouri, Kansas, Arkansas, Oklahoma, Tennessee and Louisiana.

Our southern Missouri operations are clustered around Lake of the Ozarks and Joplin. Located midway between Kansas City and St. Louis and approximately 90 miles from Springfield, Missouri, our three daily and seven weekly newspapers and three shoppers that serve the Lake of the Ozarks area reach approximately 165,000 people.

Located in southwest Missouri and southeast Kansas is the Joplin cluster with three daily and five weekly newspapers and four shoppers, serving a population of approximately 170,000. There are several colleges and universities in the area, a National Guard Fort and several large medical centers and a diverse mix of retail businesses, including the 120-store Northpark Mall.

The Wichita cluster, with a population of approximately 600,000 people, consists of six dailies, two weeklies and six shoppers in the towns of Augusta, El Dorado, Pratt, Wellington, Newton and McPherson near Wichita, Kansas. The clustering of the small dailies in this area allows the group to sell advertisers a package providing access to multiple communities. Major aircraft manufacturers Boeing, Bombardier, Cessna and Raytheon have facilities nearby and McConnell Air Force Base is a major component of the local economy.

In Louisiana, we have an operating cluster in the southwestern part of the state, located between Lake Charles and Alexandria. This cluster consists of six publications located in the cities of Leesville, Sulpher, DeRidder and Vinton. A new press configuration has increased the quality of our products in the area and provides an opportunity for additional commercial print revenue. Local employers include major manufacturers such as Alcoa, Firestone, International Paper and Proctor & Gamble. We also expect the Fort Polk base to drive revenue at our *Guardian* publication.

Table of Contents

Our Baton Rouge cluster is a relatively new cluster developed through a series of acquisitions. The group consists of three weeklies and three shoppers in the southeastern Louisiana cities of Donaldsville, Gonzales, and Plaquemine. Numerous petrochemical companies such as BASF, Exxon Mobil and Dow Chemical, plus universities including Louisiana State, support the local economies.

The following table sets forth information regarding the number of publications and production facilities in the Southern Midwest region:

State of Operations	Publications Dailies	Weeklies	Shoppers	Production Facilities
Southern Missouri	5	12	6	2
Kansas	8	3	8	3
Louisiana	4	5	5	3
Arkansas	3	11	0	2
Oklahoma	2	0	1	2
Tennessee	1	0	0	0
Total	23	31	20	12

New England Region. We are one of the largest community newspaper publishers in New England by number of daily publications and quite a large concentration of weekly newspapers, serving 179 communities in markets across eastern Massachusetts and Norwich, Connecticut. The three largest daily newspapers in this region are: *The Patriot Ledger* (founded in 1837 with circulation of 42,483), the *Enterprise* (founded in 1880 with circulation of 25,603) and the *MetroWest Daily News* (founded in 1897 with circulation of 19,959). The New England region also has over 150 very successful web sites, with more than 2.2 million average combined monthly unique visitors.

Many of the towns within our New England region were founded in the 1600s and our daily and weekly newspapers in the region have long been institutions within these communities. In fact, our New England region has 30 daily and weekly newspapers that are over 100 years old.

Our publications serve some of the most demographically desirable communities in New England. The Boston DMA is the seventh largest market in the United States with 2.4 million households and 6.2 million people, and ranks first nationally in concentration of colleges and universities.

Massachusetts boasts more than one million households in the region earning greater than $75,000, and a substantial homeownership rate. This upscale demographic provides a desirable market for advertisers. We reach 1.7 million readers in the eastern Massachusetts market.

Eastern Massachusetts is also widely recognized as an employment center for leading industries such as technology, biotechnology, healthcare and higher education. Many of the region s leading employers are located in the communities served by our New England region s publications.

Our Norwich, Connecticut property brings some stability to our New England region as the eastern Connecticut economy differs from the nation and New England markedly. Primary economic drivers include casinos, military submarine manufacture and pharmaceutical research. Major industrial employers in the region include General Dynamics, Pfizer, Dow Chemical, Dominion Resources and the United States Navy.

Table of Contents

The following table sets forth information regarding the number of publications and production facilities in the New England region:

State of Operations	Dailies	Publications Weeklies	Shoppers	Production Facilities
Massachusetts	7	112	5	3
Connecticut	1	1	2	0
Total	8	113	7	3

Atlantic Region. Our Atlantic region comprises of publications in New York, Pennsylvania, Delaware and West Virginia. The region is anchored by clusters in the southern tier of New York, Rochester/Canandaigua New York, Central New York, Pennsylvania/West Virginia and Delaware. Virtually all of our 10 dailies in the Atlantic region date back more than 100 years. The Atlantic region is also very successful with web sites totaling more than 900,000 combined monthly unique visitors.

In southwestern New York, our operations are centered around six publications based in Steuben County. In Corning, *The Leader*, a 10,046 circulation daily newspaper, dominates the eastern half of the county and shares its hometown namesake with Corning Incorporated. The Hornell *Evening Tribune* circulates daily throughout the western half of the county. Situated directly between these two dailies in the county seat of Bath is the 10,800 circulation *Steuben Courier*, a free-distribution weekly. The *Hornell-Canisteo Penn-E-Saver*, a standalone shopper, solidifies this flagship group.

We also have a strong presence in the print advertising markets in three other New York counties that surround Steuben. In Allegany County to the west, the *Wellsville Daily Reporter* and its shopper, the *Allegany County Pennysaver*, cover most households. In Livingston County to the north, the *Dansville-Wayland Pennysaver*, the *Geneseeway Shopper* and the *Genesee Country Express* complement one another with combined circulation of 22,973. In Yates County to the north and east, *The Chronicle-Express* and *Chronicle Ad-Visor* shopper distribute weekly to over 15,000 households centered around the county seat of Penn Yan.

In nearby Chemung County, the 26,000 circulation *Horseheads Shopper* anchors our presence in this area. The majority of the southwestern New York cluster parallels future Interstate 86 across the central southern tier of New York State, which is benefiting from continued improvement and expansion under an omnibus federal highway appropriations bill. Moreover, the cluster has several colleges and universities nearby, including Cornell University, Ithaca College, Elmira College and Houghton College.

Our Honesdale cluster, approximately 30 miles from Scranton, Pennsylvania, consists of six publications in the cities of Carbondale, Honesdale and Hawley, Pennsylvania, along with Liberty, New York, located just across the Delaware River to the east. The cluster was created from our daily and shopper operations in Honesdale and later supplemented by our acquisition of weeklies and shoppers in Carbondale and Liberty. Local employers include General Dynamics, Blue Cross/Blue Shield, Commonwealth Telephone and various colleges and universities, medical centers and governmental agencies.

We enjoy a strong presence in Upstate New York, including the popular Finger Lakes Region and the greater Rochester area. Messenger Post Media, with a combination of 25 publications that span four counties, has combined circulation of 202,186. This growing commercial market has a tourism industry and is known for boutique wineries and recreational activities. The flagship of Messenger Post Media is the 8,900-circulation *Daily Messenger* in Canandaigua.

The Central New York cluster is anchored by the *Observer-Dispatch* in Utica New York which has circulation of 35,401. The Utica operations include one daily, seven weeklies and shopper and a weekly newspaper in Hamilton. Utica also has web sites with combined monthly unique visitors of more than 273,000.

Table of Contents

Other dailies in this group are located in Herkimer and Little Falls along with weekly and pennysavers in Liberty and Saugerties. The Utica and Herkimer County operations take advantage of numerous synergies in printing, circulation, and advertising.

Our Pennsylvania/West Virginia cluster includes dailies in Waynesboro and Honesdale, Pennsylvania and Keyser, West Virginia. We also have three weeklies throughout the group and a commercial printing operation in Ravenswood, West Virginia.

The Delaware cluster publishes eleven weekly newspapers, one weekly shopper, and various specialty papers that cover most of the state of Delaware, and range from suburban Wilmington in the north to Georgetown, Delaware at the south end of the state. The weekly *Express* shopper serves nearly all of lower Delaware and a good portion of the Eastern Shore of Maryland. Circulation for the cluster is primarily free, and totals approximately 108,772 weekly plus 30,499 monthly.

The following table sets forth information regarding the number of publications and production facilities in the Atlantic region:

State of Operations	Dailies	Publications Weeklies	Shoppers	Production Facilities
New York	7	31	18	4
Pennsylvania	2	4	2	2
Delaware	0	9	1	1
West Virginia	1	2	2	2
Total	10	46	23	9

Northern Midwest Region. Our Northern Midwest region comprises 23 daily newspapers, 12 weekly newspapers and 28 shoppers spanning seven states: Michigan, Ohio, North Dakota, Iowa, Nebraska, Kansas and parts of Missouri and Minnesota. Each of our daily newspapers and five of our weeklies in the Northern Midwest region serve communities located in a county seat. Our daily and weekly news products in this region average more than 100 years in continuous operation and our shopper publications are among the first ever published, with histories dating to the early 1960s.

The communities we serve in our Northern Midwest region are largely rural but also support educational institutions, government agencies (including prisons and military bases), tourism, veterinary medicine and ethanol and agricultural chemical manufacturing. The area also maintains automotive (including recreational vehicles), boat, home construction products and furniture manufacturing sectors.

The greatest concentration of circulation and market presence in our Northern Midwest region is in northern Missouri where we operate nine daily newspapers and one weekly newspaper and 11 shoppers. We cover the 22,000 square mile area from Hannibal, on the state s eastern border, to the western border and from Columbia in the south to the Iowa border in the north. Local employers include the University of Missouri and other colleges, local and federal governments, State Farm Insurance and 3M.

We also have a strong presence in southern Michigan where five of our dailies Adrian, Coldwater, Holland, Hillsdale and Sturgis along with four weeklies and six shoppers blanket the southern tier of the state and into Indiana. The 16,809 circulation *Holland Sentinel* is the flagship publication of the group. This area has several large employers, including Delphi, ConAgra, Tecumseh Products, Kellogg, JCI, Herman Miller, Hayworth, Gentex, Jackson State Prison, and a number of colleges and universities.

The Northern Midwest region includes our Kansas City cluster with seven publications (two daily and two weekly newspapers and three shoppers) located in the eastern Kansas cities of Leavenworth, Kansas City and

Table of Contents

Lansing and on the Missouri side, Independence and Blue Springs. The *Leavenworth Times* was one of our original daily newspapers and the balance of the cluster was acquired afterward. In addition, we secured the military publication, *The Fort Leavenworth Lamp*, in Fort Leavenworth. The Kansas City cluster, with a population over 700,000, is home to several prominent companies, including Hallmark, H&R Block, Interstate Bakeries, and the University of Kansas.

We also have clusters in and around Grand Forks, North Dakota (home to the Grand Forks Air Force Base and the University of North Dakota) and near Mason City, Iowa, where Cargill, ConAgra, Kraft, Winnebago and Fort Dodge Animal Health, a division of Wyeth, each maintain significant operations.

The Ohio cluster is anchored in Canton, Ohio, the seventh largest city in the state and home to the Pro Football Hall of Fame, and covers Stark and Tuscarawas Counties. It is comprised of three daily newspapers and one weekly publication. *The Repository* is a 59,088 daily newspaper that covers the entire area of Stark County. *The Dover New Philadelphia Times Reporter* is a 18,907 daily publication located 40 miles south of Canton in Tuscarawas County. *The Massillon Independent* a 10,597 circulation daily that is located in western Stark County. *The Suburbanite* is a 33,800 weekly publication that circulates in the affluent northern Stark County area. The Ohio cluster has very successful web sites with more than 800,000 combined monthly unique visitors. Together the newspapers and web sites dominate their local markets.

The following table sets forth information regarding the number of publications and production facilities in the Northern Midwest region:

		Publications		Production Facilities
State of Operations	**Dailies**	**Weeklies**	**Shoppers**	
Michigan	8	4	9	5
Northern Missouri	9	1	11	6
Ohio	3	1	2	2
Kansas	1	2	2	0
Minnesota	1	1	2	1
Nebraska	0	2	1	1
North Dakota	1	0	1	1
Iowa	0	1	0	0
Total	23	12	28	16

Directories

The core of our directory portfolio is comprised of the four yellow page directories acquired in the SureWest Acquisition, which are located in and around the Sacramento, California area, primarily in Roseville, California. The four directories have an aggregate circulation of approximately 623,000 and service Roseville, Greater Sacramento, Auburn/Grass Valley/Nevada City and Folsom/El Dorado/Placerville, reaching four counties within the Sacramento region.

Our SureWest portfolio is highlighted by the Roseville and Greater Sacramento directories. The Roseville directory is the incumbent (with a circulation of approximately 250,000) and has served the local Roseville community for over 95 years and has achieved more than 50% market share. The Greater Sacramento directory (with a circulation of approximately 200,000) targets its delivery to high income consumers in Sacramento covering approximately 800,000 people.

Over the past 10 years, the Sacramento region has increased to almost 2.2 million people. The area boasts a diversified economy with both traditional economic activity (including significant government and government related business) and the presence of prominent companies such as Hewlett Packard, Intel and Oracle. This area

Table of Contents

is characterized by sophisticated consumers with attractive wealth profiles. In addition, the area maintains professional and business services and leisure and hospitality sectors, which historically utilize directories advertising as a primary medium to market their products and services.

We also own three additional directories including two Michigan and Indiana phone guides servicing St. Joseph County, Michigan and LaGrange County, Indiana, and Branch County, Michigan and Steuben County, Indiana, respectively, and a yellow page directory based in Mt. Shasta, California.

Revenue

Our operations generate three primary types of revenue: advertising, circulation (including single copy sales and home delivery subscriptions) and other (primarily commercial printing). In 2009, these revenue streams accounted for approximately 70%, 24% and 6%, respectively, of our total revenue. The contribution of advertising, circulation and other revenue to our total revenue in 2007, 2008 and 2009 and to pro forma total revenue in 2007 was as follows:

	Year Ended December 31, 2007 (Actual)	Year Ended December 31, 2007 (Pro Forma)	Year Ended December 31, 2008 (Actual)	Year Ended December 31, 2009 (Actual)
	(In Thousands)			
Revenue:				
Advertising	$ 424,974	$ 475,192	$ 492,557	$ 409,725
Circulation	117,023	135,824	145,653	142,023
Commercial printing and other	32,928	36,847	40,841	33,290
Total revenue	$ 574,925	$ 647,863	$ 679,051	$ 585,038

Advertising

Advertising revenue, which includes our online publications, is the largest component of our revenue, accounting for approximately 74%, 73% and 70% of our total revenue in 2007, 2008 and 2009, respectively, and 73% of our pro forma total revenue in 2007. We categorize advertising as follows:

- Local Display local retailers, local accounts at national retailers, grocers, department and furniture stores, local financial institutions, niche shops, restaurants and other consumer related businesses.

- Local Classified local employment, automotive, real estate and other advertising.

- National national and major accounts such as wireless communications companies, airlines and hotels.

We believe that our advertising revenue tends to be less volatile than the advertising revenue of large metropolitan and national print media because we rely primarily on local rather than national advertising and we have less exposure to classified revenue than others within our industry. We generally derive 95% of our advertising revenue from local advertising (both local display and local classified) and only 5% from national advertising. Local advertising tends to be less sensitive to economic cycles than national advertising as local businesses generally have fewer effective advertising channels through which to reach their customers. We are also less reliant than large metropolitan newspapers upon classified advertising, particularly the recruiting and real estate categories, which are generally more sensitive to economic conditions.

Our advertising rate structures vary among our publications and are a function of various factors, including local market conditions, competition, circulation, readership and demographics. Our corporate management works with our local newspaper management to approve advertising rates and a portion of our publishers   incentive compensation is based upon growing advertising revenue. We share advertising concepts throughout our network of publishers and advertising managers, enabling them to utilize advertising products and sales strategies that are successful in other markets we serve.

Substantially all of our advertising revenue is derived from a diverse group of local retailers and local classified advertisers, resulting in very limited customer concentration. No single advertiser accounted for more than 1% of our pro forma total revenue in 2007 or our total revenue in 2007, 2008 or 2009 and our 20 largest advertisers account for less than 5% of total revenue.

Our advertising revenue tends to follow a seasonal pattern, with higher advertising revenue in months containing significant events or holidays. Accordingly, our first quarter, followed by our third quarter, historically are our weakest quarters of the year in terms of revenue. Correspondingly, our second fiscal quarter, and fourth fiscal quarter, historically are our strongest quarters. We expect that this seasonality will continue to affect our advertising revenue in future periods.

We have experienced declines in advertising revenue over the past year, due primarily to the economic recession. We continue to search for organic growth opportunities, specifically in our online advertising and through new product launches, both in our markets.

Circulation

Our circulation revenue is derived from home delivery sales to subscribers and single copy sales at retail stores and vending racks and boxes. We own 87 paid daily publications that range in circulation from approximately 1,000 to over 60,000 and 190 paid weekly publications that range in circulation from approximately 100 to 17,000. Circulation revenue accounted for approximately 20%, 21% and 24% of our total revenue in 2007, 2008 and 2009, respectively, and 21% of our pro forma total revenue in 2007.

Subscriptions are typically sold for three to twelve-month terms and often include promotions to extend the average subscription period. We implement marketing programs to increase readership through subscription and single copy sales, including company-wide and local circulation contests, door-to-door sales and strategic alliances with local schools in the form of Newspapers in Education programs. In addition, since the adoption of the Telemarketing Sales Rule by the Federal Trade Commission in 2003, which created a national do not call registry, we have increased our use of EZ Pay programs, door to door sales, kiosks, sampling programs, in-paper promotions and online promotions to increase our circulation.

We encourage subscriber use of EZ Pay, a monthly credit card charge or direct bank debit payment program, which has led to higher retention rates for subscribers. We also use an active stop-loss program for all expiring subscribers. Additionally, in order to improve our circulation revenue and circulation trends, we periodically review the need for quality enhancements, such as:

- Increasing the amount of unique hyper-local content;
- Increasing the use of color and color photographs;
- Improving graphic design, including complete redesigns;
- Developing creative and interactive promotional campaigns; and
- Converting selected newspapers from afternoon to morning publications.

We believe that our unique and valuable hyper-local content allows us to continue to produce products of great relevance to our local market audiences. This allows us to be able to periodically raise prices, both for home delivery and on a single copy basis, resulting in increased circulation revenues.

Other

We provide commercial printing services to third parties on a competitive bid basis as a means to generate incremental revenue and utilize excess printing capacity. These customers consist primarily of other publishers that do not have their own printing presses and do not compete with our publications. We also print other

commercial materials, including flyers, business cards and invitations. Other sources of revenue, including commercial printing, accounted for approximately 6% of our total revenue in 2007, 2008, 2009 and of our pro forma total revenue in 2007.

Printing and Distribution

We operate 52 print facilities. We own 51 of these facilities and lease the remaining one. Each of our print facilities produce seven publications on average and are generally located within 60 miles of the communities served. By clustering our production resources, we are able to reduce the operating costs of our publications while increasing the quality of our small and midsize market publications that would typically not otherwise have access to high quality production facilities. We also believe that we are able to reduce future capital expenditure needs by having fewer overall pressrooms and buildings. We believe our superior production quality is critical to maintaining and enhancing our position as the leading provider of local news coverage in the markets we serve.

The distribution of our daily newspapers is typically outsourced to independent, locally based, third-party distributors that also distribute a majority of our weekly newspapers and non-newspaper publications. In addition, certain of our shopper and weekly publications are delivered via the U.S. Postal Service.

Newsprint

We are a member of a consortium which enables our local publishers to obtain favorable pricing when investing in newsprint by going to local mills at reduced rates negotiated by the consortium. As a result, we have generally been able to purchase newsprint at a price of $10 to $12 per metric ton below the market price. We generally maintain a 45 to 55 day inventory of newsprint. Newsprint is a readily available commodity.

Historically, the market price of newsprint has been volatile, reaching a high of approximately $823 per metric ton in 2008 and a low of $410 per metric ton in 2002. The average market price of newsprint during 2009 was approximately $575 per metric ton.

In 2009 we consumed approximately 65,700 metric tons of newsprint (inclusive of commercial printing) and the cost of our newsprint consumption totaled approximately $40.0 million. Our newsprint expense typically averages less than 10% of total revenue, which generally compares favorably to larger, metropolitan newspapers.

Competition

Each of our publications competes for advertising revenue to varying degrees with direct mail, yellow pages, radio, outdoor advertising, broadcast and cable television, magazines, local, regional and national newspapers, shoppers and other print and online media sources. However, we believe that barriers to entry are high in many of the markets we serve due to our position as the preeminent source for local news and information therein, because our markets are generally not large enough to support a second newspaper and because our local news gathering infrastructures, sales networks and relationships would be time consuming and costly to replicate. We also have highly recognized local brand names and long histories in the towns we serve.

We also provide our readers with community-specific content, which is generally not available from other media sources. Our direct and focused coverage of the market and our cost effective advertising rates relative to more broadly circulated metropolitan newspapers allow us to tailor an approach for our advertisers. As a result, our publications generally capture a large share of local advertising in the markets they serve.

The level of competition and primary competitors we face vary from market to market. Competition tends to be based on penetration, demographic and quality factors, as opposed to price factors. The competitive environment in each of our operating regions is discussed in greater detail below.

Western Region. The Western region consists of 88 markets and we believe our publications are the dominant print advertising media in the vast majority of these markets. There are radio stations in or within 20 miles of every market we are in, but we do not believe that any of these radio station operators pose a significant competitive threat to our publications. Yellow page advertising is prevalent in all of our markets with either a local phone book or a regional phone book. We believe that, in most cases, yellow page advertising is geared more towards the professional services advertisers such as attorneys and doctors and not the local retail advertisers, as is the focus with our non-directory publications. In the Western region, we face regional competition with three of our daily newspapers in Illinois. Lee Enterprises has the *Southern Illinoisan* that is located in Carbondale. This is a regional newspaper that competes with our dailies in Marion, Benton, West Frankfort and DuQuoin. In all four of these cases, we believe our publications are the dominant local daily, but do compete on a regional basis with the larger dailies. We also compete with shoppers or weekly newspapers. This competition comes from small independent operators and is not significant. We have very little television competition in the Western region because of our geographic location in relation to major markets. There are no local television affiliates in our markets.

Southern Midwest Region. In our Southern Midwest markets we believe our publications are generally the dominant media in those markets. Our major competition comes from regional daily newspapers, specifically: *The Advocate* in Baton Rouge, Louisiana; *The American Press* in Lake Charles, Louisiana; *The Joplin Globe*; and the *Wichita Eagle*. We also face competition from numerous other daily and weekly papers, local radio stations, shopping guides, directories and niche publications.

New England Region. In the New England region, the *Boston Globe* and *boston.com*, a metropolitan daily and website, respectively, owned by the New York Times Company, compete with us throughout eastern Massachusetts. In addition, we compete in Massachusetts with more than 30 other weekly or daily newspaper companies (that publish a combined total of approximately 16 dailies and 50 weeklies), three major radio station operators, five local network television broadcasters, one cable company and numerous niche publications for advertising revenues. We believe that our publications generally deliver the highest household coverage in their respective markets.

Atlantic Region. In our Atlantic markets we believe our publications are generally the dominant media in those markets. Daily newspapers owned by Gannett Company, Inc. (*The Star-Gazette* in Elmira, NY and the *Chambersburg* (PA) *Public-Opinion*) compete with us in several markets in the Atlantic region. We also face competition from other major newspaper companies in several other Atlantic region markets: Schurz Communication s Hagerstown (MD) *Herald-Mail*; Times-Shamrock Company s Scranton (PA) *The Times-Tribune* and Towanda *Daily/Sunday Review*; Community Newspaper Holdings, Inc. s (CNHI) *Sunbury Daily Item*; Ogden-Nutting s *Williamsport Sun-Gazette*; Newshouse Newspaper s *Syracuse Post-Standard*; and CNHI s *Cumberland* (MD) *Times News*. Our competitors in the Atlantic region also include numerous other daily and weekly newspapers, local radio stations, shopping guides, directories and niche publications. We believe our publications, many of which have an extensive history in the market, tend to be the dominant local publication.

Northern Midwest Region. In our Northern Midwest markets we believe our publications are generally the dominant media in those markets. Our only significant competition comes from regional television stations in Adrian, Michigan and Leavenworth, Kansas. We also face competition from dozens of other competitors such as other local daily and weekly papers and niche publications, as well as radio and television stations, directories, direct mail and non-local internet websites, but none of these have proven to be significant.

Management and Employees

The 10 members of our executive management team have an average of over 18 years of industry experience and a long history of identifying, acquiring and improving the operations of acquired publications. Our executive management team has managed community newspapers in various economic cycles. We also have a seasoned team of managers at the local level, where our 108 publishers have an average of approximately 25 years of industry experience.

Table of Contents

As of December 31, 2009, we had approximately 5,720 full time equivalent employees, consisting of hourly and salaried employees. We employ union personnel at a number of our core publications representing approximately 806 full-time equivalent employees. As of December 31, 2009 there were 26 collective bargaining agreements covering union personnel. Eleven of these agreements, representing employees in Massachusetts, Michigan and Illinois, expire in 2010. We believe that relations with our employees are generally good and we have had no work stoppages at any of our publications.

Environmental Matters

We believe that we are substantially in compliance with all applicable laws and regulations for the protection of the environment and the health and safety of our employees based upon existing facts presently known to us. Compliance with federal, state, and local environmental laws and regulations relating to the discharge of substances into the environment, the disposal of hazardous wastes and other related activities has had, and will continue to have, an impact on our operations, but has, since our incorporation in 1997, been accomplished without having a material adverse effect on our operations. While it is difficult to estimate the timing and ultimate costs to be incurred due to uncertainties about the status of laws, regulations and technology, based on information currently known to us and insurance procured with respect to certain environmental matters, we do not expect environmental costs or contingencies to be material or to have a material adverse effect on our financial performance. Our operations involve risks in these areas, however, and we cannot assure you that we will not incur material costs or liabilities in the future which could adversely affect us.

Corporate Governance and Public Information

The address of our website is *www.gatehousemedia.com*. Stockholders can access a wide variety of information on our website, including news releases, Securities and Exchange Commission (SEC) filings, information we are required to post online pursuant to applicable SEC rules, newspaper profiles and online links. We make available via our website, all filings we make under the Securities Exchange Act of 1934, including Forms 10-K, 10-Q and 8-K, and related amendments, as soon as reasonably practicable after they are filed with, or furnished to, the SEC. All such filings are available free of charge. Neither the content of our corporate website nor any other website referred to in this report are incorporated by reference into this report unless expressly noted. The public may read and copy any information we file with the SEC at the SEC s public reference room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330.

Table of Contents

List of Our Dailies, Weeklies, Shoppers, Websites and Directories

Our dailies, weeklies, shoppers, websites and directories are listed below. We maintain registered trademarks in many of the masthead names listed below. Maintaining such trademarks allows us to exclusively use the masthead name to the exclusion of third parties.

Western Region

State	City	Masthead	Circulation Type
Illinois	Benton	Benton Evening News *www.bentoneveningnews.com*	Daily
	Canton	Daily Ledger *www.cantondailyledger.com*	Daily
	Carmi	The Carmi Times *www.carmitimes.com*	Daily
	Du Quoin	Du Quoin Evening Call *www.duquoin.com*	Daily
	El Dorado	El Dorado Daily Journal	Daily
	Freeport	The Journal Standard *www.journalstandard.com*	Daily
	Galesburg	The Register-Mail *www.galesburg.com*	Daily
	Harrisburg	Harrisburg Daily Register *www.dailyregsiter.com*	Daily
	Kewanee	Star-Courier *www.starcourier.com*	Daily
	Lincoln	The Courier *www.lincolncourier.com*	Daily
	Macomb	McDonough County Voice *www.mcdonoughvoice.com*	Daily
	Marion	Marion Daily Republican *www.mariondaily.com*	Daily
	Monmouth	Daily Review Atlas *www.reviewatlas.com*	Daily
	Olney	The Olney Daily Mail *www.olneydailymail.com*	Daily
	Pekin	Pekin Daily Times *www.pekintimes.com*	Daily
	Peoria	Journal Star	Daily

	www.pjstar.com	
Pontiac	Daily Leader	Daily
	www.pontiacdailyleader.com	
Rockford	Rockford Register Star	Daily
	www.rrstar.com	
Springfield	The State Journal-Register	Daily
	www.sj-r.com	
West Frankfort	Daily American	Daily
	www.dailyamericannews.com	
Abingdon	Abingdon Argus-Sentinel	Paid Weekly
	www.eaglepublications.com	
Addison/Bensenville/	Press	Paid Weekly
Wood Dale	*www.chicagosuburbannews.com*	

Table of Contents

State	City	Masthead	Circulation Type
	Aledo	The Times Record *www.aledotimesrecord.com*	Paid Weekly
	Augusta	Augusta Eagle-Scribe *www.eaglepublications.com*	Paid Weekly
	Berwyn/Cicero	Berwyn/Cicero Life *www.chicagosuburbannews.com*	Paid Weekly
	Brookfield	Suburban Life *www.chicagosuburbannews.com*	Paid Weekly
	Carmi	The Weekly Times	Paid Weekly
	Carol Stream	Press *www.chicagosuburbannews.com*	Paid Weekly
	Chester	Randolph County Herald Tribune *www.randolphcountyheraldtribune.com*	Paid Weekly
	Chillicothe	Chillicothe Times Bulletin *www.chillicothetimesbulletin.com*	Paid Weekly
	Christopher	The Progress	Paid Weekly
	Downers Grove	Pro-Football Weekly	Paid Weekly
	Downers Grove	Reporter *www.chicagosuburbannews.com*	Paid Weekly
	Du Quoin	Du Quoin News	Paid Weekly
	Du Quoin	Ashley News	Paid Weekly
	East Peoria	East Peoria Times-Courier *www.eastpeoriatimescourier.com*	Paid Weekly
	Elmhurst	Press *www.chicagosuburbannews.com*	Paid Weekly
	Fairbury	The Blade	Paid Weekly
	Flora	Advocate Press *www.advocatepress.com*	Paid Weekly
	Galva	Galva News	Paid Weekly
	Geneseo	Orion Gazette *www.oriongazette.com*	Paid Weekly
	Geneseo	Cambridge Chronicle	Paid Weekly
	Geneseo	The Geneseo Republic *www.geneseorepublic.com*	Paid Weekly
	Herrin	The Spokesman *www.herrin-spokesman.com*	Paid Weekly
	Hinsdale	Suburban Life *www.chicagosuburbannews.com*	Paid Weekly
	Huntley	Farmside	Paid Weekly

	www.chicagosuburbannews.com	
LaGrange/Westchester	Suburban Life	Paid Weekly
	www.chicagosuburbannews.com	
Lemont	Reporter	Paid Weekly
	www.chicagosuburbannews.com	
Lombard	Spectator	Paid Weekly
	www.chicagosuburbannews.com	
Morton	Morton Times News	Paid Weekly
	www.mortontimesnews.com	
Murphysboro	Murphysboro American	Paid Weekly
	www.murphysboroamerican.com	

Table of Contents

State	City	Masthead	Circulation Type
	Newton	Newton Press Mentor	Paid Weekly
		www.pressmentor.com	
	Norris City	Norris City Banner	Paid Weekly
	Oquawka	Oquawka Current	Paid Weekly
	Roseville	Roseville Independent	Paid Weekly
		www.eaglepublications.com	
	Shawneetown	Ridgway News	Paid Weekly
	Shawneetown	Gallatin Democrat	Paid Weekly
	Steelville	The Steelville Ledger	Paid Weekly
	Teutopolis	Teutopolis Press	Paid Weekly
		www.teutopolispress.com	
	Villa Park	Argus	Paid Weekly
		www.chicagosuburbannews.com	
	West Frankfort	SI Trader	Paid Weekly
		www.sitraders.com	
	Westmont	Progress	Paid Weekly
		www.chicagosuburbannews.com	
	Winfield/Warrenville/	Press	Paid Weekly
	West Chicago	*www.chicagosuburbannews.com*	
	Woodridge	Reporter	Paid Weekly
		www.chicagosuburbannews.com	
	Bartlett	Press	Free Weekly
		www.chicagosuburbannews.com	
	Batavia	Republican	Free Weekly
		www.chicagosuburbannews.com	
	Galesburg	The Paper	Free Weekly
		www.galesburg.com	
	Geneva	Republican	Free Weekly
		www.chicagosuburbannews.com	
	Glen Ellyn	News	Free Weekly
		www.chicagosuburbannews.com	
	Macomb	Daily Brief	Free Weekly
	Peoria	Peoria Times-Observer	Free Weekly
		www.peoriatimesobserver.com	
	St Charles	Republican	Free Weekly
		www.chicagosuburbannews.com	
	Washington	Washington Times Reporter	Free Weekly
		www.washingtontimesreporter.com	

Wheaton	Leader	Free Weekly
	www.chicagosuburbannews.com	
Aledo	Town Crier Advertiser	Shopper
Canton	Fulton County Shopper	Shopper
Carmi	White County Shopper News	Shopper
Flora	CCAP Special	Shopper
Freeport	The Scene	Shopper
Galatia	Money Stretcher	Shopper
	www.galatiamoneystretcher.com	

Table of Contents

State	City	Masthead	Circulation Type
	Geneseo	Henry County Advertizer/Shopper	Shopper
	Herrin	Herrin Free Time	Shopper
	Kewanee	Star Power	Shopper
	Lincoln	Logan County Shopper	Shopper
	Macomb	McDonough County Choice *www.eaglepublications.com*	Shopper
	Marion	Marion Free Time	Shopper
	Monmouth	Pennysaver	Shopper
	Morton	Morton Pumpkin Advertiser	Shopper
	Murphysboro	American Monday	Shopper
	Olney	Richland County Shopper	Shopper
	Olney	Jasper County News Eagle	Shopper
	Peoria	JS Shopper	Shopper
	Peoria	Pekin Extra	Shopper
	Pontiac	Livingston Shopping News	Shopper
	Rockford	Star Shopper	Shopper
	Springfield	Springfield Advertiser *www.cityguidespringfield.com*	Shopper
	Springfield	Springfield Shopper *www.springfield-shopper.net*	Shopper
	West Frankfort	Free Press	Shopper
California	Ridgecrest	The Daily Independent *www.ridgecrestca.com*	Daily
	Yreka	Siskiyou Daily News *www.siskiyoudaily.com*	Daily
	Gridley	Gridley Herald *www.gridleyherald.com*	Paid Weekly
	Mt Shasta	Weed Press *www.mtshastanews.com*	Paid Weekly
	Mt Shasta	Dunsmuir News *www.mtshastanews.com*	Paid Weekly
	Mt Shasta	Mt Shasta Herald *www.mtshastanews.com*	Paid Weekly
	Taft	Midway Driller *www.taftmidwaydriller.com*	Paid Weekly
	Gridley	Gidley Shopping News *www.gridleyherald.com*	Shopper
	Mt Shasta	Super Saver Advertiser	Shopper
	Ridgecrest	Super Tuesday	Shopper
	Taft	Bargain Hunter	Shopper
	Yreka	The Link *www.siskiyoudaily.com*	Shopper

20

Table of Contents

State	City	Masthead	Circulation Type
Minnesota	Cottonwood	Tri-County News	Paid Weekly
	Granite Falls	Granite Falls Advocate-Tribune *www.granitefallsnews.com*	Paid Weekly
	Montevideo	Montevideo American News *www.montenews.com*	Paid Weekly
	Redwood Falls	Redwood Gazette *www.redwoodfallsgazette.com*	Paid Weekly
	Sleepy Eye	Sleepy Eye Herald Dispatch *www.sleepyeyenews.com*	Paid Weekly
	St James	St James Plaindealer *www.stjamesnews.com*	Paid Weekly
	Wabasso	The Wabasso Standard	Paid Weekly
	Montevideo	The Star Advisor	Shopper
	Redwood Falls	Redwood Falls Livewire	Shopper
	Sleepy Eye	Brown County Reminder	Shopper
	St James	Town and Country Shopper	Shopper
Colorado	LaJunta	LaJunta Tribune Democrat *www.lajuntatribunedemocrat.com*	Daily
	LaJunta	The Ag Journal *www.agjournalonline.com*	Paid Weekly
	LaJunta	The Fowler Tribune *www.fowlertribune.com*	Paid Weekly
	Las Pimas	Bent County Democrat *www.bcdemocratonline.com*	Paid Weekly

21

Table of Contents

Southern Midwest Region

State	City	Masthead	Circulation Type
Missouri	Camdenton	Lake Sun Leader *www.lakesunleader.com*	Daily
	Carthage	The Carthage Press *www.carthagepress.com*	Daily
	Neosho	Neosho Daily News *www.neoshodailynews.com*	Daily
	Rolla	Rolla Daily News *www.therolladailynews.com*	Daily
	Waynesville	The Daily Guide *www.waynesvilledailyguide.com*	Daily
	Aurora	Aurora Advertiser *www.auroraadvertiser.net*	PaidWeekly
	Greenfield	The Vedette *www.greenfieldvedette.com*	Paid Weekly
	Neosho	The Post Focus on Rural Living	Paid Weekly
	St James	St James Leader Journal *www.leaderjournal.com*	Paid Weekly
	Camdenton	West Side Star *www.lakenewsonline.com*	Free Weekly
	Carthage	The Carthage Press Scope	Free Weekly
	Neosho	The Neighborhood Showcase	Free Weekly
	Osage Beach	Lake Area News Focus	Free Weekly
	Osage Beach	Lake of the Ozarks Real Estate	Free Weekly
	Osage Beach	Tube Tab	Free Weekly
	Osage Beach	Vacation News	Free Weekly
	Rolla	Rolla Daily News Plus	Free Weekly
	Aurora	Big AA Shopper	Shopper
	Camdenton	Penny Saver	Shopper
	Greenfield	Lake Stockton Shopper	Shopper
	Joplin	Big Nickel	Shopper
	Osage Beach	Lake of the Ozarks Boats	Shopper
	Waynesville	Pulaski County Weekly	Shopper
Kansas	Augusta	Augusta Daily Gazette *www.augustagazette.com*	Daily
	Dodge City	Dodge City Daily Globe *www.dodgeglobe.com*	Daily
	El Dorado	The El Dorado Times *www.eldoradotimes.com*	Daily

McPherson	McPherson Sentinel *www.mcphersonsentinel.com*	Daily
Newton	The Newton Kansan *www.thekansan.com*	Daily
Pittsburg	The Morning Sun *www.morningsun.net*	Daily
Pratt	The Pratt Tribune *www.pratttribune.com*	Daily
Wellington	Wellington Daily News *www.wgtndailynews.com*	Daily

Table of Contents

State	City	Masthead	Circulation Type
	Greensburg	Kiowa County Signal *www.kiowacountysignal.com*	Paid Weekly
	St John	St John News *www.sjnewsonline.com*	Paid Weekly
	Dodge City	La Estrella	Free Weekly
	Augusta	Augusta Advertiser	Shopper
	Dodge City	Shoppers Weekly	Shopper
	El Dorado	Shoppers Guide	Shopper
	McPherson	South Central Kansas Shoppers Guide	Shopper
	Newton	Prairie Shopper	Shopper
	Pittsburg	The Sunland Shopper	Shopper
	Pratt	Sunflower Shopper	Shopper
	Wellington	The Weekender	Shopper
Louisiana	Bastrop	The Bastrop Daily Enterprise *www.bastropenterprise.com*	Daily
	DeRidder	Beauregard Daily News *www.deridderdailynews.com*	Daily
	Leesville	Leesville Daily Leader *www.leesvilledailyleader.com*	Daily
	Sulphur	Southwest Daily News *www.sulphurdailynews.com*	Daily
	Donaldsonville	The Donaldsonville Chief	Paid Weekly
	Gonzales	Gonzales Weekly Citizen *www.ascensioncitizen.com*	Paid Weekly
	Plaquemine	Post South *www.postsouth.com*	Paid Weekly
	Sulphur	Vinton News	Paid Weekly
	Sulphur	Guardian	Free Weekly
	Bastrop	The Pennysaver	Shopper
	Gonzales	The Marketeer *www.ascensioncitizen.com*	Shopper
	Gonzales	Nickel Ads *www.ascensioncitizen.com*	Shopper
	Plaquemine	West Bank Shopper *www.postsouth.com*	Shopper
	Sulphur	Calcasieu Shopper	Shopper
Arkansas	Arkadelphia	Daily Siftings Herald *www.siftingsherald.com*	Daily
	Hope	Hope Star *www.hopestar.com*	Daily

Stuttgart	Stuttgart Daily Leader *www.stuttgartdailyleader.com*	Daily
Gurdon	Gurdon Times *www.picayune-times.com*	Paid Weekly
Heber Springs	The Sun Times *www.thesuntimes.com*	Paid Weekly
Helena	The Daily World *www.helena-arkansas.com*	Paid Weekly
Hope	Nevada County Picayune *www.picayune-times.com*	Paid Weekly

Table of Contents

State	City	Masthead	Circulation Type
	Newport	Newport Independent *www.newportindependent.com*	Paid Weekly
	White Hall	The White Hall Journal *www.whitehalljournal.com*	Paid Weekly
	Arkadelphia	Arkadelphia Extra *www.siftingsherald.com*	Free Weekly
	Helena	Daily World TMC *www.helena-arkansas.com*	Free Weekly
	Hope	Star Extra *www.hopestar.com*	Free Weekly
	Stuttgart	The Xtra *www.stuttgartdailyleader.com*	Free Weekly
	White Hall	The Arsenel Sentinel	Free Weekly
Oklahoma	Ardmore	The Daily Ardmoreite *www.ardmoreite.com*	Daily
	Shawnee	The Shawnee News-Star *www.news-star.com*	Daily
	Ardmore	Entertainment Spotlight	Shopper
Tennessee	Oak Ridge	The Oak Ridger *www.oakridger.com*	Daily

Table of Contents

New England Region

State	City	Masthead	Circulation Type
Massachusetts	Brockton	The Enterprise *www.enterprisenews.com*	Daily
	Fall River	The Herald News *www.heraldnews.com*	Daily
	Framingham	The Metrowest Daily News *www.metrowestdailynews.com*	Daily
	Milford	The Milford Daily Gazette *www.milforddailynews.com*	Daily
	Quincy	Patriot Ledger *www.patriotledger.com*	Daily
	Taunton	Taunton Daily Gazette *www.tauntongazette.com*	Daily
	Waltham	The Daily News Tribune *www.dailynewstribune.com*	Daily
	Abington	Abington Mariner/Rockland Standard *www.abingtonmariner.com/ www.therocklandstandard.com*	Paid Weekly
	Acton/Roxborough	The Beacon *www.actonbeacon.com*	Paid Weekly
	Allston	Allston/Brighton Tab *www.allstonbrightontab.com*	Paid Weekly
	Amesbury	Amesbury News *www.amesburynews.com*	Paid Weekly
	Arlington	The Arlington Advocate *www.arlingtonadvocate.com*	Paid Weekly
	Ashland	Ashland Tab *www.ashlandweekly.com*	Paid Weekly
	Bedford	Bedford Minuteman *www.bedfordminuteman.com*	Paid Weekly
	Belmont	Belmont Citizen-Herald *www.belmontcitizenherald.com*	Paid Weekly
	Beverly	Beverly Citizen *www.beverlycitizen.com*	Paid Weekly
	Billerica	Billerica Minuteman	Paid Weekly

	www.thebillericaminuteman.com	
Bolton	The Bolton Common	Paid Weekly
	www.boltoncommon.com	
Boxford	Tri-Town Transcript	Paid Weekly
	www.tritowntranscript.com	
Braintree	Braintree Forum	Paid Weekly
	www.braintreeforum.com	
Brewster	The Cape Codder	Paid Weekly
	www.capecodder.com	
Burlington	Burlington Union	Paid Weekly
	www.burlingtonunion.com	
Cambridge	Cambridge Chronicle	Paid Weekly
	www.cambridgechronicle.com	
Canton	Canton Journal	Paid Weekly
	www.cantonjournal.com	

Table of Contents

State	City	Masthead	Circulation Type
	Carver	Carver Reporter *www.carverreporter.com*	Paid Weekly
	Chelmsford	Chelmsford Independent *www.chelmsfordindependent.com*	Paid Weekly
	Clinton	The Lancaster Times & Clinton Courier *www.timesandcourier.com*	Paid Weekly
	Cohasset	Cohasset Mariner *www.cohassetmariner.com*	Paid Weekly
	Concord	The Concord Journal *www.concordjournal.com*	Paid Weekly
	Danvers	Danvers Herald *www.danversherald.com*	Paid Weekly
	Dedham	Dedham Transcript	Paid Weekly
	Dover	Dover/Sherborn Press *www.dovershebornpress.com*	Paid Weekly
	Easton	Easton Journal *www.theeastonjournal.com*	Paid Weekly
	Framingham	Westwood Press *www.thewestwoodpress.com*	Paid Weekly
	Georgetown	Georgetown Record *www.georgetownrecord.com*	Paid Weekly
	Halifax	Halifax/Plympton Reporter *www.halifaxreporter.com*	Paid Weekly
	Hamilton	Hamilton-Wenham Chronicle *www.hamiltonwenhamchronicle.com*	Paid Weekly
	Hanover	Hanover Mariner *www.hanovermariner.com*	Paid Weekly
	Harvard	Harvard Post *www.harvardpost.com*	Paid Weekly
	Harwich	Harwich Oracle *www.harwichoracle.com*	Paid Weekly
	Hingham	The Hingham Journal *www.hinghamjournal.com*	Paid Weekly
	Holbrook	Holbrook Sun *www.holbrooksun.com*	Paid Weekly
	Holliston	Holliston Tab	Paid Weekly

	www.hollistontab.com	
Hopkinton	Hopkinton Crier	Paid Weekly
	www.hopkintoncrier.com	
Hudson	Hudson Sun	Paid Weekly
	www.hudsonsun.com	
Hyannis	The Register	Paid Weekly
	www.barnstableregister.com	
Ipswich	Ipswich Chronicle	Paid Weekly
	www.ipswichchronicle.com	
Kingston	Kingston Reporter	Paid Weekly
	www.kingstonreporter.com	
Lexington	Lexington Minuteman	Paid Weekly
	www.lexingtonminuteman.com	
Lincoln	Lincoln Journal	Paid Weekly
	www.thelincolnjournal.com	

Table of Contents

State	City	Masthead	Circulation Type
	Littleton	Littleton Independent *www.littletonindependent.com*	Paid Weekly
	Malden	Malden Observer *www.maldenobserver.com*	Paid Weekly
	Mansfield	Mansfield News *www.themansfieldnews.com*	Paid Weekly
	Marblehead	Marblehead Reporter *www.marbleheadreporter.com*	Paid Weekly
	Marion	The Sentinel *www.thesentinelnewspaper.com*	Paid Weekly
	Marlborough	Marlborough Enterprise *www.marlboroughenterprise.com*	Paid Weekly
	Marshfield	Marshfield Mariner *www.marshfieldmariner.com*	Paid Weekly
	Maynard/Stow	The Beacon-Villager *www.beaconvillager.com*	Paid Weekly
	Medfield	Medfield Press *www.medfieldpress.com*	Paid Weekly
	Medford	Medford Transcript *www.medfordtranscript.com*	Paid Weekly
	Melrose	Melrose Free Press *www.melrosefreepress.com*	Paid Weekly
	Natick	Natick Bulletin & Tab *www.natickbulletinandtab.com*	Paid Weekly
	North Andover	North Andover Citizen *www.northandovercitizen.com*	Paid Weekly
	Northborough/ Southborough	The Northborough/Southborough Villager *www.northboroughvillager.com*	Paid Weekly
	Norton	Norton Mirror *www.nortonmirror.com*	Paid Weekly
	Norwell	Norwell Mariner *www.norwellmariner.com*	Paid Weekly
	Norwood	Norwood Transcript & Bulletin *www.norwoodbullein.com*	Paid Weekly
	Pembroke	Pembroke Mariner & Reporter *www.pembrokemariner.com*	Paid Weekly

Plymouth	Old Colony Memorial *www.plymouth.wickedlocal.com*	Paid Weekly
Provincetown	The Provincetown Banner *www.provincetownbanner.com*	Paid Weekly
Reading	The Reading Advocate *www.readingadvocate.com*	Paid Weekly
Roslindale	Roslindale Transcript *www.roslindaletranscript.com*	Paid Weekly
Saugus	Saugus Advertiser *www.saugusadvertiser.com*	Paid Weekly
Scituate	Scituate Mariner *www.scituatemariner.com*	Paid Weekly
Sharon	Sharon Advocate *www.sharonadvocate.com*	Paid Weekly

Table of Contents

State	City	Masthead	Circulation Type
	Shrewsbury	Shrewsbury Chronicle	Paid Weekly
		www.theshrewsburychronicle.com	
	Somerville	Somerville Journal	Paid Weekly
		www.somervillejournal.com	
	Stoughton	Stoughton Journal	Paid Weekly
		www.stoughtonjournal.com	
	Sudbury	The Sudbury Town Crier	Paid Weekly
		www.sudburytowncrier.com	
	Swampscott	Swampscott Reporter	Paid Weekly
		www.swampscottreporter.com	
	Tewksbury	Tewksbury Reporter	Paid Weekly
		www.tewksburyadvocate.com	
	Wakefield	Wakefield Observer	Paid Weekly
		www.wakefieldobserver.com	
	Walpole	The Walpole Time	Paid Weekly
	Wareham	Wareham Courier	Paid Weekly
		www.wareham.wickedlocal.com	
	Watertown	Watertown Tab & Press	Paid Weekly
		www.watertowntab.com	
	Wayland	The Wayland Town Crier	Paid Weekly
		www.waylandtowncrier.com	
	Wellesley	The Wellesley Townsman	Paid Weekly
		www.wellesleytownsman.com	
	West Roxbury	West Roxbury Transcript	Paid Weekly
		www.parkwaytranscript.com/ www.westroxburytranscript.com	
	Westborough	Westborough News	Paid Weekly
		www.westboronews.com	
	Westford	Westford Eagle	Paid Weekly
		www.westfordeagle.com	
	Weston	The Weston Town Crier	Paid Weekly
		www.westontowncrier.com	
	Weymouth	Weymouth News	Paid Weekly
		www.theweymouthnews.com	
	Winchester	The Winchester Star	Paid Weekly
		www.thewinchesterstar.com	
	Bellingham	County Gazette	Free Weekly

	www.thecountrygazette.com	
Bourne	Bourne Courier	Free Weekly
	www.uppercapecodder.com	
Bridgewater	Bridgewater Independent	Free Weekly
	www.bridgewaterindependent.com	
Brookline	Brookline Tab	Free Weekly
	www.brooklinetab.com	
Cambridge	Cambridge Tab	Free Weekly
	www.cambridgetab.com	
Cape Ann	Cape Ann Beacon	Free Weekly
Danvers	North Shore Sunday	Free Weekly
	www.northshoresunday.com	
Duxbury	Duxbury Reporter	Free Weekly
	www.duxbury.wickedlocal.com	

Table of Contents

State	City	Masthead	Circulation Type
	Fall River	O Journal Brasieiro	Free Weekly
	Fall River	El Latino Expreso *www.neexpreso.com*	Free Weekly
	Fall River	O Journal *www.ojornal.com*	Free Weekly
	Falmouth	Falmouth Bulletin	Free Weekly
	Framingham	Framingham Tab *www.framinghamtab.com*	Free Weekly
	Lakeville	Lakeville Call *www.lakevillecall.com*	Free Weekly
	Nantucket	The Nantucket Independent	Free Weekly
	Needham	Needham Times *www.needhamtimes.com*	Free Weekly
	Newburyport	The Newburyport Current *www.newburyportcurrent.com*	Free Weekly
	Newton	Newton Tab *www.newtontab.com*	Free Weekly
	North Attleborough	The North Attleborough Free Press *www.nafreepress.com*	Free Weekly
	Randolph	Randolph Herald *www.randolphherald.com*	Free Weekly
	Raynham	Raynham Call *www.raynhamcall.com*	Free Weekly
	Salem	Salem Gazette *www.thesalemgazette.com*	Free Weekly
	Sandwich	Sandwich Broadsider	Free Weekly
	Stoneham	Stoneham Sun *www.stonehamsun.com*	Free Weekly
	Wilmington	Wilmington Advocate *www.wilmingtonadvocate.com*	Free Weekly
	Woburn	Woburn Advocate *www.woburnadvocate.com*	Free Weekly
	Brockton	Brockton Pennysaver	Shopper
	Cotuit	Mashpee/Cotuit Pennysaver	Shopper
	Fall River	South Coast Life	Shopper
	Hyannis	Hyannis/Centerville Pennysaver	Shopper
	Taunton	Better Living	Shopper
Connecticut	Norwich	Norwich Bulletin *www.norwichbulletin.com*	Daily

Norwich	Colchester Bulletin	Free Weekly
Norwich	Shop Local Shoreline	Shopper
Norwich	Shop Local Town and County	Shopper

29

Table of Contents

Atlantic Region

State	City	Masthead	Circulation Type
New York	Canandaigua	Daily Messenger	Daily
		www.mpnnow.com	
	Corning	The Leader	Daily
		www.the-leader.com	
	Herkimer	The Evening Telegram	Daily
		www.herkimertelegram.com	
	Hornell	Evening Tribune	Daily
		www.eveningtribune.com	
	Little Falls	The Evening Times	Daily
		www.littlefallstimes.com	
	Utica	Utica Observer-Dispatch	Daily
		www.uticaod.com	
	Wellsville	Wellsville Daily Reporter	Daily
		www.wellsvilledaily.com	
	Brighton/Pittsford	Brighton-Pittsford Post	Paid Weekly
	Dansville	Genesee Country Express	Paid Weekly
	Fairport	Fairport-ER Post	Paid Weekly
	Gates/Chili	Gates-Chili Post	Paid Weekly
	Greece	Greece Post	Paid Weekly
	Irondequoit	Irondequoit Post	Paid Weekly
	Newark	Newark Courier-Gazette	Paid Weekly
		www.cgazette.com	
	Palmyra	Palmyra Courier-Journal	Paid Weekly
	Penfield	Penfield Post	Paid Weekly
	Penn Yan	The Chronicle-Express	Paid Weekly
		www.chronicle-express.com	
	Rush/Henrietta	Rush-Henrietta Post	Paid Weekly
	Saugerties	Saugerties Post Star	Paid Weekly
	Webster	Webster Post	Paid Weekly
	Bath	Steuben Courier-Advocate	Free Weekly
	Brighton/Pittsford	Brighton-Pittsford Community Post	Free Weekly
	Canandaigua/Victor	Canandaigua-Victor Community Post	Free Weekly
	Fairport	Fairport-ER Community Post	Free Weekly
	Gates/Chili	Gates-Chili Community Post	Free Weekly
	Greece	Greece Community Post	Free Weekly
	Hamilton	Mid-York Weekly	Free Weekly
	Irondequoit	Irondequoit Community Post	Free Weekly
	Penfield	Penfield Community Post	Free Weekly
	Rush/Henrietta	Rush-Henrietta Community Post	Free Weekly
	Utica	Fusion	Free Weekly
	Utica	Utica Pennysaver	Free Weekly
	Utica	Clinton Pennysaver	Free Weekly

Utica	Herkimer Pennysaver	Free Weekly
Utica	New Hartford Pennysaver	Free Weekly
Utica	North Country Pennysaver	Free Weekly
Utica	Whitesboro Pennysaver	Free Weekly
Webster	Webster Community Post	Free Weekly
Canisteo	Hornell Canisteo Penn-E-Saver	Shopper
Corning	Corning Pennysaver	Shopper

State	City	Masthead	Circulation Type
	Dansville	Geneseeway Shopper	Shopper
	Dansville	Dansville-Wayland Pennysaver	Shopper
	Fort Plain	Mohawk Valley Pennysaver	Shopper
	Herkimer	Images	Shopper
	Hornell	The Tribune Extra	Shopper
	Horseheads	The Shopper	Shopper
	Liberty	Catskill Shopper	Shopper
	Lyons	Lyons Shopping Guide	Shopper
	Newark	Newark Pennysaver	Shopper
	Penn Yan	Chronicle Ad-Visor	Shopper
	Saugerties	Saugerties Pennysaver	Shopper
	Saugerties	Mountain Pennysaver	Shopper
	Sodus	Sodus Pennysaver	Shopper
	Utica	Rome Pennysaver	Shopper
	Wayne County	Timesaver	Shopper
	Wellsville	Allegany County Pennysaver	Shopper
Pennsylvania	Honesdale	The Wayne Independent *www.wayneindependent.com*	Daily
	Waynesboro	The Record Herald *www.therecordherald.com*	Daily
	Carbondale	The Villager	Paid Weekly
	Carbondale	Carbondale News	Paid Weekly
	Greencastle	The Echo Pilot *www.echo-pilot.com*	Paid Weekly
	Hawley	News Eagle *www.neagle.com*	Paid Weekly
	Hawley	The Pike Pennysaver	Shopper
	Honesdale	The Independent Extra	Shopper
Delaware	Dover	Smyrna/Clayton Sun Times *www.scsuntimes.com*	Paid Weekly
	Dover	The Middletown Transcript *www.middletowntranscript.com*	Paid Weekly
	Dover	The Sussex Countian *www.sussexcountian.com*	Paid Weekly
	Dover	Brandywine Community Publication	Free Weekly
	Dover	Dover Post *www.doverpost.com*	Free Weekly
	Dover	Hockessin-Greenville Community Publication *www.communitypub.com*	Free Weekly
	Dover	Milford Beacon *www.milfordbeacon.com*	Free Weekly
	Dover	Pike Creek Community Publication	Free Weekly
	Dover	The Airlifter	Free Weekly
	Dover	The Express	Shopper

		www.delmarvaexpress.com	
West Virginia	Keyser	Mineral Daily News Tribune	Daily
		www.newstribune.info	

31

Table of Contents

State	City	Masthead	Circulation Type
	Ripley	The Jackson Herald *www.jacksonnewspapers.com*	Paid Weekly
	Ripley	The Jackson Star News *www.jacksonnewspapers.com*	Paid Weekly
	Keyser	Today s Shopper	Shopper
	Ravenswood	Star Herald Weekender *www.jacksonnewspapers.com*	Shopper

32

Table of Contents

Northern Midwest Region

State	City	Masthead	Circulation Type
Michigan	Adrian	The Daily Telegram *www.lenconnect.com*	Daily
	Cheboygan	Cheboygan Daily Tribune *www.cheboygannews.com*	Daily
	Coldwater	The Daily Reporter *www.thedailyreporter.com*	Daily
	Hillsdale	Hillsdale Daily News *www.hillsdale.net*	Daily
	Holland	The Holland Sentinel *www.hollandsentinel.com*	Daily
	Ionia	Sentinel-Standard *www.sentinel-standard.com*	Daily
	Sault Ste Marie	The Evening News *www.sooeveningnews.com*	Daily
	Sturgis	Sturgis Journal *www.sturgisjournal.com*	Daily
	Coldwater	Bronson Journal *www.thebronsonjournal.com*	Paid Weekly
	Coldwater	Jonesville Independent	Paid Weekly
	Holland	Hamilton Herald	Free Weekly
	Holland	My Zeeland	Free Weekly
	Adrian	Adrian Access Shopper *www.lenconnect.com*	Shopper
	Allergan	Flashes Shopping Guide	Shopper
	Cheboygan	Shopper Fair	Shopper
	Coldwater	The Reporter Extra	Shopper
	Coldwater	Coldwater Shoppers Guide	Shopper
	Ionia	Sentinel-Standard TMC	Shopper
	Jonesville	Tip Off	Shopper
	Sault Ste Marie	Tri County Buyers Guide	Shopper
	Sturgis	Sturgis Gateway Shopper	Shopper
Missouri	Boonville	Boonville Daily News *www.boonvilledailynews.com*	Daily
	Chillicothe	Constitution Tribune *www.chillicothenews.com*	Daily
	Hannibal	Hannibal Courier Post	Daily

	www.hannibal.net	
Independence	The Examiner	Daily
	www.examiner.net	
Kirksville	Kirksville Daily Express & News	Daily
	www.kirksvilledailyexpress.com	
Macon	Chronicle Herald	Daily
	www.maconch.com	
Maryville	Maryville Daily Forum	Daily
	www.maryvilledailyforum.com	
Mexico	The Mexico Ledger	Daily
	www.mexicoledger.com	

Table of Contents

State	City	Masthead	Circulation Type
	Moberly	Moberly Monitor Index *www.moberlymonitor.com*	Daily
	Brookfield	The Linn County Leader *www.linncountyleader.com*	Paid Weekly
	Albany	The Gentry County Shopper	Shopper
	Boonville	The Record	Shopper
	Brookfield	Sho-Me Shopper	Shopper
	Chillicothe	C.T. Extra	Shopper
	Hannibal	Salt River Journal	Shopper
	Independence	The Extra	Shopper
	Kirksville	Nemo Trader	Shopper
	Kirksville	Kirksville Crier	Shopper
	Macon	Macon Journal *www.maconch.com*	Shopper
	Maryville	Penny Press 2	Shopper
	Moberly	The Shopper	Shopper
Ohio	Canton	The Repository *www.cantonrepository.com*	Daily
	Dover/New Philadelphia	The Times-Reporter *www.timesreporter.com*	Daily
	Massillon	The Independent *www.indeonline.com*	Daily
	Green	The Suburbanite *www.thesuburbanite.com*	Free Weekly
	Canton	Stark Values	Shopper
	Dover/New Philadelphia	TMC-ExTRa	Shopper
Kansas	Leavenworth	The Leavenworth Times *www.leavenworthtimes.com*	Daily
	Leavenworth	Lansing This Week *www.lansingthisweek.com*	Free Weekly
	Leavenworth	The Fort Leavenworth Lamp	Free Weekly
	Hiawatha	Penny Press 4	Shopper
	Leavenworth	Chronicle Shopper *www.leavenworthshopper.com*	Shopper
Minnesota	Crookston	Crookston Daily Times *www.crookstontimes.com*	Daily
	Halstad	The Valley Journal	Paid Weekly
	Crookston	Crookston Valley Shopper	Shopper
	Halstad	The Shopper	Shopper
Nebraska	Nebraska City	Nebraska City News Press *www.ncnewspress.com*	Paid Weekly

	Syracuse	Syracuse Journal Democrat *www.journaldemocrat.com*	Paid Weekly
	Nebraska City	Penny Press 1	Shopper
North Dakota	Devils Lake	Devils Lake Daily Journal *www.devilslakejournal.com*	Daily
	Devils Lake	The Country Peddler	Shopper
Iowa	Hamburg	Hamburg Reporter *www.hamburgreporter.com*	Paid Weekly

34

Table of Contents

Item 1A. Risk Factors

Our business and operations are subject to numerous risks, many of which are described below and elsewhere in this report. The risks described below may not be the only risks we face. Additional risks that we do not presently know or that we currently believe to be immaterial may also adversely affect our business and the trading price of our securities.

Risks Related to Our Business

We depend to a great extent on the economies and the demographics of the local communities that we serve and we are also susceptible to general economic downturns, like the one currently being experienced, which has had, and could continue to have, a material and adverse impact on our advertising and circulation revenues and on our profitability.

Our advertising revenues and, to a lesser extent, circulation revenues, depend upon a variety of factors specific to the communities that our publications serve. These factors include, among others, the size and demographic characteristics of the local population, local economic conditions in general and the economic condition of the retail segments of the communities that our publications serve. If the local economy, population or prevailing retail environment of a community we serve experiences a downturn, our publications, revenues and profitability in that market could be adversely affected. Our advertising revenues are also susceptible to negative trends in the general economy, like the one currently being experienced, that affect consumer spending. The advertisers in our newspapers and other publications and related websites are primarily retail businesses, which can be significantly affected by regional or national economic downturns, like the one currently being experienced, and other developments. Continuing or deepening softness in the U.S. economy could significantly affect key advertising revenue categories, such as help wanted, real estate and automotive.

Uncertainty and adverse changes in the general economic conditions of markets in which we participate may negatively affect our business.

Current and future conditions in the economy have an inherent degree of uncertainty. As a result, it is difficult to estimate the level of growth or contraction for the economy as a whole. It is even more difficult to estimate growth or contraction in various parts, sectors and regions of the economy, including the markets in which we participate. Adverse changes may occur as a result of soft global economic conditions, rising oil prices, wavering consumer confidence, unemployment, declines in stock markets, contraction of credit availability, declines in real estate values, or other factors affecting economic conditions in general. These changes may negatively affect the sales of our products, increase exposure to losses from bad debts, increase the cost and decrease the availability of financing, or increase costs associated with manufacturing and distributing products.

Our indebtedness could adversely affect our financial health and reduce the funds available to us for corporate purposes.

We have a significant amount of indebtedness. At December 31, 2009, we had total indebtedness of approximately $1.2 billion under our 2007 Credit Facility. Our interest expense for the year ended December 31, 2009 was $64.6 million. Additionally, we had $8 million in short term debt outstanding as of December 31, 2009 under the 2008 Bridge Facility that we incurred in connection with our acquisition of newspapers from the Dover Post.

Our substantial indebtedness could adversely affect our financial health in the following ways:

- a substantial portion of our cash flow from operations must be dedicated to the payment of interest on our outstanding indebtedness, thereby reducing the funds available to us for other purposes;

- our flexibility to react to further deterioration in our industry and economic conditions generally may be limited;

- our substantial degree of leverage could make us more vulnerable in the event of additional deterioration in general economic conditions or other adverse events in our business or the geographic markets that we serve;

- our ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes may be impaired, limiting our ability to maintain the value of our assets and operations; and

- there would be a material and adverse effect on our business and financial condition if we are unable to service our indebtedness or obtain additional financing, as needed.

In addition, our 2007 Credit Facility contains, and our other indebtedness contains, financial and other restrictive covenants, ratios and tests that limit our ability to incur additional debt and engage in other activities that we believe may be in our long-term best interests. Our ability to comply with the covenants, ratios or tests contained in our 2007 Credit Facility or in the agreements governing our other indebtedness may be affected by events beyond our control, including prevailing economic, financial and industry conditions. In addition, events of default, if not waived or cured, could result in the acceleration of the maturity of our indebtedness under our 2007 Credit Facility or our other indebtedness. If we were unable to repay those amounts, the lenders under our 2007 Credit Facility could proceed against the security granted to them to secure that indebtedness. If the lenders accelerate the payment of our indebtedness under our 2007 Credit Facility or our other indebtedness, our assets may not be sufficient to repay in full such indebtedness.

In addition, a portion of our 2007 Credit Facility is unhedged, which means we are subject to the risk of interest rate fluctuations on such portion of our long-term debt. If the interest rate on such portion of the 2007 Credit Facility increases, it may have a material adverse effect on our business and financial condition.

The collectability of accounts receivable under current adverse economic conditions could deteriorate to a greater extent than provided for in our financial statements and in our projections of future results.

Adverse economic conditions in the United States have increased our exposure to losses resulting from the potential bankruptcy of our advertising customers. Our accounts receivable are stated at net estimated realizable value and our allowance for doubtful accounts has been determined based on several factors, including receivable agings, significant individual credit risk accounts and historical experience. If such collectability estimates prove inaccurate, adjustments to future operating results could occur.

Further declines in our credit ratings and renewed volatility in the U.S. credit markets could significantly impact our ability to obtain new financing to fund our operations and strategic initiatives or to refinance our existing debt at reasonable rates as it matures.

Our long-term debt is rated by Standard & Poor s and Moody s Investors Service. We are currently rated below-investment grade by both rating agencies, and any future long-term borrowing or the extension or replacement of our short-term borrowing will reflect the negative impact of these ratings, increasing our borrowing costs, limiting our financing options and subjecting us to more restrictive covenants than our existing debt arrangements. Additional reductions in our credit ratings could further increase our borrowing costs, subject us to more onerous terms and reduce or eliminate our borrowing flexibility in the future. Such limitations on our financing options may affect our ability to refinance existing debt when it becomes due.

We may not generate a sufficient amount of cash or generate sufficient funds from operations to fund our operations or repay our indebtedness at maturity or otherwise.

Our ability to make payments on our indebtedness as required will depend on our ability to generate cash flow from operations in the future. This ability, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

Table of Contents

There can be no assurance that our business will generate cash flow from operations or that future borrowings will be available to us in amounts sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. Currently we do not have the ability to draw upon our revolving credit facility which limits our immediate and short-term access to funds.

If there is a significant increase in the price of newsprint or a reduction in the availability of newsprint, our results of operations and financial condition may suffer.

The basic raw material for our publications is newsprint. We generally maintain only a 45 to 55-day inventory of newsprint, although our participation in a newsprint-buying consortium helps ensure adequate supply. An inability to obtain an adequate supply of newsprint at a favorable price or at all in the future could have a material adverse effect on our ability to produce our publications. Historically, the price of newsprint has been volatile, reaching a high of approximately $823 per metric ton in 2008 and dropping to a low of almost $410 per metric ton in 2002. The average price of newsprint for 2009 was approximately $575 per metric ton. Recent and future consolidation of major newsprint suppliers may adversely affect price competition among suppliers. Significant increases in newsprint costs could have a material adverse effect on our financial condition and results of operations.

We compete with a large number of companies in the local media industry; if we are unable to compete effectively, our advertising and circulation revenues may decline.

Our business is concentrated in newspapers and other print publications located primarily in small and midsize markets in the United States. Our revenues primarily consist of advertising and paid circulation. Competition for advertising revenues and paid circulation comes from direct mail, directories, radio, television, outdoor advertising, other newspaper publications, the internet and other media. For example, as the use of the internet has increased, we have lost some classified advertising and subscribers to online advertising businesses and our free internet sites that contain abbreviated versions of our publications. Competition for advertising revenues is based largely upon advertiser results, advertising rates, readership, demographics and circulation levels. Competition for circulation is based largely upon the content of the publication and its price and editorial quality. Our local and regional competitors vary from market to market and many of our competitors for advertising revenues are larger and have greater financial and distribution resources than us. We may incur increasing costs competing for advertising expenditures and paid circulation. We may also experience a decline of circulation or print advertising revenue due to alternative media, such as the internet. If we are not able to compete effectively for advertising expenditures and paid circulation, our revenues may decline.

We have invested in growing our digital business, but such investments may not be as successful as expected which could adversely affect our results of operations.

The Company continues to evaluate its business and how it will grow its digital business. Internal resources and effort are put towards this business and key partnerships have been entered into to assist with our digital business. There can be no assurances that the partnerships we have entered into or the internal strategy being employed will result in generating or increasing digital revenues in future years.

Our business is subject to seasonal and other fluctuations, which affects our revenues and operating results.

Our business is subject to seasonal fluctuations that we expect to continue to be reflected in our operating results in future periods. Our first fiscal quarter of the year tends to be our weakest quarter because advertising volume is at its lowest levels following the December holiday season. Correspondingly, our second and fourth fiscal quarters tend to be our strongest because they include heavy holiday and seasonal advertising. Other factors that affect our quarterly revenues and operating results may be beyond our control, including changes in the pricing policies of our competitors, the hiring and retention of key personnel, wage and cost pressures, distribution costs, changes in newsprint prices and general economic factors.

Table of Contents

We could be adversely affected by declining circulation.

Overall daily newspaper circulation, including national and urban newspapers, has declined in recent years. There can be no assurance that our circulation will not continue to decline in the future. We have been able to maintain our annual circulation revenue from existing operations in recent years through, among other things, increases in our per copy prices. However, there can be no assurance that we will be able to continue to increase prices to offset any declines in circulation. Further declines in circulation could impair our ability to maintain or increase our advertising prices, cause purchasers of advertising in our publications to reduce or discontinue those purchases and discourage potential new advertising customers which could have a material adverse effect on our business, financial condition, results of operations or cash flows.

We have a history of losses and may not be able to achieve or maintain profitable operations in the future.

We experienced losses from continuing operations of approximately $527.3 million, $658.7 million and $234.2 million in 2009, 2008 and 2007, respectively. Our results of operations in the future will depend on many factors, including our ability to execute our business strategy and realize efficiencies through our clustering strategy. Our failure to achieve profitability in the future could adversely affect the trading price of our common stock and our ability to raise additional capital and, accordingly, our ability to grow or maintain our business.

The value of our intangible assets may become impaired, depending upon future operating results.

As of December 31, 2009, goodwill and other intangible assets were approximately $310.1 million, or 52.4% of our total assets. To determine whether all or a portion of the carrying values of our goodwill and other intangible assets are no longer recoverable, which may require a charge to our earnings, we periodically evaluate such assets. During the year ended December 31, 2009, we performed impairment analyses for goodwill and our other indefinite lived intangible assets. Based on our assessment of future cash flows and recent industry transaction multiples, we determined an impairment charge of $481.4 million should be recognized. Any future evaluations requiring an asset impairment charge for goodwill or other intangible assets could affect future reported results of operations and shareholders equity, although such charges would not affect operations or cash flow.

We are subject to environmental and employee safety and health laws and regulations that could cause us to incur significant compliance expenditures and liabilities.

Our operations are subject to federal, state and local laws and regulations pertaining to the environment, storage tanks and the management and disposal of wastes at our facilities. Under various environmental laws, a current or previous owner or operator of real property may be liable for contamination resulting from the release or threatened release of hazardous or toxic substances or petroleum at that property. Such laws often impose liability on the owner or operator without regard to fault and the costs of any required investigation or cleanup can be substantial. Although in connection with certain of our acquisitions, we have rights to indemnification for certain environmental liabilities, these rights may not be sufficient to reimburse us for all losses that we might incur if a property acquired by us has environmental contamination.

Our operations are also subject to various employee safety and health laws and regulations, including those pertaining to occupational injury and illness, employee exposure to hazardous materials and employee complaints. Environmental and employee safety and health laws tend to be complex, comprehensive and frequently changing. As a result, we may be involved from time to time in administrative and judicial proceedings and investigations related to environmental and employee safety and health issues. These proceedings and investigations could result in substantial costs to us, divert our management s attention and adversely affect our ability to sell, lease or develop our real property. Furthermore, if it is determined we are not in compliance with applicable laws and regulations, or if our properties are contaminated, it could result in significant liabilities, fines or the suspension or interruption of the operations of specific printing facilities.

Table of Contents

Future events, such as changes in existing laws and regulations, new laws or regulations or the discovery of conditions not currently known to us, may give rise to additional compliance or remedial costs that could be material.

We may not be able to protect intellectual property rights upon which our business relies, and if we lose intellectual property protection, our assets may lose value.

Our business depends on our intellectual property, including, but not limited to, our content and services, which we attempt to protect through patents, copyrights, trade laws and contractual restrictions, such as confidentiality agreements. We believe our proprietary and other intellectual property rights are important to our continued success and our competitive position.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our content, services and other intellectual property, and we cannot be certain that the steps we have taken will prevent any misappropriation or confusion among consumers and merchants, or unauthorized use of these rights. If we are unable to procure, protect and enforce our intellectual property rights, we may not realize the full value of these assets, and our business may suffer. If we must litigate to enforce our intellectual property rights or determine the validity and scope of the proprietary rights of others, such litigation may be costly and divert the attention of our management.

We depend on key personnel and we may not be able to operate and grow our business effectively if we lose the services of any of our key personnel or are unable to attract qualified personnel in the future.

The success of our business is heavily dependent on our ability to retain our current management and other key personnel and to attract and retain qualified personnel in the future. Competition for senior management personnel is intense and we may not be able to retain our personnel. Although we have entered into employment agreements with certain of our key personnel, these agreements do not ensure that our key personnel will continue in their present capacity with us for any particular period of time. We do not have key man insurance for any of our current management or other key personnel. The loss of any key personnel would require our remaining key personnel to divert immediate and substantial attention to seeking a replacement. An inability to find a suitable replacement for any departing executive officer on a timely basis could adversely affect our ability to operate and grow our business.

A shortage of skilled or experienced employees in the media industry, or our inability to retain such employees, could pose a risk to achieving improved productivity and reducing costs, which could adversely affect our profitability.

Production and distribution of our various publications requires skilled and experienced employees. A shortage of such employees, or our inability to retain such employees, could have an adverse impact on our productivity and costs, our ability to expand, develop and distribute new products and our entry into new markets. The cost of retaining or hiring such employees could exceed our expectations.

A number of our employees are unionized, and our business and results of operations could be adversely affected if labor negotiations or contracts were to further restrict our ability to maximize the efficiency of our operations.

As of December 31, 2009, the Company employed approximately 6,600 employees, of whom approximately 900 (or approximately 14%) were represented by 26 unions. 94% of the unionized employees are represented by three of the 26 unions. These three unions are located in our Massachusetts, Illinois and Ohio locations and represent 23%, 17% and 57% of all employees in each of the locations, respectively. Most of the unionized employees work under collective bargaining agreements that expire in 2010 and 2011.

Table of Contents

Although our newspapers have not experienced a union strike in the recent past nor do we anticipate a union strike occurring, we cannot preclude the possibility that a strike may occur at one or more of our newspapers. We believe that, in the event of a newspaper strike, it would be able to continue to publish and deliver to subscribers, which is critical to retaining advertising and circulation revenues, although there can be no assurance of this.

Our potential inability to successfully execute cost control measures could result in greater than expected total operating costs.

We have implemented general cost control measures, and expect to continue such cost control efforts. If we do not achieve expected savings as a result of such measures or if our operating costs increase as a result of our growth strategy, our total operating costs may be greater than expected. In addition, reductions in staff and employee benefits could affect our ability to attract and retain key employees.

Our common stock was delisted from the New York Stock Exchange and now is trading in the over-the-counter market.

Effective October 24, 2008, the New York Stock Exchange delisted our common stock. Our common stock is currently quoted on the Pink Sheets Electronic Quotation Service, or pink sheets , in the over-the-counter market under the trading symbol GHSE . No assurance can be given that our common stock will continue to be traded on any stock market, that any broker will make a market in our common stock, or that any active trading market in our common stock will exist. Broker-dealers often decline to trade in pink sheet stocks given that (i) the market for such securities is often limited, (ii) such securities are generally more volatile, and (iii) the risk to investors is generally greater. Moreover, additional requirements with which broker-dealers must comply generally makes it more difficult for such broker-dealers to recommend that their customers buy securities traded on the pink sheets. Consequently, selling our common stock can be difficult because smaller quantities of shares can be bought and sold, transactions can be delayed and securities analyst and media coverage of our Company is reduced. These factors could result in lower prices and larger spreads in the bid and ask prices for shares of our common stock as well as lower trading volume. We cannot provide any assurance that, even if our common stock continues to be listed or quoted on the pink sheets or another market or system, the market for our common stock will be as liquid as it was prior to the delisting of our common stock from the NYSE. This relative lack of liquidity also could make it even more difficult for us to raise capital in the future.

Companies which are quoted on the pink sheets are not subject to corporate governance requirements in order for their shares to be quoted. As a result, our stockholders have less protection from conflicts of interest, related party transactions and similar matters.

Our common stock currently trades as an over-the-counter security on the pink sheets. Corporate governance requirements are not imposed on companies quoted on the pink sheets. As a result of our delisting from the NYSE, we are not required to comply with any, and our stockholders no longer have the protection of, various NYSE corporate governance requirements, including among others:

- the requirement that a majority of our board of directors consist of independent directors;
- the requirement that a minimum of three members of our board of directors consist of independent directors;
- the requirement that we have an audit committee, a nominating committee and a compensation committee, in each case that is composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities;
- the requirement for an annual performance evaluation of the audit, nominating and compensation committees; and
- the requirement that our stockholders must be given the opportunity to vote on equity-compensation plans and material revisions thereto.

Table of Contents

We do not anticipate paying any dividends for the foreseeable future.

We suspended the payment of quarterly cash dividends commencing with the second quarter of 2008 and do not anticipate paying any cash dividends on, or making repurchases of, our common stock in the foreseeable future. We intend to retain future earnings, if any, to reduce leverage and increase liquidity, finance the expansion of our operations and for general corporate purposes. In addition, covenants in our 2007 Credit Facility and 2008 Bridge Facility restrict our ability to pay dividends and make certain other payments.

Risks Related to Our Organization and Structure

If the ownership of our common stock continues to be highly concentrated, it may prevent stockholders from influencing significant corporate decisions. Moreover, the interests of our principal stockholder may conflict with interests of our other stockholders.

As of December 31, 2009, Fortress beneficially owned approximately 39.5% of our outstanding common stock. As a result, Fortress will continue to have effective control over fundamental and significant corporate matters and transactions, including but not limited to: the election of directors; mergers, consolidations or acquisitions; the sale of all or substantially all of our assets (or any portion thereof) and other decisions affecting our capital structure; the amendment of our amended and restated certificate of incorporation and our amended and restated by-laws; and our dissolution. The interests of Fortress may not always coincide with our interests or the interest of our other stockholders. For example, Fortress could delay, deter or prevent acts that may be favored by our other stockholders such as hostile takeovers, changes in control and changes in management. As a result of such actions, the market price of our common stock could decline or stockholders might not receive a premium for their shares in connection with a change of control transaction.

Fortress has the right to, and has no duty to abstain from exercising such right to, engage or invest in the same or similar business as us.

Fortress, together with its affiliates, has other business activities in addition to their ownership of us. Under our amended and restated certificate of incorporation, Fortress has the right to, and has no duty to abstain from exercising such right to, engage or invest in the same or similar business as us, do business with any of our clients, customers or vendors or employ or otherwise engage any of our officers, directors or employees. If Fortress or any of its affiliates or any of their respective officers, directors or employees acquire knowledge of a potential transaction that could be a corporate opportunity, they have no duty to offer such corporate opportunity to us, our stockholders or our affiliates.

In the event that any of our directors and officers who is also a director, officer or employee of Fortress acquires knowledge of a corporate opportunity or is offered a corporate opportunity, provided that this knowledge was not acquired solely in such person s capacity as our director or officer and such person acted in good faith, then such person is deemed to have fully satisfied such person s fiduciary duty and is not liable to us if Fortress pursues or acquires such corporate opportunity or if such person did not present the corporate opportunity to us.

Anti-takeover provisions in our amended and restated certificate of incorporation and our amended and restated by-laws may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable or prevent the removal of our current board of directors and management.

Certain provisions of our amended and restated certificate of incorporation and our amended and restated by-laws may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable or prevent the removal of our current board of directors and management. We have a number of anti-takeover devices in place that can hinder takeover attempts, including:

- a staggered board of directors consisting of three classes of directors, each of whom serves a three-year term;

41

Table of Contents

- removal of directors only for cause and only with the affirmative vote of at least 80% of the voting interest of stockholders entitled to vote;

- blank-check preferred stock;

- provisions in our amended and restated certificate of incorporation and amended and restated by-laws preventing stockholders from calling special meetings or acting by written consent in lieu of a meeting (with the exception of Fortress, so long as Fortress beneficially owns at least 50% of our issued and outstanding common stock);

- advance notice requirements for stockholders with respect to director nominations and actions to be taken at annual meetings; and

- no provision in our amended and restated certificate of incorporation for cumulative voting in the election of directors, which means that the holders of a majority of the outstanding shares of our common stock can elect all the directors standing for election.

Our 2007 Credit Facility currently limits our ability to enter into certain change of control transactions, the occurrence of which would constitute an event of default under our 2007 Credit Facility. However, our amended and restated certificate of incorporation provides that Section 203 of the Delaware General Corporation Law, which restricts certain business combinations with interested stockholders in certain situations, will not apply to us. This may make it easier for a third party to acquire an interest in some or all of us with Fortress approval, even though our other stockholders may not deem such an acquisition beneficial to their interests.

We are a holding company and our access to the cash flow of our subsidiaries is subject to restrictions imposed by our indebtedness.

We are a holding company with no material direct operations. Our principal assets are the equity interests we own in our direct subsidiary, GateHouse Media Holdco, Inc. (Holdco), through which we indirectly own equity interests in our operating subsidiaries. As a result, we are dependent on loans, dividends and other payments from our subsidiaries to generate the funds necessary to meet our financial obligations. Our subsidiaries are legally distinct from us and have no obligation to make funds available to us. Holdco and certain of its subsidiaries are parties to our 2007 Credit Facility, which imposes restrictions on their ability to make loans, dividend payments or other payments to us. Any payment of dividends to us are subject to the satisfaction of certain financial conditions set forth in our 2007 Credit Facility. Our ability to comply with these conditions may be affected by events that are beyond our control. We expect future borrowings by our subsidiaries to contain restrictions or prohibitions on the payment of dividends to us.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

We operate 52 print facilities across the United States. We own 51 of these facilities and lease one for a remaining term of eight months. Our facilities range in size from approximately 500 to 55,000 square feet. Our executive offices are located in Fairport, New York, where we lease approximately 15,000 square feet under a lease terminating in June 2014.

We maintain our properties in good condition and believe that our current facilities are adequate to meet the present needs of our business. We do not believe any individual property is material to our financial condition or results of operations.

Table of Contents

Item 3. Legal Proceedings

We become involved from time to time in claims and lawsuits incidental to the ordinary course of our business, including such matters as libel, invasion of privacy, intellectual property infringement, wrongful termination actions, and complaints alleging discrimination. In addition, we are involved from time to time in governmental and administrative proceedings concerning employment, labor, environmental and other claims. Insurance coverage mitigates potential loss for certain of these matters. Historically, such claims and proceedings have not had a material adverse effect upon our consolidated results of operations or financial condition. While we are unable to predict the ultimate outcome of any currently outstanding legal actions, we believe that it is not a likely possibility that the disposition of these matters would have a material adverse effect upon our consolidated results of operations, financial condition or cash flow.

Item 4. Reserved

Table of Contents

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities
Market Information

Our common stock was traded on the New York Stock Exchange, or NYSE, under the symbol GHS from our initial public offering on October 25, 2006 through October 24, 2008. Effective October 24, 2008, the New York Stock Exchange delisted our common stock. Our common stock is currently quoted over-the-counter on the Pink OTC Markets, Inc., or pink sheets , and on the Over-the-Counter Bulletin Board System under the trading symbol GHSE . Prior to October 25, 2006, there was no public market for our common stock. The following table shows the high and low sale prices of our common stock as reported on the NYSE and Over-The-Counter Bulletin Board System for the periods indicated. Reported prices from the pink sheets reflect intermediate prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

	High	Low
Year Ended December 31, 2009		
Fourth Quarter	$ 0.43	$ 0.15
Third Quarter	$ 0.25	$ 0.06
Second Quarter	$ 0.45	$ 0.06
First Quarter	$ 0.10	$ 0.04
Year Ended December 31, 2008		
Fourth Quarter	$ 0.60	$ 0.03
Third Quarter	$ 2.50	$ 0.30
Second Quarter	$ 6.27	$ 2.39
First Quarter	$ 9.85	$ 4.80

The closing sale price for our common stock as reported on the over-the-counter market on March 2, 2010 was $0.19 per share. As of that date, there were approximately 175 holders of record and approximately 4,743 beneficial owners registered in nominee and street name.

Dividends

On March 14, 2008, our board of directors declared a first quarter 2008 cash dividend of $0.20 per share on our common stock, or an aggregate of $11.6 million for the period from January 1, 2008 to March 31, 2008, which was paid on April 15, 2008 to stockholders of record as of March 31, 2008.

We suspended the payment of quarterly dividends commencing with the second quarter of 2008 and we do not anticipate paying any cash dividends on our common stock in the foreseeable future. In addition, covenants in our 2007 Credit Facility and other credit facilities restrict our ability to pay dividends or make certain other payments.

Table of Contents

Item 6. Selected Financial Data

The following table presents our selected historical financial data as of and for each of the years in the five year period ended December 31, 2009. The information in this table should be read in conjunction with the information under Management s Discussion and Analysis of Financial Condition and Results of Operations , Business and our historical consolidated financial statements and the related notes thereto included elsewhere in this report.

	Year Ended December 31, 2009 (Successor)	Year Ended December 31, 2008 (Successor)	Year Ended December 31, 2007[4] (Successor)	Year Ended December 31, 2006[5] (Successor)	Period from June 6, 2005 to December 31, 2005[6] (Successor)	Period from January 1, 2005 to June 5, 2005 (Predecessor)
	(In Thousands, Except Per Share Data)					
Statement of Operations Data:						
Revenues:						
Advertising	$ 409,725	$ 492,557	$ 424,974	232,130	88,798	$ 63,172
Circulation	142,023	145,653	117,023	50,868	19,298	14,184
Commercial printing and other	33,290	40,841	32,928	23,193	11,415	8,134
Total revenues	585,038	679,051	574,925	306,191	119,511	85,490
Operating costs and expenses:						
Operating costs	335,602	382,333	309,633	156,697	61,001	40,007
Selling, general and administrative	165,160	186,409	154,406	88,578	29,033	26,210
Depreciation and amortization [1]	55,752	69,913	57,092	23,610	8,030	5,776
Transaction costs related to Merger and Massachusetts Acquisitions					2,850	7,703
Integration and reorganization costs and management fees paid to prior owner	2,029	7,113	7,490	4,486	1,002	768
Impairment of long-lived assets	206,089	123,717	1,553	917		
Gain (loss) on sale of assets	418	(337)	(1,496)	(700)	40	
Goodwill and mastheads impairment	275,310	488,543	225,820			
Operating income (loss)	(454,486)	(579,314)	(182,565)	31,203	17,635	5,026
Interest expense, amortization of deferred financing costs, loss on early extinguishment of debt, unrealized gain on derivative instrument and other	72,519	100,535	83,461	37,458	1,020	32,884
Income (loss) from continuing operations before income taxes	(527,005)	(679,849)	(266,026)	(6,255)	16,615	(27,858)
Income tax expense (benefit)	342	(21,139)	(31,861)	(3,769)	7,050	(3,027)
Income (loss) from continuing operations	(527,347)	(658,710)	(234,165)	(2,486)	9,565	(24,831)
Income from discontinued operations, net of income taxes	(3,265)	(14,596)	2,741	912		
Net income (loss)	$ (530,612)	$ (673,306)	$ (231,424)	$ (1,574)	$ 9,565	$ (24,831)
Net loss attributable to noncontrolling interest	510					
Net income (loss) attributable to GateHouse Media	$ (530,102)	$ (673,306)	$ (231,424)	$ (1,574)	$ 9,565	$ (24,831)
Basic net income (loss) from continuing operations attributable to GateHouse Media per share[2]	$ (9.18)	$ (11.54)	$ (5.05)	(0.10)	0.43	$ (0.12)
Diluted net income (loss) from continuing operations attributable to GateHouse Media per share[2]	$ (9.18)	$ (11.54)	$ (5.05)	(0.10)	0.43	$ (0.12)
Basic net income (loss) attributable to GateHouse Media common stockholders per share[2]	$ (9.24)	$ (11.80)	$ (4.99)	(0.06)	0.43	$ (0.12)
Diluted net income (loss) attributable to GateHouse Media common stockholders per share[2]	$ (9.24)	$ (11.80)	$ (4.99)	(0.06)	0.43	$ (0.12)
Other Data:						
Adjusted EBITDA[3]	$ 82,014	$ 102,918	$ 101,884	$ 55,746	$ 28,515	$ 18,505

Cash interest paid	$ 67,950	$ 89,677	$ 74,910	$ 38,459	$ 31,720	$ 16,879

(1) As a result of the Merger, we performed a valuation of intangible assets based on current economic conditions at such time. The remaining useful lives of advertiser and subscriber relationships were revised to 18 and 19 years, respectively, effective June 6, 2005.

(2) All share and per share data has been computed as if our 2006 100-for-1 stock split had occurred as of the beginning of each of the applicable periods presented.

(3) We define Adjusted EBITDA as net income (loss) from continuing operations before income tax expense (benefit), interest/financing expense, depreciation and amortization and non-cash impairments. Adjusted EBITDA is not a measurement of financial performance under GAAP and should not be considered in isolation or as an alternative to income from operations, net income (loss), cash flow from continuing operating activities or any other measure of performance or liquidity derived in accordance with GAAP. We believe this non-GAAP measure, as we have defined it, is helpful in identifying trends in our day-to-day performance because the items excluded have little or no significance in our day-to-day operations. This measure provides an assessment of controllable expenses and affords management the ability to make decisions which are expected to facilitate meeting current financial goals as well as achieve optimal financial performance. Adjusted EBITDA provides an indicator for management to determine if adjustments to current spending decisions are needed.

Adjusted EBITDA provides us with a measure of financial performance, independent of items that are beyond the control of management in the short-term, such as depreciation and amortization, taxation and interest expense associated with our capital structure. This metric measures our financial performance based on operational factors that management can impact in the short-term, namely our cost structure or expenses of the organization. Adjusted EBITDA is one of the metrics used by senior management and the board of directors to review the financial performance of our business on a monthly basis.

Not all companies calculate Adjusted EBITDA using the same methods; therefore, the Adjusted EBITDA figures set forth herein may not be comparable to Adjusted EBITDA reported by other companies. A substantial portion of our Adjusted EBITDA must be dedicated to the payment of interest on our outstanding indebtedness and to service other commitments, thereby reducing the funds available to us for other purposes. Accordingly, Adjusted EBITDA does not represent an amount of funds that is available for management s discretionary use. See Management s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this report.

(4) Includes the results of the newspapers acquired from the Journal Register Company, the acquisition of SureWest Directories, the newspapers acquired from The Copley Press, Inc., the newspapers acquired from Gannett Co. Inc. and the newspapers acquired from Morris Publishing Group since their acquisitions on February 9, 2007, February 28, 2007, April 11, 2007, May 7, 2007 and November 30, 2007, respectively.

(5) Includes the results of CP Media and Enterprise NewsMedia, LLC since their acquisitions on June 6, 2006.

(6) Includes an unrealized gain on the derivative instrument of $10,807 as well as a decrease in interest expense due to debt extinguishment in connection with the Merger.

Table of Contents

The table below shows the reconciliation of income (loss) from continuing operations to Adjusted EBITDA for the periods presented:

	Year Ended December 31, 2009 (Successor)	Year Ended December 31, 2008 (Successor)	Year Ended December 31, 2007 (Successor)	Year Ended December 31, 2006 (Successor)	Period from June 6, 2005 to December 31, 2005 (Successor)	Period from January 1, 2005 to June 5, 2005 (Predecessor)
			(In Thousands)			
Income (loss) from continuing operations	$ (527,347)	$ (658,710)	$ (234,165)	$ (2,486)	$ 9,565	$ (24,831)
Income tax expense (benefit)	342	(21,139)	(31,789)	(3,769)	7,050	(3,027)
Unrealized (gain) loss on derivative instrument(1)	12,672	10,119	2,378	(1,150)	(10,807)	
(Gain) loss on early extinguishment of debt(2)	(7,538)		2,240	2,086		5,525
Amortization of deferred financing costs	1,360	1,845	2,101	544	67	643
Interest expense dividends on mandatorily redeemable preferred stock						13,484
Write-off of financing costs	743					
Interest expense debt	64,631	88,630	76,726	35,994	11,760	13,232
Impairment of long-lived assets	206,089	123,717	1,553	917		
Transaction costs related to Merger and Massachusetts Acquisitions					2,850	7,703
Depreciation and amortization	55,752	69,913	57,092	23,610	8,030	5,776
Goodwill and mastheads impairment	275,310	488,543	225,820			
Adjusted EBITDA from continuing operations	$ 82,014(a)	$ 102,918(b)	$ 101,956(c)	$ 55,746(d)	$ 28,515(e)	$ 18,505(f)

(a) Adjusted EBITDA for the year ended December 31, 2009 included net expenses of $9,463 which are one time in nature or non-cash compensation. Included in these net expenses of $9,463 is non-cash compensation and other expenses of $8,635, non-cash portion of post retirement benefits expense of $(782), integration and reorganization costs of $2,028 and $418 gain on the sale of assets. Adjusted EBITDA also does not include $(472) of EBITDA generated from our discontinued operations.

(b) Adjusted EBITDA for the year ended December 31, 2008 included net expenses of $24,149 which are one time in nature or non-cash compensation. Included in these net expenses of $24,149 is non-cash compensation and other expenses of $18,198, non-cash portion of post retirement benefits expense of $(1,499), integration and reorganization costs of $7,113 and $337 loss on the sale of assets. Adjusted EBITDA also does not include $4,307 of EBITDA generated from our discontinued operations.

(c) Adjusted EBITDA for the year ended December 31, 2007 included net expenses of $23,791 which are one-time in nature or non-cash compensation. Included in these net expenses of $23,791 is non-cash compensation and other expense of $14,007, non-cash portion of postretirement benefits expense of $799, integration and reorganization costs of $7,490 and a $1,495 loss on the sale of assets.

Adjusted EBITDA also does not include $10,189 from SureWest Directories due to the impact of purchase accounting and $4,956 of EBITDA generated from our discontinued operations, including Huntington, West Virginia, Yankton, South Dakota and Winter Haven, Florida.

(d) Adjusted EBITDA for the year ended December 31, 2006 included net expenses of $11,109 which are one-time in nature or non-cash compensation. Included in these net expenses of $11,109 is non-cash compensation and other expense of $5,175, non-cash portion of postretirement benefit expense of $748, integration and reorganization costs of $4,486 and a $700 loss on the sale of assets.

Adjusted EBITDA also does not include $1,860 of EBITDA generated from our discontinued operations, including Globe, Arizona, Oswego, New York, and Milton and Sayre, Pennsylvania.

(e) Adjusted EBITDA for the period from June 6, 2005 to December 31, 2005 included net expenses of $1,643 which are one-time in nature or non-cash compensation. Included in these net expenses of $1,643 is non-cash compensation and other expense of $681 and integration and reorganization costs of $1,002, which are partially offset by a $40 gain on the sale of assets.

(f) Adjusted EBITDA for the period from January 1, 2005 to June 5, 2005 included net expenses of $1,564 which are one-time in nature or non-cash compensation. Included in these net expenses of $1,564 is non-cash compensation and other expense of $796 and management fees paid to prior owners of $768.

(1) Non-cash (gain) loss on derivative instruments is related to interest rate swap agreements which are financing related and are excluded from Adjusted EBITDA.

(2) Non-cash write-off of deferred financing costs are similar to interest expense and amortization of financing fees and are excluded from Adjusted EBITDA.

			As of December 31,		
	2009 (Successor)	2008 (Successor)	2007 (Successor)	2006 (Successor)	2005 (Successor)
			(In Thousands)		
Balance Sheet Data:					
Total assets	$ 591,929	$ 1,149,621	$ 1,874,995	$ 1,131,497	$ 638,726
Total long-term obligations, including current maturities	1,222,102	1,242,075	1,220,856	559,811	313,655
Stockholders equity (deficit)	(753,576)	(229,078)	453,988	473,084	232,056

Table of Contents

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition and results of operations should be read in conjunction with our historical consolidated financial statements and notes to those statements and pro forma results of operations appearing in this report. The discussion and analysis below includes certain forward-looking statements that are subject to risks, uncertainties and other factors under the heading Risk Factors and elsewhere in this report that could cause our actual future growth, results of operations, performance and business prospects and opportunities to differ materially from those expressed in, or implied by, such forward-looking statements. See Cautionary Note Regarding Forward-Looking Information at the beginning of this report.

Overview

We are one of the largest publishers of locally based print and online media in the United States as measured by number of daily publications. Our business model is to be the preeminent provider of local content and advertising in the small and midsize markets we serve. Our portfolio of products, which includes 469 community publications and more than 260 related websites and seven yellow page directories, serves over 289,000 business advertising accounts and reaches approximately 10 million people on a weekly basis.

Our core products include:

- 87 daily newspapers with total paid circulation of approximately 741,000;
- 271 weekly newspapers (published up to three times per week) with total paid circulation of approximately 484,000 and total free circulation of approximately 885,000;
- 111 shoppers (generally advertising-only publications) with total circulation of approximately 1.7 million;
- over 260 locally focused websites, which extend our franchises onto the internet; and
- seven yellow page directories, with a distribution of approximately 755,000, that covers a population of approximately 2.0 million people.

In addition to our core products, we also opportunistically produce niche publications that address specific local market interests such as recreation, sports, healthcare and real estate. Over the last twelve months, we created approximately 57 niche publications.

We were incorporated in Delaware in 1997 for purposes of acquiring a portion of the daily and weekly newspapers owned by American Publishing Company. On May 9, 2005, FIF III Liberty Holdings LLC, an affiliate of Fortress Investment Group LLC, entered into an Agreement and Plan of Merger with the Company pursuant to which a wholly-owned subsidiary of FIF III Liberty Holdings LLC merged with and into the Company (the Merger). The Merger was effective on June 6, 2005, thus making FIF III Liberty Holdings LLC our principal and controlling stockholder. As of December 31, 2009, Fortress beneficially owned approximately 39.5% of our outstanding common stock.

Since 1998, we have acquired 416 daily and weekly newspapers and shoppers, including 17 dailies, 120 weeklies and 22 shoppers acquired in the acquisitions of CP Media and Enterprise NewsMedia, LLC (the Massachusetts Acquisitions), the Copley Press, Inc. newspapers and the Gannett Co., Inc. newspapers and launched numerous new products.

We generate revenues from advertising, circulation and commercial printing. Advertising revenue is recognized upon publication of the advertisements. Circulation revenue from subscribers, which is billed to customers at the beginning of the subscription period, is recognized on a straight-line basis over the term of the related subscription. The revenue for commercial printing is recognized upon delivery of the printed product to our customers. Directory revenue is recognized on a straight-line basis over the 12-month period in which the corresponding directory is distributed and in use in the market.

Our advertising revenue tends to follow a seasonal pattern, with higher advertising revenue in months containing significant events or holidays. Accordingly, our first quarter, followed by our third quarter, historically are our weakest quarters of the year in terms of revenue. Correspondingly, our second and fourth fiscal quarters, historically, are our strongest quarters. We expect that this seasonality will continue to affect our advertising revenue in future periods.

Our operating costs consist primarily of labor, newsprint, and delivery costs. Our selling, general and administrative expenses consist primarily of labor costs.

We have experienced recent declines in certain advertising revenue streams and increased volatility of operating performance, despite our geographic diversity, well-balanced portfolio of products, strong local franchises, broad customer base and reliance on smaller markets. These recent levels of declines in advertising revenue experienced are typical in the current slow economy. We believe our local advertising tends to be less sensitive to economic cycles than national advertising because local businesses generally have fewer advertising channels through which to reach their target audience.

Operating cost categories of newsprint, labor and delivery costs have experienced increased upward price pressure in the industry over the three year period from 2003 to 2006. Newsprint prices then declined in late 2006 and 2007. Newsprint prices rose again throughout 2008 but began to decline again during the first half of 2009. Toward the later part of 2009 newsprint prices began to rise again. We expect 2010 prices to increase per metric ton as well. We have taken steps to mitigate some of these prior price increases with consumption declines. In addition, we are a member of a newsprint-buying consortium which enables our local publishers to obtain favorable pricing versus the general market. Additionally, we have taken steps to cluster our operations thereby increasing the usage of facilities and equipment while increasing the productivity of our labor force. We expect to continue to employ these steps as part of our business and clustering strategy. Labor represents just over 50% of our operating expenses. Beginning in 2008 we initiated an effort to drive efficiencies and centralization of work throughout the organization.

Recent Developments

The newspaper industry and the Company have experienced declining same store revenue over the past few years. This has led to increased losses, reduced cash flow from operations and the need to record impairment charges for certain long term assets. It has also made it more difficult to meet certain debt covenants and has eliminated the availability of additional borrowings under our 2007 Credit Facility. As a result of these trends management has implemented plans to reduce costs and preserve cash flow. This includes suspending the payment of cash dividends, the issuance of preferred stock, the repayment of indebtedness, the continued implementation of cost reduction programs, and the sale of non-core assets. We believe these initiatives will provide the financial resources necessary to invest in the business and ensure our future success and provide sufficient cash flow to enable us to meet our commitments for the next year.

General economic conditions, including declines in consumer confidence, increases in unemployment levels, stock market declines, contraction of credit availability, declines in real estate values, and other trends, have impacted the markets in which we operate. These changes may continue to negatively impact advertising and other revenue sources as well as increase operating costs in the future. Management believes that we have adequate capital resources and liquidity to meet our working capital needs, borrowing obligations and all required capital expenditures for at least the next twelve months.

We performed testing for impairment of goodwill and newspaper mastheads as of June 30, 2009, December 31 and June 30, 2008 and December 31, 2007. The fair value of our reporting units for goodwill impairment testing and individual newspaper mastheads were estimated using the expected present value of future cash flows and recent industry transaction multiples, using estimates, judgments and assumptions, that we believe were appropriate in the circumstances. Should general economic, market or business conditions continue to decline, and continue to have a negative impact on estimates of future cash flow and market transaction multiples, we may be required to record additional impairment charges in the future.

During 2008, our credit rating was downgraded to be rated below-investment grade by both Standard & Poor s and Moody s Investors Service and was further downgraded in 2009. Any future long-term borrowing or the extension or replacement of our short-term borrowing will reflect the negative impact of these ratings, increase our borrowing costs, limit our financing options and subject us to more restrictive covenants than our existing debt arrangements. Additional reductions in our credit ratings could further increase our borrowing cost, subject us to more onerous borrowing terms and reduce or eliminate our borrowing flexibility in the future.

Over the past several years, the Company has grown substantially through acquisitions. The current economic environment and its resulting impact on the Company and credit markets has limited our ability to grow further through acquisitions in the near-term future. However, we are highly focused on integrating our prior acquisitions, realizing all synergy opportunities, reducing our overall costs structure to fit today s revenue environment, de-levering opportunities and on strengthening the local market position we hold in our markets.

Pro Forma

In order to enhance an analysis of our operating results, we have presented our operating results on a pro forma basis for the year ended December 31, 2007. As no material acquisitions were completed during 2008 and 2009 pro forma results are not presented for these periods. This pro forma presentation for the year ended December 31, 2007 assumes that the Copley Acquisition, the Gannett Acquisition and the 2007 Financings occurred at the beginning of 2007. These pro forma presentations are not necessarily indicative of what our operating results would have actually been had the Merger, the Copley Acquisition, the Gannett Acquisition and the 2007 Financings occurred at the beginning of the pro forma period.

Critical Accounting Policy Disclosure

The preparation of financial statements in conformity with GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. We base our estimates and judgments on historical experience and other assumptions that we find reasonable under the circumstances. Actual results may differ from such estimates under different conditions. The following accounting policies require significant estimates and judgments.

Goodwill and Long-Lived Assets

We assess the potential impairment of goodwill and intangible assets with indefinite lives on an annual basis in accordance with the provisions of FASB ASC Topic 350 *Intangibles Goodwill and Other* (ASC 350). We perform our impairment analysis on each of our reporting units, represented by our six geographic regions. The geographic regions have discrete financial information and are regularly reviewed by management. The fair value of the applicable reporting unit is compared to its carrying value. Calculating the fair value of a reporting unit requires us to make significant estimates and assumptions. We estimate fair value by applying third-party market value indicators to projected cash flows and/or projected earnings before interest, taxes, depreciation, and amortization. In applying this methodology, we rely on a number of factors, including current operating results and cash flows, expected future operating results and cash flows, future business plans, and market data. If the carrying value of the reporting unit exceeds the estimate of fair value, we calculate the impairment as the excess of the carrying value of goodwill over its implied fair value.

We account for long-lived assets in accordance with the provisions of FASB ASC Topic 360, *Property, Plant and Equipment* (ASC 360). We assess the recoverability of our long-lived assets, including property, plant and equipment and definite lived intangible assets, whenever events or changes in business circumstances indicate the carrying amount of the assets, or related group of assets, may not be fully recoverable. Factors leading to impairment include significant under-performance relative to historical or projected results, significant changes in the manner of use of the acquired assets or the strategy for our overall business and significant negative industry or economic trends. The assessment of recoverability is based on management s estimates. If undiscounted projected future operating cash flows do not exceed the net book value of the long-lived assets, then a permanent impairment has occurred. We would record the difference between the net book value of the long-lived asset and the fair value of such asset as a charge against income in our consolidated statements of operations if such a difference arose.

The fair values of our reporting units for goodwill impairment testing and individual newspaper mastheads are estimated using the expected present value of future cash flows, recent industry transaction multiples and using estimates, judgments and assumptions that management believes are appropriate in the circumstances.

The sum of the fair values of the reporting units are reconciled to our current market capitalization (based upon the stock market price) plus an estimated control premium.

Significant judgment is required in determining the fair value of our goodwill and long-lived assets to measure impairment, including the determination of multiples of revenue and Adjusted EBITDA and future earnings projections. The estimates and judgments that most significantly affect the future cash flow estimates are assumptions related to revenue, and in particular, potential changes in future advertising (including the impact of economic trends and the speed of conversion of advertising and readership to online products from traditional print products); trends in newsprint prices; and other operating expense items.

We determined that we should perform impairment testing of goodwill and indefinite lived intangible assets during the second quarter of 2009, the second and fourth quarters of 2008 and the fourth quarter of 2007, due to declines in our stock price, reduced estimates in of our future cash flows, increased volatility in operating results and declines in market transactions. As a result, impairment charges related to goodwill and mastheads were recorded in fiscal 2009, 2008 and 2007 and related to goodwill, mastheads and amortizable intangibles in fiscal 2009 and 2008. See additional information in Note 6 to the Consolidated Financial Statements.

Newspaper mastheads (newspaper titles and website domain names) are not subject to amortization and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test consists of a comparison of the fair value of each newspaper masthead with its carrying amount. We used a relief from royalty approach which utilizes a discounted cash flow model to determine the fair value of each newspaper masthead. Our judgments and estimates of future operating results in determining the reporting unit fair values are consistently applied to each newspaper in determining the fair value of each newspaper masthead. We performed impairment tests on newspaper mastheads as of June 30, 2009, June 30 and December 31, 2008, and December 31, 2007. See Note 6 to the Consolidated Financial Statements for a discussion of the impairment charges taken.

Intangible assets subject to amortization (primarily advertiser and subscriber lists) are tested for recoverability whenever events or change in circumstances indicate that their carrying amounts may not be recoverable. The carrying amount of each asset group is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of such asset group. We performed impairment tests on long lived assets (including intangible assets subject to amortization) as of June 30, 2009, June 30 and December 31, 2008, and December 31, 2007. See Note 6 to the Consolidated Financial Statements for a discussion of the impairment charges taken.

Derivative Instruments

We record all of our derivative instruments on our balance sheet at fair value pursuant to FASB ASC Topic 815, *Derivatives and Hedging* (ASC 815) and FASB ASC Topic 820 *Fair Value Measurements and Disclosures* (ASC 820). Fair value is based on counterparty quotations adjusted for our credit related risk. To the extent a derivative qualifies as a cash flow hedge under ASC 815, unrealized changes in the fair value of the derivative are recognized in accumulated other comprehensive income. However, any ineffective portion of a

Table of Contents

derivative s change in fair value is recognized immediately in earnings. Fair values of derivatives are subject to significant variability based on market conditions, such as future levels of interest rates. This variability could result in a significant increase or decrease in our accumulated other comprehensive income and/or earnings but will generally have no effect on cash flows, provided the derivative is carried through to full term. We also assess the capabilities of our counterparties to perform under the terms of the contracts. A change in the assessment could have an impact on the accounting and economics of our derivatives.

Income Taxes

We account for income taxes under the provisions of FASB ASC Topic 740, *Income Taxes* (ASC 740). Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using tax rates in effect for the year in which the differences are expected to affect taxable income. The assessment of the realizability of deferred tax assets involves a high degree of judgment and complexity. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts that are expected to be realized. When we determine that it is more likely than not that we will be able to realize our deferred tax assets in the future in excess of our net recorded amount, an adjustment to the deferred tax asset would be made and reflected either in income or as an adjustment to goodwill. This determination will be made by considering various factors, including our expected future results, that in our judgment will make it more likely than not that these deferred tax assets will be realized.

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, *an interpretation of SFAS No. 109* (FIN 48) and now codified as ASC 740. ASC 740 prescribes a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that a company has taken or expects to take on a tax return. Under ASC 740, the financial statements will reflect expected future tax consequences of such positions presuming the taxing authorities full knowledge of the position and all relevant facts, but without considering time values. ASC 740 substantially changes the applicable accounting model and is likely to cause greater volatility in income statements as more items are recognized discretely within income tax expense. ASC 740 also revises disclosure requirements and introduces a prescriptive, annual, tabular roll-forward of the unrecognized tax benefits.

Companies need to assess all material open positions in all tax jurisdictions as of the adoption date and determine the appropriate amount of tax benefits that are recognizable under ASC 740. Any difference between the amounts previously recognized and the benefit determined under the new guidance, including changes in accrued interest and penalties, has to be recorded on the date of adoption. For certain types of income tax uncertainties, existing generally accepted accounting principles provide specific guidance on the accounting for modifications of the recognized benefit. Any differences in recognized tax benefits on the date of adoption that are not subject to specific guidance would be an adjustment to retained earnings as of the beginning of the adoption period. The implementation of FIN 48 did not have a material impact on our consolidated financial statements.

We record tax assets and liabilities at the date of a purchase business combination, based on our best estimate of the ultimate tax basis that will be accepted by the tax authority, and liabilities for prior tax returns of the acquired entity should be based on our best estimate of the ultimate settlement in accordance with guidance now codified as FASB ASC Topic 805, *Business Combinations* (ASC 805). At the date of a change in our best estimate of the ultimate tax basis of acquired assets, liabilities, and carryforwards, and at the date that the tax basis is settled with the tax authority, tax assets and liabilities will be adjusted to reflect the revised tax basis and the amount of any settlement with the tax authority for prior-year income taxes. Similarly, at the date of a change in our best estimate of items relating to the acquired entity s prior tax returns, and at the date that the items are settled with the tax authority, any liability previously recognized will be adjusted. The effect of those adjustments should be recognized in earnings.

Table of Contents

We also adjust income tax accounts related to purchase business combinations during the purchase accounting allocation period, based on information on which we are waiting that becomes available within one year of the acquisition date. These adjustments can significantly affect our scheduling of deferred tax assets and liabilities and our determination of the need for a valuation allowance on deferred tax assets, and therefore on reported results.

Self-Insurance Liability Accruals

We maintain self-insured medical and workers compensation programs. We purchase stop loss coverage from third parties which limits our exposure to large claims. We record a liability for healthcare and workers compensation costs during the period in which they occur as well as an estimate of incurred but not reported claims.

Results of Operations

The following table summarizes our historical results of operations for the years ended December 31, 2009, 2008 and 2007 and our pro forma results of operations for the years ended December 31, 2007.

	Year Ended December 31, 2009 (Actual)	Year Ended December 31, 2008 (Actual)	Year Ended December 31, 2007 (Pro Forma)	Year Ended December 31, 2007 (Actual)
		(In Thousands)		
Revenues:				
Advertising	$ 409,725	$ 492,557	$ 475,192	$ 424,974
Circulation	142,023	145,653	135,824	117,023
Commercial printing and other	33,290	40,841	36,847	32,928
Total revenues	585,038	679,051	647,863	574,925
Operating costs and expenses:				
Operating costs	335,602	382,333	352,043	309,633
Selling, general and administrative	165,160	186,409	170,656	154,406
Depreciation and amortization	55,752	69,913	64,583	57,092
Integration and reorganization costs	2,029	7,113	7,490	7,490
Impairment of long-lived assets	206,089	123,717	1,553	1,553
Gain (loss) on sale of assets	418	(337)	(1,496)	(1,496)
Goodwill and mastheads impairment	275,310	488,543	225,820	225,820
Operating income (loss)	(454,486)	(579,314)	(175,778)	(182,565)
Interest expense	64,631	88,630	96,096	76,726
Amortization of deferred financing costs	1,360	1,845	1,532	2,101
(Gain) loss on early extinguishment of debt	(7,538)		2,240	2,240
Unrealized (gain) loss on derivative instrument	12,672	10,119	2,378	2,378
Other (income) loss	1,394	(59)	(4)	16
Loss from continuing operations before income taxes	(527,005)	(679,849)	(278,020)	(266,026)
Income tax expense (benefit)	342	(21,139)	(36,797)	(31,861)
Loss from continuing operations	$ (527,347)	$ (658,710)	$ (241,223)	$ (234,165)

Table of Contents

Unaudited Pro Forma Condensed Consolidated Statement of Operations

For the Year Ended December 31, 2007

(In thousands)

	GateHouse Media (A)	Copley (B)	Gannett (C)	Adjustments (D)	Pro forma
Revenues:					
Advertising	$ 424,974	$ 26,272	$ 28,511	$ (4,565)[1]	$ 475,192
Circulation	117,023	12,369	7,862	(1,430)[1]	135,824
Commercial printing and other	32,928	2,934	2,013	(1,028)[1]	36,847
Total revenues	574,925	41,575	38,386	(7,023)	647,863
Operating costs and expenses:					
Operating costs	309,633	25,476	21,699	(4,765)[1,2]	352,043
Selling, general and administrative	154,406	11,459	6,860	(2,069)[1,3]	170,656
Depreciation and amortization	57,092	2,882	1,372	3,237[1,4]	64,583
Integration and reorganization	7,490				7,490
Impairment of long-lived assets	1,553				1,553
Loss on sale of assets	(1,496)				(1,496)
Goodwill and mastheads impairment	225,820				225,820
Total operating expenses	757,490	39,817	29,931	(3,597)	823,641
Operating income (loss)	(182,565)	1,758	8,455	(3,426)	(175,778)
Interest expense					
Debt	76,726			19,370[5]	96,096
Other interest expense		3,817		(3,817)[5]	
Amortization of deferred financing costs	2,101			(569)[6]	1,532
Loss on early extinguishment of debt	2,240				2,240
Unrealized loss on derivative instrument	2,378				2,378
Other (income) loss	16	(20)			(4)
Income (loss) from operations before tax	(266,026)	(2,039)	8,455	(18,410)	(278,020)
Income tax expense (benefit)	(31,861)	(1,120)	3,391	(7,207)[1,7]	(36,797)
Income (loss) from continuing operations	$ (234,165)	$ (919)	$ 5,064	$ (11,203)	$ (241,223)

Adjustments to Unaudited Pro Forma Condensed Consolidated Statement of Operations

(A) GateHouse Media, Inc.

Reflects historical consolidated statement of operations for the Company for the year ended December 31, 2007.

(B) Copley

Reflects historical consolidated statement of operations for the newspapers acquired from the Copley Press Inc. for the period from January 1, 2007 to April 11, 2007.

(C) Gannett

Reflects historical consolidated statement of operations for the newspapers acquired from Gannett Co. Inc. for the period from January 1, 2007 to May 7, 2007.

Table of Contents

(D) Adjustments

(1) Reflects the adjustment to eliminate the revenue and expenses related to the group of assets and liabilities from the Gannett Acquisition held for sale:

	Year ended December 31, 2007
Revenues:	
Advertising	$ 4,565
Circulation	1,430
Commercial printing and other	1,028
Operating costs and expenses:	
Operating costs	4,221
Selling, general and administrative	1,159
Depreciation and amortization	202
Income tax expense	578
Income from operations	$ 863

(2) Reflects the elimination of expenses related to the pension and postretirement plans not continued by the Company.

	Year ended December 31, 2007
Gannett Pension and postretirement adjustment	$ 544

(3) Reflects the elimination of certain expenses related to liabilities included in the historical statement of operations of Copley and Gannett but not assumed by us.

	Year ended December 31, 2007
Copley:	
Pension, postretirement and other retirement plans	$ 729
Gannett:	
Pension, postretirement and other retirement plans	181
	$ 910

(4) **Copley:**

Asset Category	Fair value	Remaining estimated useful life in years	Pro forma expense Year ended December 31, 2007

Buildings	$ 25,691	25	$ 256
Machinery & Equipment	35,845	3-10	1,043
Furniture & Fixtures	805	10	15
Auto & Trucks	2,255	5	107
Total pro forma depreciation expense			1,421
Subscriber Relationships	40,083	14	716
Advertiser Relationships	95,466	14	1,705
Total pro forma amortization expense			2,421
Total pro forma depreciation and amortization expense			$ 3,842

56

Table of Contents

Gannett:

Asset Category	Fair value	Remaining estimated useful life in years	Pro forma expense Year ended December 31, 2007
Buildings	$ 10,570	25	$ 141
Machinery & Equipment	26,333	3-10	884
Furniture & Fixtures	483	10	16
Auto and Trucks	546	5	36
Total pro forma depreciation expense			1,077
Subscriber Relationships	26,964	16	562
Advertiser Relationships	96,503	16	2,010
Total pro forma amortization expense			2,572
Total pro forma depreciation and amortization expense			$ 3,649

The following tables summarize the pro forma adjustments:

	Copley	Gannett	Year ended December 31, 2007
Pro forma depreciation expense	$ 1,421	$ 1,077	$ 2,498
Pro forma amortization expense	2,421	2,572	4,993
Less: historical depreciation expense	(2,738)	(1,147)	(3,885)
Less: historical amortization expense	(144)	(23)	(167)
	$ 960	$ 2,479	$ 3,439

(5) Represents adjustment to reflect the interest expense of the 2007 Financings for the periods presented. The following table illustrates the assumed interest rates and amounts of borrowings the pro forma interest expense calculation is based on. The term loan, delayed draw term loan, bridge facility and the revolving loan facility average rate is LIBOR based. The term loan and delayed draw term loan variable interest rate is effectively converted to a fixed rate loan under five interest rate swap agreements for notional amounts at acquisition of \$300,000, \$270,000, \$100,000, \$250,000 and \$200,000, except for a \$75,000 unhedged portion of the term loan. Unused commitment fees are based on the remaining balance of the \$40,000 of the total revolving credit facility. Letter of credit fees are a quarterly fee equal to the applicable margin for the LIBOR based loans on the aggregate amount of outstanding letters of credit.

	Year ended December 31, 2007						
	Average Rate	Margin	Total Rate	Amount of borrowing	Pro forma interest expense	Less: Historical interest expense	Net adjustment to interest expense
Term Loan Facility B	4.778%	2.00%	6.778%	$ 670,000	$ 22,708		
Delayed Draw Term Loan Facility	4.971%	2.00%	6.971%	250,000	8,714		
Term Loan Facility C	5.156%	2.25%	7.406%	275,000	10,182		
Bridge Facility	5.320%	1.50%	6.820%	300,000	10,230		
Unused commitment fees	0.50%		0.500%	40,000	100		

Letter of credit fees	2.00%	2.000%	3,269	32		
				$ 51,966	$ 32,596	$ 19,370
Historical weighted average debt balance				$ 1,084,582		
Weighted average interest rate				6.65%		

57

For year ended December 31, 2007, the elimination of other interest expense also included interest expense on an intercompany demand note held by the newspapers acquired from the Copley Press, Inc. of $3,817.

(6) Deferred financing costs consist of costs incurred in connection with debt financings. Such costs are amortized to interest expense on a straight-line basis over the remaining terms of the related debt. Reflects the net adjustment to a total deferred financing cost amount of $12,575 amortized over a weighted average life of 2.9 years as follows:

	Year ended December 31, 2007
Pro forma deferred financing costs	$ 634
Less: historical costs	(1,203)
Net adjustment	$ (569)

(7) The pro forma adjustment reflects the income tax effect of pro forma adjustments. The tax effect is calculated based on a 39.15% effective tax rate.

Year Ended December 31, 2009 Compared To Year Ended December 31, 2008

The discussion of our results of operations that follows is based upon our historical results of operations for the years ended December 31, 2009 and 2008.

Revenue. Total revenue for the year ended December 31, 2009 decreased by $94.1 million, or 13.8%, to $585.0 million from $679.1 million for the year ended December 31, 2008. The difference between same store revenue and GAAP revenue for the current period is immaterial, therefore, further revenue discussions will be limited to GAAP results. The decrease in total revenue was comprised of a $82.8 million, or 16.8%, decrease in advertising revenue, a $3.6 million, or 2.5%, decrease in circulation revenue and a $7.6 million, or 18.5%, decrease in commercial printing and other revenue. Advertising revenue declines were primarily driven by declines on the print side of our business in both the local retail and classified categories. The sharp decline in the economy, particularly in the sectors of employment, automotive and real estate, has led to declining classified revenues across the country. These economic conditions have also led to a decline in our circulation volumes which have been partially offset by price increases in certain locations. The decrease in commercial printing and other revenue was due to declines in printing projects as a result of weak economic conditions.

Operating Costs. Operating costs for the year ended December 31, 2009 decreased by $46.7 million, or 12.2%, to $335.6 million from $382.3 million for the year ended December 31, 2008. The decrease in operating costs was primarily due to a decrease in compensation, newsprint, external printing, delivery, postage, supplies, utility expenses, and repairs and maintenance of $18.9 million, $12.8 million, $3.8 million, $3.8 million, $2.7 million, $2.5 million, $1.3 million and $0.8 million, respectively. These operating cost reductions are permanent in nature and were implemented in order to combat the revenue declines.

Selling, General and Administrative. Selling, general and administrative expenses for the year ended December 31, 2009 decreased by $21.2 million, or 11.4%, to $165.2 million from $186.4 million for the year ended December 31, 2008. The decrease in selling, general and administrative expenses was primarily due to a decrease in compensation, other office related expenses, health insurance and consulting and professional expenses of $11.6 million, $4.3 million, $4.0 million and $1.3 million, respectively. These contributions are also permanent and were implemented in order to combat the revenue declines.

Depreciation and Amortization. Depreciation and amortization expense for the year ended December 31, 2009 decreased by $14.1 million to $55.8 million from $69.9 million for the year ended December 31, 2008. The decrease of $14.1 million in depreciation and amortization expense was primarily due to a reduction in amortization expense due to the impairment of amortizable intangibles in June and December of 2008 and June 2009.

Table of Contents

Impairment of Long-Lived Assets. During the year ended December 31, 2009 and 2008 we incurred a charge of $206.1 million and $123.7 million respectively, related to the impairment on our advertiser relationships and subscriber relationships due to reductions in our operating projections within our various reporting units.

Goodwill and Mastheads Impairment. During the year ended December 31, 2009 and 2008, we recorded a $275.3 million and $488.5 million impairment on our goodwill and mastheads due to softening business conditions and a decline in our stock price as of the end of the second quarter and the related impact on the fair value of our reporting units.

Interest Expense. Total interest expense for the year ended December 31, 2009 decreased by $24.0 million, or 27.1%, to $64.6 million from $88.6 million for the year ended December 31, 2008. The decrease was primarily due to declines in interest rates and their related impact on our unhedged debt position, as well as a decrease in our total outstanding debt.

Gain on Early Extinguishment of Debt. During the year ended December 31, 2009 we recorded a gain of $7.5 million due to the early extinguishment of short term notes payable.

Unrealized Loss on Derivative Instrument. During the year ended December 31, 2009 we recorded a net loss of $12.7 million comprised of accumulated other comprehensive income amortization related to swaps terminated in 2008 partially offset by the impact of the ineffectiveness of our remaining swap agreements.

During the year ended December 31, 2008 we recorded a loss of $10.1 million due to ineffectiveness related to several of our interest rate swaps, which were entered into in an effort to eliminate a significant portion of our exposure to fluctuations in LIBOR.

Income Tax Expense (Benefit). Income tax expense for the year ended December 31, 2009 was $0.3 million compared to an income tax benefit of $21.1 million for the year ended December 31, 2008. The income tax benefit recognized in 2008 related primarily to the elimination of a valuation allowance of $21.4 million as a result of a goodwill impairment charge during the year. The net loss in 2009 did not result in an income tax benefit as the deferred tax liability was adjusted to $0 million in 2008 and the related deferred tax asset is fully offset by a valuation allowance.

Net Loss from Continuing Operations. Net loss from continuing operations for the year ended December 31, 2009 was $527.3 million. Net loss from continuing operations for the year ended December 31, 2008 was $658.7 million. Our net loss from continuing operations decreased due to the factors noted above.

Year Ended December 31, 2008 Compared To Pro Forma Year Ended December 31, 2007

The discussion of our results of operations that follows is based upon our historical results of operations for the year ended December 31, 2008 and our pro forma results of operations for the year ended December 31, 2007.

Revenue. Total GAAP revenue for the year ended December 31, 2008 increased by $31.2 million or 4.8% to $679.1 million from the pro forma year ended December 31, 2007 revenue of $647.9 million. $17.4 million of the increase came from advertising revenue and $9.8 million of the increase came from circulation revenue. The increase in total revenues of $31.2 million was driven primarily by revenues from the acquisitions that did not meet the significance test for pro forma treatment (the 2007 and 2008 acquisitions) of $74.7 million. Excluding the revenue increases of $74.7 million from the 2007 and 2008 acquisitions, same store revenues were down $41.7 million or 5.6%. The same store revenue declines were primarily driven by declines in classified advertising. The weakened economy, particularly in the sectors of employment, automotive and real estate has led to declining classified revenues across the country during 2008.

Table of Contents

On February 28, 2007, we acquired SureWest Directories which publishes annual yellow page and white page directories. Purchase accounting rules did not allow us to record deferred revenue and the related costs for these directories until we published the directories. This resulted in revenue and expenses being less than what the predecessor owner would have recognized for the year ended December 31, 2007. Excluding these purchase accounting adjustments, revenue for the year ended December 31, 2007 would have been $19.1 million, an increase of $0.6 million over $18.5 million for 2008.

Revenue from publications disposed of during the year (included in discontinued operations) was $19.4 million during the year ended December 31, 2008.

Operating Costs. Operating costs for the year ended December 31, 2008 increased by $30.3 million, or 8.6%, to $382.3 million from $352.0 million for the year ended December 31, 2007. The increase in operating costs was primarily due to operating costs of the acquisitions completed in 2007 and 2008 of $41.3 million. These acquisition related expense increases were partially offset by decreased newsprint volumes, and compensation expenses of $3.6 million and $8.1 million, respectively.

Selling, General and Administrative. Selling, general and administrative expenses for the year ended December 31, 2008 increased by $15.7 million, or 9.2%, to $186.4 million from $170.7 million for the year ended December 31, 2007. The increase in selling, general and administrative expenses was primarily due to selling, general and administrative expenses of the 2007 and 2008 acquisitions of $21.8 million. These expense increases were partially offset by a decrease in compensation, health insurance and pension expenses of $1.6 million, $2.2 million and $2.6 million, respectively.

Depreciation and Amortization. Depreciation and amortization expense for the year ended December 31, 2008 increased by $5.3 million to $69.9 million from $64.6 million for the year ended December 31, 2007. The increase was primarily due to depreciation and amortization of the 2007 and 2008 acquisitions of $1.9 million. Additionally, during the years ended December 31, 2008 and 2007, we incurred capital expenditures of $9.7 and $8.6 million, respectively, which contributed to the increase in depreciation expense in 2008.

Impairment of Long-Lived Assets. During the year ended December 31, 2008 we incurred a charge of $123.7 million due to reductions in our operating projections within our Northeast reporting unit. During the year ended December 31, 2007 we incurred a charge of $1.6 million related to the impairment of property, plant and equipment which were classified as held for sale at, or disposed of during the year ended December 31, 2008 and December 31, 2007, respectively.

Goodwill and Mastheads Impairment. During the years ended December 31, 2008 and December 31, 2007, we recorded an impairment charge of $488.5 million and $225.8 million, respectively, on our goodwill and mastheads due to declines in our cash flow projections, reductions of transaction multiples, and the related impact on the fair value of our reporting units.

Interest Expense. Total interest expense for the year ended December 31, 2008 decreased by $7.5 million, or 7.8%, to $88.6 million from $96.1 million for the year ended December 31, 2007. The decrease was primarily due to a decline in interest rates during 2008 and the related impact on our unhedged debt position.

Loss on Early Extinguishment of Debt. During the year ended December 31, 2007, we incurred a $2.2 million loss due to the write off of deferred financing costs associated with the extinguishment of our Bridge Facility.

Unrealized (Gain) Loss on Derivative Instrument. During the years ended December 31, 2008 and 2007 we recorded a loss of $10.1 million and $2.4 million, respectively, due to ineffectiveness related to several of our interest rate swaps which were entered into, in an effort to eliminate a significant portion of our exposure to fluctuations in LIBOR.

Table of Contents

Income Tax Benefit. Income tax benefit for the year ended December 31, 2008 was $21.1 million compared to $36.8 million for the year ended December 31, 2007. The change of $15.7 million was primarily due to the change in the income tax valuation allowance during the year ended December 31, 2008, the impairment of nondeductible goodwill and an increase in book pretax loss during the year ended December 31, 2008.

Net Loss from Continuing Operations. Net loss from continuing operations for the year ended December 31, 2008 was $658.7 million. Net loss from continuing operations for the year ended December 31, 2007 was $241.2 million. Our net loss from continuing operations increased due to the factors noted above.

Year Ended December 31, 2008 Compared To Year Ended December 31, 2007

The discussion of our results of operations that follows is based upon our historical results of operations for the years ended December 31, 2008 and 2007.

Revenue. Total revenue for the year ended December 31, 2008 increased by $104.2 million or 18.1% to $679.1 million from the year ended December 31, 2007 revenue of $574.9 million. $67.6 million of the increase came from advertising revenue and $28.6 million of the increase came from circulation revenue. The increase in total revenues of $104.2 million was driven primarily by revenues from the acquisitions that did not meet the significance test for pro forma treatment (the 2007 and 2008 acquisitions) of $74.7 million and the increase in revenue for the Copley and Gannett acquisitions completed in 2007 of $50.5 million. Excluding the revenue increases of $74.7 million from the 2007 and 2008 acquisitions, same store revenues were down $41.7 million or 5.6%. The same store revenue declines were primarily driven by declines in classified advertising. The weakened economy, particularly in the sectors of employment, automotive and real estate has led to declining classified revenues across the country in 2008.

On February 28, 2007, we acquired SureWest Directories which publishes annual yellow page and white page directories. Purchase accounting rules did not allow us to record deferred revenue and the related costs for these directories until we published the directories. This resulted in revenue and expenses being less than what the predecessor owner would have recognized for the year ended December 31, 2007. Excluding these purchase accounting adjustments, revenue for the year ended December 31, 2007 would have been $19.1 million, an increase of $0.6 million over $18.5 million for 2008.

Revenue from publications disposed of during the year (included in discontinued operations) was $19.4 million during the year ended December 31, 2008.

Operating Costs. Operating costs for the year ended December 31, 2008 increased by $72.7 million, or 23.5%, to $382.3 million from $309.6 million for the year ended December 31, 2007. The increase in operating costs was primarily due to operating costs of the acquisitions completed in 2007 and 2008 of $41.3 million as well as an increase in operating costs recognized for the Copley and Gannett acquisitions completed in 2007 of $35.1 million.

Selling, General and Administrative. Selling, general and administrative expenses for the year ended December 31, 2008 increased by $32.0 million, or 20.7%, to $186.4 million from $154.4 million for the year ended December 31, 2007. The increase in selling, general and administrative expenses was primarily due to selling, general and administrative expenses of the 2007 and 2008 acquisitions of $21.8 million and an increase in expenses recorded by the Copley and Gannett acquisitions completed in 2007 of $10.1 million.

Depreciation and Amortization. Depreciation and amortization expense for the year ended December 31, 2008 increased by $12.8 million to $69.9 million from $57.1 million for the year ended December 31, 2007. The increase was primarily due to depreciation and amortization of the 2007 and 2008 acquisitions of $1.9 million and an increase in depreciation expense for the Copley and Gannett acquisitions completed in 2007 of $8.5 million. Additionally, during the years ended December 31, 2008 and 2007, we incurred capital expenditures of $9.7 and $8.6 million, respectively, which contributed to the increase in depreciation expense in 2008.

Impairment of Long-Lived Assets. During the year ended December 31, 2008 we incurred a charge of $123.7 million due to reductions in our operating projections within our Northeast and Surewest reporting units. During the year ended December 31, 2007 we incurred a charge of $1.6 million related to the impairment of property, plant and equipment which were classified as held for sale at, or disposed of during the year ended December 31, 2008 and December 31, 2007, respectively.

Goodwill and Mastheads Impairment. During the years ended December 31, 2008 and December 31, 2007, we recorded an impairment charge of $488.5 million and $225.8 million, respectively, on our goodwill and mastheads due to declines in our cash flow projections, reductions of transaction multiples, declines in our stock price and the related impact on the fair value of our reporting units.

Interest Expense. Total interest expense for the year ended December 31, 2008 increased by $11.9 million, or 15.5%, to $88.6 million from $76.7 million for the year ended December 31, 2007. The increase was primarily due to increases in our total outstanding debt position.

Loss on Early Extinguishment of Debt. During the year ended December 31, 2007, we incurred a $2.2 million loss due to the write off of deferred financing costs associated with the extinguishment of our Bridge Facility.

Unrealized (Gain) Loss on Derivative Instrument. During the years ended December 31, 2008 and 2007 we recorded a loss of $10.1 million and $2.4 million, respectively, due to ineffectiveness related to several of our interest rate swaps which were entered into, in an effort to eliminate a significant portion of our exposure to fluctuations in LIBOR.

Income Tax Benefit. Income tax benefit for the year ended December 31, 2008 was $21.1 million compared to $31.8 million for the year ended December 31, 2007. The change of $10.7 million was primarily due to the change in income tax valuation allowance during the year ended December 31, 2008, the impairment of nondeductible goodwill and an increase in book pretax loss during the year ended December 31, 2008.

Net Loss from Continuing Operations. Net loss from continuing operations for the year ended December 31, 2008 was $658.7 million. Net loss from continuing operations for the year ended December 31, 2007 was $234.2 million. Our net loss from continuing operations increased due to the factors noted above.

Liquidity and Capital Resources

Our primary cash requirements are for working capital, debt obligations and capital expenditures. We have no material outstanding commitments for capital expenditures. Our principal sources of funds have historically been, and will be, cash provided by operating activities and term loan borrowings for significant acquisitions.

On February 27, 2007, we entered into the 2007 Credit Facility with a syndicate of financial institutions with Wachovia Bank, National Association as administrative agent, referred to as the 2007 Credit Facility. The 2007 Credit Facility provides for a $670.0 million term loan facility which matures in August, 2014, a delayed draw term loan of up to $250.0 million available until August 2007 which matures in August 2014 and a revolving credit agreement with a $40.0 million aggregate loan commitment available, including a $15.0 million sub-facility for letters of credit and a $10.0 million swingline facility, which matures in February 2014.

On April 11, 2007, we entered into the Bridge Agreement with a syndicate of financial institutions with Wachovia Investment Holdings LLC as administrative agent. The Bridge Agreement provided a $300.0 million term loan facility which matures on April 11, 2015.

On May 7, 2007, we amended our 2007 Credit Facility and increased our borrowing by $275.0 million. This incremental borrowing has an interest rate of LIBOR + 2.25% or the Alternate Base Rate + 1.25%, depending upon the designation of the borrowing.

In accordance with the First Amendment, the rate on the previously existing borrowings of $920.0 million was changed to bear interest at LIBOR + 2.00% or the Alternate Base Rate + 1.00% depending upon the designation of the borrowing. The terms of the previously outstanding borrowings were also modified to include a 1.00% premium if the debt is called within one year and an interest feature that grants the previously outstanding debt an interest rate of 0.25% below the highest rate of any borrowing under the 2007 Credit Facility.

On February 15, 2008, we entered into our 2008 Bridge Facility with Barclays, as syndication agent, sole arranger and book runner. The 2008 Bridge Facility provides for a $20.6 term loan facility that is subject to extensions through August 15, 2009.

On October 17, 2008 Barclays granted us a waiver from compliance with the total leverage ratio covenant with respect to the quarter ended September 30, 2008.

On August 21, 2008, FIF III Liberty Holdings LLC (FIF III) purchased an aggregate of $11.5 million in 10% cumulative preferred stock of GateHouse Media Macomb Holdings, Inc. (Macomb), an operating subsidiary of ours. The preferred stock was issued on August 21, 2008. Macomb, an Unrestricted Subsidiary under the terms of our 2007 Credit Facility, used the proceeds from such sale of preferred stock to make an $11.5 million cash investment in Holdco non-voting 10% cumulative preferred stock. FIF III may require us to purchase its Macomb preferred stock during the five-year period following our full repayment of the 2008 Bridge Facility for an amount equal to the original purchase price, plus accrued but unpaid dividends. FIF III is an affiliate of Fortress Investment Group, LLC, the owner of approximately 39.5% of our outstanding Common Stock.

On February 3, 2009, we again amended our 2007 Credit Facility and reduced the amounts available under the credit agreement, as follows: (i) for revolving loans, from $40.0 million to $20.0 million; (ii) for the letter of credit subfacility, from $15.0 million to $5.0 million; and (iii) for the swingline loan subfacility, from $10.0 million to $5.0 million.

On February 12, 2009, we amended the 2008 Bridge Facility and Barclays granted us a waiver from compliance with the total leverage ratio covenant for the quarter ended December 31, 2008. The amendment set the applicable margin for the Bridge Facility at 12.00% and eliminated the covenant requiring compliance with the Total Leverage Ratio (as such term is defined in the Bridge Facility) of such facility. The amendment also established an amortization schedule for the outstanding balance due which runs through December 31, 2009.

On June 1, 2009, we entered into the Third Waiver to the 2008 Bridge Facility. The Third Waiver waived compliance by Holdco II with the obligation to pay the monthly payment which was due on May 31, 2009 in the principal amount of $1.5 million until June 12, 2009.

On June 12, 2009, we entered into the Third Amendment to the 2008 Bridge Facility. The Third Amendment established a revised amortization schedule for the outstanding balance due under the 2008 Bridge Facility which runs through February 12, 2011. Bi-monthly payments of $1.5 million each under the revised amortization schedule began in June 2009 with any remaining amounts due February 12, 2011. The agreement to prepay the 2008 Bridge Facility in any month was amended to provide that we prepay the 2008 Bridge Facility in any month, and only to the extent that, the month end cash balance exceeds the revised Projected Cash Balance by $4.0 million, starting in June of 2009. The Bridge Borrower also agreed to additional informational document delivery requirements. In addition, the applicable grace period for any failure to make a principal payment was extended to 30 days.

As a holding company, we have no operations of our own and accordingly have no independent means of generating revenue, and our internal sources of funds to meet our cash needs, including payment of expenses, are dividends and other permitted payments from our subsidiaries. Our 2007 Credit Facility imposes upon us certain financial and operating covenants, including, among others, requirements that we satisfy certain financial tests, including a total leverage ratio if there are outstanding extensions of credit under the revolving facility, a minimum fixed charge ratio, and restrictions on our ability to incur debt, pay dividends or take certain other corporate actions. As of December 31, 2009 we were in compliance with all applicable covenants.

Although we are currently in compliance with all of our covenants and obligations under the 2007 Credit Facility and the 2008 Bridge Facility, due to restrictive covenants and conditions within each of the facilities, we currently do not have the ability to draw upon the revolving credit facility portion of the 2007 Credit Facility for any immediate short-term funding needs or to incur additional long-term debt.

Future compliance with our financial and operating covenants will depend on the future performance of the business and our ability to curtail the negative revenue trends experience as well as our ability to address other risks and challenges set forth herein. We believe that we have adequate capital resources and liquidity to meet our working capital needs, borrowing obligations and all required capital expenditures for at least the next twelve months.

Our leverage may adversely affect our business and financial performance and may restrict our operating flexibility. The level of our indebtedness and our on-going cash flow requirements may expose us to a risk that a substantial decrease in operating cash flows due to, among other things, continued or additional adverse economic developments or adverse developments in our business, could make it difficult for us to meet the financial and operating covenants contained in our credit facilities. In addition, our leverage may limit cash flow available for general corporate purposes such as capital expenditures and our flexibility to react to competitive, technological and other changes in our industry and economic conditions generally.

Cash Flows

The following table summarizes our historical cash flows.

	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
		(in thousands)	
Cash provided by operating activities	$ 3,858	$ 25,506	$ 63,733
Cash provided by (used in) investing activities	8,400	11,675	(1,051,168)
Cash provided by (used in) financing activities	(13,003)	(37,533)	909,229

Cash Flows from Operating Activities. Net cash provided by operating activities for the year ended December 31, 2009 was $3.8 million. The net cash provided by operating activities resulted from a goodwill and mastheads impairment charge of $275.3 million, an impairment of long-lived assets of $208.8 million, depreciation and amortization of $55.8 million, an unrealized loss of $12.7 million on derivative instruments, non-cash compensation of $3.4 million, amortization of deferred financing costs of $1.4 million, partially offset by a net loss of $530.6 million, a net decrease in cash provided by working capital of $14.2 million, a gain on early extinguishment of debt of $7.5 million, an increase funding of pension and other post-retirement obligations of $0.8 million, and a gain of $0.4 million on the sale of assets. The decrease in cash provided by working capital primarily resulted from a decrease in accounts payable from December 31, 2008 to December 31, 2009. Operating Cash flows have declined since 2007. Overall, our operating cash flows have decreased due to the impact of economic conditions on our revenue, which have outpaced our expense reduction initiatives. During 2009 we also significantly reduced our accounts payable balance by $14.3 million which contributed to the decrease in operating cash flows.

Net cash provided by operating activities for the year ended December 31, 2008 was $25.5 million. The net cash provided by operating activities resulted from depreciation and amortization of $71.6 million, non-cash compensation of $3.6 million, an impairment of long-lived assets of $132.9 million, a goodwill and mastheads impairment charge of $496.3 million which includes $4.5 million from discontinued operations, a net increase in cash provided by working capital of $4.4 million, a loss of $0.3 million on the sale of assets, amortization of deferred financing costs of $1.8 million, non-cash interest expense of $0.6 million, an unrealized loss of $10.1 million on derivative instruments, partially offset by a net loss of $673.3 million, a decrease of $21.3 million related to deferred income taxes, and an increase funding of pension and other post-retirement obligations of $1.5 million. The increase in cash provided by working capital primarily resulted from a decrease in accounts receivable and an increase in accounts payable, which were partially offset by a decrease in accrued interest and an increase in inventory from December 31, 2007 to December 31, 2008.

Net cash provided by operating activities for the year ended December 31, 2007 was $63.7 million. The net cash provided by operating activities resulted from a goodwill and mastheads impairment charge of $226.0 million, depreciation and amortization of $57.8 million, a loss of $2.2 million on the early extinguishment of debt, non-cash compensation of $4.7 million, an impairment of long-lived assets of $1.6 million, a net increase of $28.3 million in working capital, a loss of $1.5 million on the sale of assets, an unrecognized loss of $0.8 million from pension and other postretirement benefit obligations, amortization of deferred financing costs of $2.1 million, an unrealized loss of $2.4 million on derivative instruments, partially offset by a net loss of $231.4 million and a decrease of $32.2 million related to deferred income taxes. The decrease in working capital primarily resulted from an increase in accrued expenses, including interest and accounts payable, a decrease in accounts receivable and inventory that were partially offset by an increase in other assets from December 31, 2006 to December 31, 2007.

Cash Flows from Investing Activities. Net cash provided by investing activities for the year ended December 31, 2009 was $8.4 million. During the year ended December 31, 2009, we received $11.2 million from the sale of publications and other assets, which was partially offset by $0.3 million used for 2008 acquisition payments made in 2009 and $2.5 million used for capital expenditures.

Net cash provided by investing activities for the year ended December 31, 2008 was $11.7 million. During the year ended December 31, 2008, we received $48.9 million from the sale of publications and other assets, which was partially offset by $27.5 million, net of cash acquired, used for acquisitions and $9.7 million used for capital expenditures.

Net cash used in investing activities for the year ended December 31, 2007 was $1.05 billion. During the year ended December 31, 2007, we used $1.12 billion, net of cash acquired, for acquisitions and $8.6 million for capital expenditures, which uses were partially offset by proceeds of $79.7 million from the sale of publications and other assets.

Cash Flows from Financing Activities. Net cash used in financing activities for the year ended December 31, 2009 was $13.0 million, which primarily resulted from $9.0 million repayment under the 2008 Bridge Facility and the repayment of $4.0 million of short term note payable.

Net cash used in financing activities for the year ended December 31, 2008 was $37.5 million. The net cash used in financing activities resulted from the payment of dividends of $34.7 million, repayment of $22.5 million of short term debt and notes payable, and a net repayment of $11.0 million of borrowing under the revolving portion of the 2007 Credit Facility, partially offset by borrowings under short term debt of $19.5 million and the issuance of subsidiary preferred stock of $11.3 million, net of issuance costs.

Net cash provided by financing activities for the year ended December 31, 2007 was $909.2 million. The net cash provided by financing activities resulted from net borrowings of $1.53 billion under the 2007 Credit Facility, the issuance of common stock of $331.6 from the secondary offering, net of underwriters discount and offering costs, and $11.0 million under the revolving credit facility, partially offset by the repayment of $558.0 million of borrowings under the 2006 Credit Facility and $339.8 million under the 2007 Credit Facility, payment of dividends of $62.7 million, and payment of $7.5 million of debt issuance costs in connection with the 2007 Credit Facility.

Table of Contents

Changes in Financial Position

The discussion that follows highlights significant changes in our financial position and working capital from December 31, 2008 to December 31, 2009.

Accounts Receivable. Accounts receivable decreased $7.6 million from December 31, 2008 to December 31, 2009, of which $7.1 million relates to timing of cash collection and lower revenue recognized in 2009 compared to 2008. An additional $0.5 million resulted from assets sold during the year.

Property, Plant, and Equipment. Property, plant, and equipment decreased $22.8 million during the period from December 31, 2008 to December 31, 2009, of which $0.4 million relates to an impairment charge, $0.6 million relates to assets sold, and depreciation of $24.7 million. These decreases in property, plant, and equipment were partially offset by $2.5 million that was used for capital expenditures.

Goodwill. Goodwill decreased $247.0 million from December 31, 2008 to December 31, 2009, of which $246.5 million relates to an impairment charge and $0.5 million relates to assets sold.

Intangible Assets. Intangible assets decreased $269.3 million from December 31, 2008 to December 31, 2009, of which $237.2 million relates to an impairment charge, $1.0 million relates to assets sold, and $31.1 million relates to amortization.

Long-term Assets Held for Sale. Long-term assets held for sale decreased $11.7 million from December 31, 2008 to December 31, 2009 of which $13.5 million came from assets sold during 2009, including land in Quincy, Massachusetts, Iowa publications and other real estate, partially offset by $1.8 million from assets classified as held for sale during 2009.

Current Portion of Long-term Liabilities. Current portion of long-term liabilities increased $12.5 million from December 31, 2008 to December 31, 2009 which was primarily attributable to $11.5 million reclassification of preferred stock in subsidiary from long-term liabilities and $1.1 million increase in preferred stock dividend payable.

Short-term Note Payable. Short-term note payable decreased $11.5 million from December 31, 2008 to December 31, 2009 due to a $4.0 million repayment and the recognition of a gain on early extinguishment of debt of $7.5 million as a result of an amendment to the payment terms of the Morris promissory note.

Short-term Debt. Short-term debt decreased $9.0 million from December 31, 2008 to December 31, 2009 due to a $9.0 million repayment.

Accounts Payable. Accounts payable decreased $14.3 million from December 31, 2008 to December 31, 2009, which was primarily attributable to decreased operating expenses and the timing of vendor payments.

Accrued Interest. Accrued interest decreased $4.7 million from December 31, 2008 to December 31, 2009 primarily attributable to a decrease in interest rates and a timing of interest payments, as a significant interest payment was due in the first three months of 2009.

Long-term Liabilities, Less Current Portion. Long-term liabilities, less current portion decreased $11.9 million which was primarily attributable to $11.5 million reclassification of preferred stock in subsidiary current portion of long-term liabilities.

Derivative Instruments. Derivative instruments increased $9.7 million from December 31, 2008 to December 31, 2009, due to changes in the fair value measurement of our interest rate swaps.

Accumulated Deficit. Accumulated deficit increased $530.1 million from December 31, 2008 to December 31, 2009 from a net loss attributable to Gate House Media, of $530.1 million

Table of Contents

Indebtedness

2007 Credit Facility

GateHouse Media Operating, Inc. (Operating), an indirectly wholly owned subsidiary of ours, GateHouse Media Holdco, Inc. (Holdco), an indirectly wholly owned subsidiary of ours, and certain of their subsidiaries entered into an Amended and Restated Credit Agreement, dated as of February 27, 2007, with a syndicate of financial institutions with Wachovia Bank, National Association as administrative agent.

The 2007 Credit Facility, prior to execution of the Second Amendment (defined below), provided for a: (a) $670.0 million term loan facility that matures on August 28, 2014; (b) a delayed draw term loan facility of up to $250.0 million that matures on August 28, 2014, and (c) a revolving credit facility with a $40.0 million aggregate loan commitment amount available, including a $15.0 million sub-facility for letters of credit and a $10.0 million swingline facility, that matures on February 28, 2014. The borrowers used the proceeds of the 2007 Credit Facility to refinance existing indebtedness and for working capital and other general corporate purposes, including, without limitation, financing acquisitions permitted under the 2007 Credit Facility. The 2007 Credit Facility is secured by a first priority security interest in; (a) all present and future capital stock or other membership, equity, ownership or profits interest of Operating and all of its direct and indirect domestic restricted subsidiaries; (b) 65% of the voting stock (and 100% of the nonvoting stock) of all present and future first-tier foreign subsidiaries; and (c) substantially all of the tangible and intangible assets of Holdco, Operating and their present and future direct and indirect domestic restricted subsidiaries. In addition, the loans and other obligations of the borrowers under the 2007 Credit Facility are guaranteed, subject to specified limitations, by Holdco, Operating and their present and future direct and indirect domestic restricted subsidiaries.

As of December 31, 2009, a total of $670.0 million was outstanding under the term loan facility, $250.0 million was outstanding under the delayed draw term loan facility and no amounts were outstanding under the revolving credit facility. Borrowings under the 2007 Credit Facility bear interest, at the borrower s option, at a rate equal to the LIBOR Rate for a LIBOR Rate Loan (as defined in the 2007 Credit Facility), or the Alternate Base Rate for an Alternate Base Rate Loan (as defined in the 2007 Credit Facility), plus an applicable margin. The applicable margin for the LIBOR Rate term loans and Alternate Base Rate term loans, as amended by the First Amendment (defined below), is 2.00% and 1.00%, respectively. The applicable margin for revolving loans is adjusted quarterly based upon Holdco s Total Leverage Ratio (as defined in the 2007 Credit Facility) (*i.e.*, the ratio of Holdco s Consolidated Indebtedness (as defined in the 2007 Credit Facility) on the last day of the preceding quarter to Consolidated EBITDA (as defined in the 2007 Credit Facility) for the four fiscal quarters ending on the date of determination). The applicable margin ranges from 1.50% to 2.00%, in the case of LIBOR Rate Loans and, 0.50% to 1.00% in the case of Alternate Base Rate Loans. Under the revolving credit facility, we also pay a quarterly commitment fee is also payable on the unused portion of the revolving credit facility ranging from 0.25% to 0.5% based on the same ratio of Consolidated Indebtedness to Consolidated EBITDA and a quarterly fee equal to the applicable margin for LIBOR Rate Loans on the aggregate amount of outstanding letters of credit. In addition, we are required to pay a ticking fee at the rate of 0.50% of the aggregate unfunded amount available to be borrowed under the delayed draw term facility is also payable.

No principal payments are due on the term loan facilities or the revolving credit facility until the applicable maturity date. The borrowers are required to prepay borrowings under the term loan facilities in an amount equal to 50.0% of Holdco s Excess Cash Flow (as defined in the 2007 Credit Facility) earned during the previous fiscal year, except that no prepayments are required if the Total Leverage Ratio (as defined in the 2007 Credit Facility) is less than or equal to 6.0 to 1.0 at the end of such fiscal year. In addition, the borrowers are required to prepay borrowings under the term loan facilities with asset disposition proceeds in excess of specified amounts to the extent necessary to cause Holdco s Total Leverage Ratio to be less than or equal to 6.25 to 1.00, and with cash insurance proceeds and condemnation or expropriation awards, in excess of specified amounts, subject, in each case, to reinvestment rights. The borrowers are required to prepay borrowings under the term loan facilities with the net proceeds of equity issuances by us in an amount equal to the lesser of (a) the amount by which 50.0% of the net cash proceeds exceeds the amount (if any) required to repay any credit facilities of ours or (b) the amount

Table of Contents

of proceeds required to reduce Holdco s Total Leverage Ratio to 6.0 to 1.0. The borrowers are also required to prepay borrowings under the term loan facilities with 100% of the proceeds of debt issuances (with specified exceptions), except that no prepayment is required if Holdco s Total Leverage Ratio is less than 6.0 to 1.0. If the term loan facilities have been paid in full, mandatory prepayments are applied to the repayment of borrowings under the swingline facility and revolving credit facilities and the cash collateralization of letters of credit.

The 2007 Credit Facility contains a financial covenant that requires Holdco to maintain a Total Leverage Ratio of less than or equal to 6.5 to 1.0 at any time an extension of credit is outstanding under the revolving credit facility. The 2007 Credit Facility contains affirmative and negative covenants applicable to Holdco, Operating and their restricted subsidiaries customarily found in loan agreements for similar transactions, including restrictions on their ability to incur indebtedness (which we are generally permitted to incur so long as it satisfies an incurrence test that requires it to maintain a pro forma Total Leverage Ratio of less than 6.5 to 1.0), create liens on assets, engage in certain lines of business, engage in mergers or consolidations, dispose of assets, make investments or acquisitions, engage in transactions with affiliates, enter into sale leaseback transactions, enter into negative pledges or pay dividends or make other restricted payments (except that Holdco is permitted to (a) make restricted payments so long as, after giving effect to any such restricted payment, Holdco and its subsidiaries have a Fixed Charge Coverage Ratio (as defined in the 2007 Credit Facility) equal to or greater than 1.0 to 1.0 and would be able to incur an additional $1.00 of debt under the incurrence test referred to above and (b) make restricted payments of proceeds of asset dispositions to us to the extent such proceeds are not required to prepay loans under the 2007 Credit Facility and/or cash collateralize letter of credit obligations and such proceeds are used to prepay borrowings under our acquisition credit facilities. The 2007 Credit Facility also permits the borrowers, in certain limited circumstances, to designate subsidiaries as unrestricted subsidiaries which are not subject to the covenant restrictions in the 2007 Credit Facility. The 2007 Credit Facility contains customary events of default, including defaults based on a failure to pay principal, reimbursement obligations, interest, fees or other obligations, subject to specified grace periods; a material inaccuracy of representations and warranties; breach of covenants; failure to pay other indebtedness and cross-accelerations; a Change of Control (as defined in the 2007 Credit Facility); events of bankruptcy and insolvency; material judgments; failure to meet certain requirements with respect to ERISA; and impairment of collateral. There were no extensions of credit outstanding under the revolving credit portion of the facility at December 31, 2009 and, therefore, we were not required to be in compliance with the Total Leverage Ratio covenant.

Subject to the satisfaction of certain conditions and the willingness of lenders to extend additional credit, the 2007 Credit Facility provided that the Borrowers may increase the amounts available under the revolving facility and/or the term loan facilities.

First Amendment to 2007 Credit Facility

On May 7, 2007, the Borrowers entered into the First Amendment to amend the 2007 Credit Facility. The First Amendment provided an incremental term loan facility under the 2007 Credit Facility in the amount of $275.0 million. As amended by the First Amendment, the 2007 Credit Facility includes $1.195 billion of term loan facilities and $40.0 million of a revolving credit facility. The incremental term loan facility amortizes at the same rate and matures on the same date as the existing term loan facilities under the 2007 Credit Facility prior to its amendment. Interest on the incremental term loan facility accrues at a rate per annum equal to, at the option of the borrower, (a) adjusted LIBOR plus a margin equal to (i) 2.00%, if the corporate family ratings and corporate credit ratings of Operating by Moody s Investors Service Inc. and Standard & Poor s Rating Services, are at least B1, and B+, respectively, in each case with stable outlook or (ii) 2.25%, otherwise, as was the case as of December 31, 2009, or (b) the greater of the prime rate set by Wachovia Bank, National Association, or the federal funds effective rate plus 0.50%, plus a margin 1.00% lower than that applicable to adjusted LIBOR-based loans. Any voluntary or mandatory repayment of the First Amendment term loans made with the proceeds of a new term loan entered into for the primary purpose of benefiting from a margin that is less than the margin applicable as a result of the First Amendment will be subject to a 1.00% prepayment premium. The First

Amendment term loans are subject to a most favored nation interest provision that grants the First Amendment term loans an interest rate margin that is 0.25% less than the highest margin of any future term loan borrowings under the 2007 Credit Facility.

As previously noted, the First Amendment also modified the interest rates applicable to the term loans under the prior 2007 Credit Facility. Term loans thereunder accrue interest at a rate per annum equal to, at the option of the Borrower, (a) adjusted LIBOR plus a margin equal to 2.00% or (b) the greater of the prime rate set by Wachovia Bank, National Association, or the federal funds effective rate plus 0.50%, plus a margin equal to 1.00%. The terms of the previously outstanding borrowings were also modified to include a 1.00% prepayment premium corresponding to the prepayment premium applicable to the First Amendment term loans and a corresponding most favored nation interest provision.

Second Amendment to 2007 Credit Facility

On February 3, 2009, the borrowers entered into a Second Amendment to the 2007 Credit Facility (the Second Amendment).

The Second Amendment, among other things, permits the borrowers to repurchase term loans outstanding under the 2007 Credit Facility at prices below par through one or more Modified Dutch Auctions (as defined in the Second Amendment) through December 31, 2011, provided that: (a) no Default or Event of Default under the Credit Agreement has occurred and is continuing or would result from such repurchases, (b) the sum of Unrestricted Cash and Accessible Borrowing Availability (as defined in the Second Amendment) under the 2007 Credit Facility is greater than or equal to $20.0 million; and (c) no Extension of Credit (as defined in the Second Amendment) is outstanding under the revolving credit facility before or after giving effect to such repurchases. The Second Amendment further provides that such repurchases may result in the prepayment of term loans on a non-pro rata basis. No debt repurchases are required to be made pursuant to the Second Amendment and the Company cannot provide any assurances that any such debt repurchases will be made or, if made, the prices at which such repurchases will be made.

The Second Amendment also reduces the aggregate principal amounts available under the 2007 Credit Facility, as follows: (a) for revolving loans, from $40.0 million to $20.0 million; (b) for the letter of credit subfacility, from $15.0 million to $5.0 million; and (c) for the swingline loan subfacility, from $10.0 million to $5.0 million.

In addition, the Second Amendment provides that Holdco may not incur additional term debt under the 2007 Credit Facility unless the Senior Secured Incurrence Test (as defined in the Second Amendment) is less than 4.00 to 1 and the current Incurrence Test (as defined in the Second Amendment) is satisfied.

In conjunction with the Second Amendment, the Company incurred and expensed approximately $550,000 of fees. The existing unamortized deferred financing fees that should be written off, in accordance with FASB ASC Topic 855, *Debt* , as a result of the decrease in borrowing capacity were not significant. We determined that the approximate net impact of $400,000 was immaterial and as a result we expensed the $550,000 of new fees and continue to amortize the existing deferred financing fees.

As of December 31, 2009, a total of $1.195 billion was outstanding under the 2007 Credit Facility.

Note Payable

In connection with the acquisition of certain newspapers from Morris Publishing Group, we committed to pay a portion of the purchase price under a $10.0 million promissory note. During 2008, this note was amended to include the working capital settlement related to the acquisition. On May 1, 2009, we entered into a second

Table of Contents

amendment to the promissory note with Morris Publishing Group, which requires monthly payments of interest only from January through December of 2009. On September 25, 2009, we entered into an accommodation agreement and release with Morris Publishing Group, which extinguished the promissory note for $4.0 million. As of December 31, 2009, the Company recognized a gain on early extinguishment of this debt in the amount of $7.538 million.

2008 Bridge Facility

On February 15, 2008, we and GateHouse Media Intermediate Holdco, Inc., a subsidiary of ours (Holdco II), (collectively, the Bridge Borrower) entered into the 2008 Bridge Facility with Barclays Capital (Barclays). The 2008 Bridge Facility originally provided for a $20.6 million term loan facility subject to extensions through August 15, 2009. The Bridge Facility is secured by a first priority security interest in all present and future capital stock of Holdco owned by Holdco II and all proceeds thereof.

Borrowings under the 2008 Bridge Facility bear interest at a floating rate equal to the LIBOR Rate (as defined in the 2008 Bridge Facility), plus an applicable margin. During the first three months of the facility, until May 15, 2008, the applicable margin was 8.00%. After May 15, 2008 and until the date of the Second Waiver and Amendment to the 2008 Bridge Facility (February 12, 2009) the applicable margin was 10.00%. After the date of the Second Waiver and Amendment to the 2008 Bridge Facility (as defined below) and until the maturity date, the applicable margin is 12.00%.

The Bridge Borrower is required to prepay borrowings under the 2008 Bridge Facility with (a) 100% of the net cash proceeds from the issuance or incurrence of debt by Holdco II and its restricted subsidiaries, (b) 100% of the net cash proceeds from any issuances of equity by Holdco II or any of its restricted subsidiaries and (c) 100% of the net cash proceeds of asset sales and dispositions by Holdco II and its subsidiaries, except, in the case of each of clause (a), (b) and (c), to the extent such required prepayment would contravene any provision of, or cause a violation of or default under, the 2007 Credit Facility, in which case such mandatory prepayment shall not be required. The Bridge Borrower may voluntarily prepay the 2008 Bridge Facility at any time.

In connection with the 2008 Bridge Facility, Holdco II entered into a pledge agreement in favor of Barclays, pursuant to which Holdco II pledges certain assets for the benefit of the secured parties as collateral security for the payment and performance of its obligations under the 2008 Bridge Facility. The pledged assets include, among other things (a) all present and future capital stock or other membership, equity, ownership or profits interest of the Holdco II in all of its direct domestic restricted subsidiaries and (b) 65% of the voting stock (and 100% of the nonvoting stock) of all of the present and future first-tier foreign subsidiaries.

First Waiver to 2008 Bridge Facility

On October 17, 2008, Holdco II entered into the First Waiver to the 2008 Bridge Facility. The First Waiver waived compliance by Holdco II with the Total Leverage Ratio (as defined in the 2008 Bridge Facility) covenant, for the quarter ended September 30, 2008. The Total Leverage Ratio was required to be no greater than 7.25 to 1.00.

Second Waiver and Amendment to 2008 Bridge Facility

On February 12, 2009, Holdco II entered into the Second Waiver and Amendment to the 2008 Bridge Facility. The Second Waiver and Amendment waived compliance by Holdco II with the Total Leverage Ratio Covenant for the quarter ended December 31, 2008. As mentioned above, the Second Waiver and Amendment also set the applicable margin for the 2008 Bridge Facility at 12.00% and established an amortization schedule for the outstanding balance due under the 2008 Bridge Facility to be paid by December 31, 2009. Monthly payments under the amortization schedule were to begin in May 2009.

Furthermore, under the Second Waiver and Amendment to the 2008 Bridge Facility the covenant requiring compliance with the Total Leverage Ratio was eliminated. The Bridge Borrower also agreed to prepay the 2008 Bridge Facility in any month, and only to the extent that, the month end cash balance exceeds the Projected Cash Balance by $2.0 million, starting in May of 2009, and agreed to make certain prepayments in the event of any voluntary repurchase or prepayment of term loans under the 2007 Credit Facility.

Third Waiver to the 2008 Bridge Facility

On June 1, 2009, Holdco II entered into the Third Waiver to the 2008 Bridge Facility. The Third Waiver waived compliance by Holdco II with the obligation to pay the monthly payment due on May 31, 2009 in the principal amount of $1.5 million until June 12, 2009.

Third Amendment to 2008 Bridge Facility

On June 12, 2009, Holdco II entered into the Third Amendment to the 2008 Bridge Facility. The Third Amendment established a revised amortization schedule for the outstanding balance due under the 2008 Bridge Facility which runs through February 12, 2011. Bi-monthly payments of $1.5 million under the revised amortization schedule began in June 2009 with any remaining amounts due February 12, 2011. As a result of the prepayment of a portion of the 2008 Bridge Facility the final payment has been accelerated to December 2010. The Bridge Borrower s agreement to prepay the 2008 Bridge Facility in any month was amended to provide that the Bridge Borrower prepay the 2008 Bridge Facility in any month, and only to the extent that, the month end cash balance exceeds the revised Projected Cash Balance by $4.0 million, starting in June of 2009. The Bridge Borrower also agreed to additional informational document delivery requirements. In addition, the applicable grace period for any failure to make a principal payment was extended to 30 days. As of December 31, 2009, a total of $8.0 million was outstanding under the 2008 Bridge Facility.

Preferred Stock Agreement with Subsidiary

On August 21, 2008, FIF III Liberty Holdings LLC (FIF III) purchased an aggregate of $11.5 million in 10% cumulative preferred stock of GateHouse Media Macomb Holdings, Inc. (Macomb), an operating subsidiary of ours. Macomb, an Unrestricted Subsidiary under the terms of the 2007 Credit Facility, used the proceeds from such sale of preferred stock to make an $11.5 million cash investment in Holdco non-voting 10% cumulative preferred stock. FIF III may require us to purchase its Macomb preferred stock during the five-year period following the full repayment by us of the 2008 Bridge Facility for an amount equal to the original purchase price plus accrued but unpaid dividends. The entire preferred stock balance of $11.5 million is included in current portion of long-term liabilities, and dividends of $1.567 million are accrued as of December 31, 2009. FIF III is an affiliate of Fortress Investment Group, LLC, the owner of approximately 39.5% of the Company s outstanding Common Stock.

Compliance with Covenants

We currently are in compliance with all of the covenants and obligations under the 2007 Credit Facility, as amended, and the 2008 Bridge Facility, as amended. However, due to restrictive covenants and conditions within each of the facilities, we currently do not have the ability to draw upon the revolving credit facility portion of the 2007 Credit Facility for any immediate short-term funding needs or to incur additional long-term debt.

Fair Value

The fair value of our total long-term debt, determined based on estimated market prices for similar issues of debt with consistent remaining maturities and terms, total approximately $689.0 million.

Table of Contents

Payment Schedule

As of December 31, 2009, scheduled principal payments of outstanding debt are as follows (in thousands):

2010	8,000
2011	
2012	
2013	
2014	1,195,000
	$ 1,203,000
Less: Short-Term Debt	8,000
Long-Term Debt	$ 1,195,000

Summary Disclosure About Contractual Obligations and Commercial Commitments

The following table reflects a summary of our contractual cash obligations, including estimated interest payments where applicable, as of December 31, 2009:

	2010	2011	2012	2013	2014	Thereafter	Total
				(In Thousands)			
2007 Credit Facility and short-term note payable	$ 66,111	$ 57,417	$ 57,417	$ 57,417	$ 1,233,278	$	$ 1,471,640
Noncompete payments	739	721	631	419	286	850	3,646
Operating lease obligations	4,935	2,689	2,312	2,168	1,741	1,654	15,499
Letters of credit	5,265						5,265
Total	$ 77,050	$ 60,827	$ 60,360	$ 60,004	$ 1,235,305	$ 2,504	$ 1,496,050

On February 27, 2007, we entered into the 2007 Credit Facility with a syndicate of financial institutions with Wachovia Bank, National Association as administrative agent. The 2007 Credit Facility provides for a $670.0 million term loan facility which matures in August 2014, a delayed draw term loan of up to $250.0 million available until August 2007 which matures in August, 2014 and a revolving credit agreement with a $40.0 million aggregate loan commitment available, including a $15.0 million sub-facility for letters of credit and a $10.0 million swingline facility, which matures in February 2014.

On May 7, 2007, we amended our 2007 Credit Facility and increased our borrowings by $275.0 million.

On February 3, 2009, we again amended our 2007 Credit Facility and reduced the amounts available under the credit agreement, as follows: (i) for revolving loans, from $40,000,000 to $20,000,000; (ii) for the letter of credit subfacility, from $15,000,000 to $5,000,000; and (iii) for the swingline loan subfacility, from $10,000,000 to $5,000,000.

We do not have any off-balance sheet arrangements reasonably likely to have a current or future effect on our financial statements.

Recently Issued Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued guidance now codified as FASB ASC Topic 820 *Fair Value Measurements and Disclosures* (ASC 820). ASC 820 defines fair value, provides a market-based framework for measuring fair value, and expands disclosure requirements. ASC 820 applies to other accounting pronouncements that require or permit fair value measurements. ASC 820 does not require any new fair value measurements. ASC 820 is initially effective for financial statements issued for fiscal

years beginning after November 15, 2007. However, the FASB provided a one year deferral for implementation of the standard for non-financial assets and liabilities. Accordingly, our adoption of ASC 820 in 2008 was primarily related to the valuation of our derivative instruments. The adoption of ASC 820 in 2008 decreased the value of the derivative instruments by $3.3 million upon adoption. The adoption of ASC 820 did not have a material effect on nonfinancial assets and liabilities.

In December 2007, the FASB issued guidance now codified as FASB ASC Topic 805, *Business Combinations* (ASC 805), and FASB ASC Topic 810 *Consolidation* (ASC 810).

ASC 805 significantly changes the accounting for business combinations. Under ASC 805, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date at fair value with limited exceptions. ASC 805 further changes the accounting treatment for certain specific items, including:

- Acquisition costs will be generally expensed as incurred;
- Acquired contingent liabilities will be recorded at fair value at the acquisition date and subsequently measured at either the higher of such amount or the amount determined under existing guidance for non-acquired contingencies;
- Restructuring costs associated with a business combination will be generally expensed subsequent to the acquisition date; and
- Changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense.

ASC 805 includes a substantial number of new disclosure requirements. ASC 805 applies prospectively to our business combinations for which the acquisition date is on or after January 1, 2009. The adoption of ASC 805 could have a material impact on the consolidated financial statements if significant acquisitions are consummated in the future.

In December 2007, the FASB issued guidance now codified as FASB ASC Topic 810 *Consolidation* (ASC 810). ASC 810 requires reporting entities to present noncontrolling (minority) interests as equity (as opposed to as a liability) and provides guidance on the accounting for transactions between an entity and noncontrolling interests. ASC 810 applies prospectively as of January 1, 2009, except for the presentation on disclosure requirements which will be applied retrospectively for all periods presented. Effective January 1, 2009 the Company revised its financial statement presentation for the noncontrolling interest related to a small subsidiary.

In March 2008, the FASB issued guidance now codified as FASB ASC Topic 815, *Derivatives and Hedging* (ASC 815). The new standard requires additional disclosures regarding a company s derivative instruments and hedging activities by requiring disclosure of the fair values of derivative instruments and their gains and losses in a tabular format. It also requires disclosure of derivative features that are credit risk-related as well as cross-referencing within the notes to the financial statements to enable financial statement users to locate important information about derivative instruments, financial performance, and cash flows. ASC 815 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The principal impact from this standard required us to expand our disclosures regarding derivative instruments.

In June 2009, the Financial Accounting Standards Board (FASB) issued guidance now codified as FASB ASC Topic 105 *Generally Accepted Accounting Principles* (the Codification). The Codification, which was launched on July 1, 2009, became the single source of authoritative nongovernmental GAAP, superseding existing FASB, American Institute of Certified Public Accountants (AICPA), Emerging Issues Task Force

(EITF) and related literature. The Codification eliminates the GAAP hierarchy contained in SFAS No. 162 and establishes one level of authoritative GAAP. Pursuant to the Codification, all other literature is considered non-authoritative. This Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. We adopted the Codification for the quarter ending September 30, 2009. There was no change to our Consolidated Financial Statements due to the implementation of the Codification.

In May 2009, the FASB issued guidance now codified as FASB ASC Topic 855, *Subsequent Events*. This statement sets forth: (a) 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; (b) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and (c) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This statement is effective for interim and annual periods ending after June 15, 2009. We adopted this Statement in the quarter ended June 30, 2009 and our financial statements were not impacted. The guidance was subsequently nullified by FASB ASU No. 2010-09, *Amendments to Certain Recognition and Disclosure Requirements* which amends ASC 855 and was issued in February 2010.

In April 2009, the FASB issued guidance now codified as FASB ASC Topic 825 *Financial Instruments* (ASC 825), which amends previous Topic 825 guidance to require disclosures about fair value of financial instruments for interim periods of publicly traded companies as well as in annual financial statements. This ASC 825 requires those disclosures in summarized financial information at interim reporting periods. We adopted the provisions of ASC 825 during the three months ended June 30, 2009. See Note 10 of the condensed consolidated financial statements.

In January 2010, the FASB issued guidance as Accounting Standards Updated (ASU) No. 2010-06, *Improving Disclosures about Fair Value Measurements*, which amends ASC 820. ASU No. 2010-06 amends the ASC to require disclosure of transfers into and out of Level 1 and Level 2 fair value measurements, and also require more detailed disclosure about the activity within Level 3 fair value measurements. The changes to the ASC as a result of this update are effective for annual and interim reporting periods beginning after December 15, 2009 (January 1, 2010 for the Company), except for requirements related to Level 3 disclosures, which are effective for annual and interim reporting periods beginning after December 15, 2010 (January 1, 2011 for the Company). This guidance requires new disclosures only, and will have no impact on the Company s Consolidated Financial Statements.

Non-GAAP Financial Measures

A non-GAAP financial measure is generally defined as one that purports to measure historical or future financial performance, financial position or cash flows, but excludes or includes amounts that would not be so adjusted in the most comparable GAAP measure. In this report, we define and use Adjusted EBITDA, a non-GAAP financial measure, as set forth below.

Adjusted EBITDA

We define Adjusted EBITDA as follows:

Income (loss) from continuing operations *before*:

- Income tax expense (benefit);
- interest/financing expense;
- depreciation and amortization; and
- non-cash impairments.

Table of Contents

Management s Use of Adjusted EBITDA

Adjusted EBITDA is not a measurement of financial performance under GAAP and should not be considered in isolation or as an alternative to income from operations, net income (loss), cash flow from continuing operating activities or any other measure of performance or liquidity derived in accordance with GAAP. We believe this non-GAAP measure, as we have defined it, is helpful in identifying trends in our day-to-day performance because the items excluded have little or no significance on our day-to-day operations. This measure provides an assessment of controllable expenses and affords management the ability to make decisions which are expected to facilitate meeting current financial goals as well as achieve optimal financial performance. We believe that it also provides an indicator for management to determine if adjustments to current spending decisions are needed.

Adjusted EBITDA provides us with a measure of financial performance, independent of items that are beyond the control of management in the short-term, such as depreciation and amortization, taxation and interest expense associated with our capital structure. This metric measures our financial performance based on operational factors that management can impact in the short-term, namely the cost structure or expenses of the organization. Adjusted EBITDA is one of the metrics used by senior management and the board of directors to review the financial performance of the business on a monthly basis.

Limitations of Adjusted EBITDA

Adjusted EBITDA has limitations as an analytical tool. It should not be viewed in isolation or as a substitute for GAAP measures of earnings or cash flows. Material limitations in making the adjustments to our earnings to calculate Adjusted EBITDA and using this non-GAAP financial measure as compared to GAAP net income (loss), include: the cash portion of interest/financing expense, income tax (benefit) provision and charges related to gain (loss) on sale of facilities represent charges (gains), which may significantly affect our financial results.

An investor or potential investor may find this item important in evaluating our performance, results of operations and financial position. We use non-GAAP financial measures to supplement our GAAP results in order to provide a more complete understanding of the factors and trends affecting our business.

Adjusted EBITDA is not an alternative to net income, income from operations or cash flows provided by or used in operations as calculated and presented in accordance with GAAP. Readers of our financial statements should not rely on Adjusted EBITDA as a substitute for any such GAAP financial measure. We strongly urge readers of our financial statements to review the reconciliation of income (loss) from continuing operations to Adjusted EBITDA, along with our consolidated financial statements included elsewhere in this report. We also strongly urge readers of our financial statements to not rely on any single financial measure to evaluate our business. In addition, because Adjusted EBITDA is not a measure of financial performance under GAAP and is susceptible to varying calculations, the Adjusted EBITDA measure, as presented in this report, may differ from and may not be comparable to similarly titled measures used by other companies.

We use Adjusted EBITDA as a measure of our core operating performance, which is evidenced by the publishing and delivery of news and other media and excludes certain expenses that may not be indicative of our core business operating results. We consider the unrealized (gain) loss on derivative instruments and the loss on early extinguishment of debt to be financing related costs associated with interest expense or amortization of financing fees. Accordingly, we exclude financing related costs such as the early extinguishment of debt because they represent the write-off of deferred financing costs and we believe these non-cash write-offs are similar to interest expense and amortization of financing fees, which by definition are excluded from Adjusted EBITDA. Additionally, the non-cash gains (losses) on derivative contracts, which are related to interest rate swap agreements to manage interest rate risk, are financing costs associated with interest expense. Such charges are incidental to, but not reflective of, our core operating performance and it is appropriate to exclude charges related to financing activities such as the early extinguishment of debt and the unrealized (gain) loss on derivative instruments which, depending on the nature of the financing arrangement, would have otherwise been amortized over the period of the related agreement and does not require a current cash settlement.

Table of Contents

The table below shows the reconciliation of income (loss) from continuing operations to Adjusted EBITDA for the periods presented:

	Year Ended December 31, 2009 (Successor)	Year Ended December 31, 2008 (Successor)	Year Ended December 31, 2007 (Successor)	Year Ended December 31, 2006 (Successor)	Period from June 6, 2005 to December 31, 2005 (Successor)	Period from January 1, 2005 to June 5, 2005 (Predecessor)
			(In Thousands)			
Income (loss) from continuing operations	$ (527,347)	$ (658,710)	$ (234,165)	$ (2,486)	$ 9,565	$ (24,831)
Income tax expense (benefit)	342	(21,139)	(31,789)	(3,769)	7,050	(3,027)
Unrealized (gain) loss on derivative instrument[1]	12,672	10,119	2,378	(1,150)	(10,807)	
Loss on early extinguishment of debt[2]	(7,538)		2,240	2,086		5,525
Amortization of deferred financing costs	1,360	1,845	2,101	544	67	643
Interest expense dividends on mandatorily redeemable preferred stock						13,484
Write-off of financing costs	743					
Interest expense debt	64,631	88,630	76,726	35,994	11,760	13,232
Impairment of long-lived assets	206,089	123,717	1,553	917		
Transaction costs related to Merger and Massachusetts Acquisitions					2,850	7,703
Depreciation and amortization	55,752	69,913	57,092	23,610	8,030	5,776
Goodwill and mastheads impairment	275,310	488,543	225,820			
Adjusted EBITDA from continuing operations	$ 82,014[a]	$ 102,918[b]	$ 101,956[c]	$ 55,746[d]	$ 28,515[e]	$ 18,505[f]

(a) Adjusted EBITDA for the year ended December 31, 2009 included net expenses of $9,463 which are one time in nature or non-cash compensation. Included in these net expenses of $9,463 is non-cash compensation and other expenses of $8,635, non-cash portion of post retirement benefits expense of $(782), integration and reorganization costs of $2,028 and $418 gain on the sale of assets. Adjusted EBITDA also does not include $(472) of EBITDA generated from our discontinued operations.

(b) Adjusted EBITDA for the year ended December 31, 2008 included net expenses of $24,149 which are one time in nature or non-cash compensation. Included in these net expenses of $24,149 is non-cash compensation and other expenses of $18,198, non-cash portion of post retirement benefits expense of $(1,499), integration and reorganization costs of $7,113 and $337 loss on the sale of assets. Adjusted EBITDA also does not include $4,307 of EBITDA generated from our discontinued operations.

(c) Adjusted EBITDA for the year ended December 31, 2007 included net expenses of $23,791 which are one-time in nature or non-cash compensation. Included in these net expenses of $23,791 is non-cash compensation and other expense of $14,007, non-cash portion of postretirement benefits expense of $799, integration and reorganization costs of $7,490 and a $1,495 loss on the sale of assets.

Adjusted EBITDA also does not include $10,189 from SureWest Directories due to the impact of purchase accounting and $4,956 of EBITDA generated from our discontinued operations, including Huntington, West Virginia, Yankton, South Dakota and Winter Haven, Florida.

Table of Contents

(d) Adjusted EBITDA for the year ended December 31, 2006 included net expenses of $11,109 which are one-time in nature or non-cash compensation. Included in these net expenses of $11,109 is non-cash compensation and other expense of $5,175, non-cash portion of postretirement benefit expense of $748, integration and reorganization costs of $4,486 and a $700 loss on the sale of assets.

Adjusted EBITDA also does not include $1,860 of EBITDA generated from our discontinued operations, including Globe, Arizona, Oswego, New York, and Milton and Sayre, Pennsylvania.

(e) Adjusted EBITDA for the period from June 6, 2005 to December 31, 2005 included net expenses of $1,643 which are one-time in nature or non-cash compensation. Included in these net expenses of $1,643 is non-cash compensation and other expense of $681 and integration and reorganization costs of $1,002, which are partially offset by a $40 gain on the sale of assets.

(f) Adjusted EBITDA for the period from January 1, 2005 to June 5, 2005 included net expenses of $1,564 which are one-time in nature or non-cash compensation. Included in these net expenses of $1,564 is non-cash compensation and other expense of $796 and management fees paid to prior owners of $768.

(1) Non-cash (gain) loss on derivative instruments is related to interest rate swap agreements which are financing related and are excluded from Adjusted EBITDA.

(2) Non-cash write-off of deferred financing costs are similar to interest expense and amortization of financing fees and are excluded from Adjusted EBITDA.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from changes in interest rates and commodity prices. Changes in these factors could cause fluctuations in earnings and cash flow. In the normal course of business, exposure to certain of these market risks is managed as described below.

Interest Rates

On August 18, 2008, we terminated interest rate swaps with a total notional amount of $570.0 million. At December 31, 2009, after consideration of the interest rate swaps described below, $570.0 million of the remaining principal amount of our term loans are subject to floating interest rates.

Our debt structure and interest rate risks are managed through the use of floating rate debt and interest rate swaps. Our primary exposure is to LIBOR. A 100 basis point change in LIBOR would change our income from continuing operations before income taxes on an annualized basis by approximately $5.8 million, based on average pro forma floating rate debt outstanding during 2009, after consideration of the interest rate swaps of $625.0 million described below, and average amounts outstanding under the 2008 Bridge Facility and revolving credit facility during 2009.

On February 27, 2007, we executed an interest rate swap in the notional amount of $100.0 million with a forward starting date of February 28, 2007. The interest rate swap has a term of seven years. Under this swap, we pay an amount to the swap counterparty representing interest on a notional amount at a rate of 5.14% and receive an amount from the swap counterparty representing, interest on the notional amount at a rate equal to the one month LIBOR.

On April 4, 2007, we executed an additional interest rate swap in the notional amount of $250.0 million with a forward starting date of April 13, 2007. The interest rate swap has a term of seven years. Under this swap, we pay an amount to the swap counterparty representing interest on a notional amount at a rate of 4.971% and receive an amount from the swap counterparty representing interest on the notional amount at a rate equal to one month LIBOR.

On April 13, 2007, we executed an additional interest rate swap in the notional amount of $200.0 million with a forward starting date of April 30, 2007. The interest rate swap has a term of seven years. Under this swap,

Table of Contents

we pay an amount to the swap counterparty representing interest on a notional amount at a rate of 5.079% and receive an amount from the swap counterparty representing interest on the notional amount at a rate equal to one month LIBOR.

On September 18, 2007, we executed an additional interest rate swap based on a notional amount of $75.0 million with a forward starting date of September 18, 2007. The interest rate swap has a term of seven years. Under the swap, we pay an amount to the swap counterparty representing interest on a notional amount at a rate of 4.941% and receive an amount from the swap counterparty representing interest on the notional amount at a rate equal to one month LIBOR.

Commodities

Certain materials we use are subject to commodity price changes. We manage this risk through instruments such as purchase orders, membership in a buying consortium and continuing programs to mitigate the impact of cost increases through identification of sourcing and operating efficiencies. Primary commodity price exposures are newsprint, energy costs and, to a lesser extent, ink.

A $10 per metric ton newsprint price change would result in a corresponding annualized change in our income from continuing operations before income taxes of $0.7 million based on newsprint usage for the year ended December 31, 2009 of approximately 65,700 metric tons.

Table of Contents

Item 8. Financial Statements and Supplementary Data

GATEHOUSE MEDIA, INC.

INDEX TO FINANCIAL STATEMENTS

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of

GateHouse Media, Inc.

We have audited the accompanying consolidated balance sheets of GateHouse Media, Inc. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, stockholders equity (deficit), and cash flows for each of the three years in the period ended December 31, 2009. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of GateHouse Media, Inc. and subsidiaries at December 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), GateHouse Media, Inc. s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 4, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Buffalo, New York

March 4, 2010

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	December 31, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,999	$ 11,744
Accounts receivable, net of allowance for doubtful accounts of $4,569 and $6,024 at December 31, 2009 and 2008, respectively	67,669	75,274
Inventory	7,049	10,790
Prepaid expenses	5,128	4,576
Other current assets	6,873	3,808
Total current assets	97,718	106,192
Property, plant, and equipment, net of accumulated depreciation of $81,493 and $57,400 at December 31, 2009 and 2008, respectively	171,572	194,401
Goodwill	14,343	261,332
Intangible assets, net of accumulated amortization of $130,472 and $100,132 at December 31, 2009 and 2008, respectively	295,731	565,033
Deferred financing costs, net	5,695	7,055
Other assets	5,442	2,489
Long-term assets held for sale	1,428	13,119
Total assets	$ 591,929	$ 1,149,621
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)		
Current liabilities:		
Current portion of long-term liabilities	$ 14,369	$ 1,879
Short-term note payable		11,538
Short-term debt	8,000	17,000
Accounts payable	6,075	20,378
Accrued expenses	28,598	31,395
Accrued interest	3,235	7,895
Deferred revenue	27,826	28,444
Total current liabilities	88,103	118,529
Long-term liabilities:		
Long-term debt	1,195,000	1,195,000
Long-term liabilities, less current portion	4,733	16,658
Derivative instruments	44,522	34,957
Pension and other postretirement benefit obligations	13,147	13,555
Total liabilities	1,345,505	1,378,699
Stockholders equity (deficit):		
Common stock, $0.01 par value, 150,000,000 shares authorized at December 31, 2009; 58,313,868 and 58,213,868 shares issued, and 58,104,009 and 58,020,693 outstanding at December 31, 2009 and December 31, 2008, respectively	568	568
Additional paid-in capital	829,009	825,580
Accumulated other comprehensive loss	(48,916)	(51,604)

Accumulated deficit	(1,533,421)	(1,003,319)
Treasury stock, at cost, 209,859 and 193,175 shares at December 31, 2009, and December 31, 2008, respectively	(306)	(303)
Total GateHouse Media stockholders deficit	(753,066)	(229,078)
Noncontrolling interest	(510)	
Total stockholders deficit	(753,576)	(229,078)
Total liabilities and stockholders deficit	$ 591,929	$ 1,149,621

See accompanying notes to consolidated financial statements.

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Revenues:			
Advertising	$ 409,725	$ 492,557	$ 424,974
Circulation	142,023	145,653	117,023
Commercial printing and other	33,290	40,841	32,928
Total revenues	585,038	679,051	574,925
Operating costs and expenses:			
Operating costs	335,602	382,333	309,633
Selling, general, and administrative	165,160	186,409	154,406
Depreciation and amortization	55,752	69,913	57,092
Integration and reorganization costs	2,029	7,113	7,490
Impairment of long-lived assets	206,089	123,717	1,553
(Gain) loss on sale of assets	(418)	337	1,496
Goodwill and mastheads impairment	275,310	488,543	225,820
Operating loss	(454,486)	(579,314)	(182,565)
Interest expense	64,631	88,630	76,726
Amortization of deferred financing costs	1,360	1,845	2,101
(Gain) loss on early extinguishment of debt	(7,538)		2,240
Unrealized loss on derivative instrument	12,672	10,119	2,378
Other (income) expense	1,394	(59)	16
Loss from continuing operations before income taxes	(527,005)	(679,849)	(266,026)
Income tax expense (benefit)	342	(21,139)	(31,861)
Loss from continuing operations	(527,347)	(658,710)	(234,165)
Income (loss) from discontinued operations, net of income taxes	(3,265)	(14,596)	2,741
Net loss	$ (530,612)	$ (673,306)	$ (231,424)
Net loss attributable to noncontrolling interest	$ 510	$	$
Net loss attributable to GateHouse Media	$ (530,102)	$ (673,306)	$ (231,424)
Loss per share:			
Basic and diluted:			
Loss from continuing operations attributable to GateHouse Media	$ (9.18)	$ (11.54)	$ (5.05)
Net loss attributable to GateHouse Media	$ (9.24)	$ (11.80)	$ (4.99)
Dividends declared per share	$	$ 0.20	$ 1.57

See accompanying notes to consolidated financial statements.

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT)

(In thousands, except share data)

	Common stock			Accumulated		Treasury stock		Non-	
			Additional paid-in	other comprehensive	Accumulated			controlling interest	
	Shares	Amount	capital	loss	deficit	Shares	Amount	in subsidiary	Total
Balance at December 31, 2006	39,147,263	$ 381	$ 486,011	$ (2,644)	$ (10,604)	6,000	$ (60)	$	$ 473,084
Comprehensive loss:									
Net loss					(231,424)				(231,424)
Unrealized loss on derivative instrument, net of income taxes of $930				(48,764)					(48,764)
Net actuarial loss and prior service cost, net of income taxes of $930				1,446					1,446
Comprehensive loss									(278,742)
Restricted share grants	198,846								
Non-cash compensation expense			4,617						4,617
Restricted share forfeitures	(99,036)					35,469			
Restricted stock canceled for withholding tax						14,309	(176)		(176)
Deferred offering costs from initial public offering			(38)						(38)
Issuance of common stock from follow on public offering, net of issuance costs	18,700,000	187	331,435						331,622
Common stock cash dividends					(76,379)				(76,379)
Balance at December 31, 2007	57,947,073	$ 568	$ 822,025	$ (49,962)	$ (318,407)	55,778	$ (236)	$	$ 453,988
Comprehensive loss:									
Net loss					(673,306)				(673,306)
Unrealized loss on derivative instrument, net of income taxes of $0				(373)					(373)
Net actuarial loss and prior service cost, net of income taxes of $0				(1,269)					(1,269)
Comprehensive loss									(674,948)
Restricted share grants	266,795								
Non-cash compensation expense			3,555						3,555
Purchase of treasury stock						137,397	(67)		(67)
Common stock cash dividends					(11,606)				(11,606)
Balance at December 31, 2008	58,213,868	$ 568	$ 825,580	$ (51,604)	$ (1,003,319)	193,175	$ (303)	$	$ (229,078)

83

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT) (Continued)

(In thousands, except share data)

	Common stock		Additional	Accumulated other		Treasury stock		Non- controlling	
	Shares	Amount	paid-in capital	comprehensive loss	Accumulated deficit	Shares	Amount	interest in subsidiary	Total
Balance at December 31, 2008	58,213,868	$ 568	$ 825,580	$ (51,604)	$ (1,003,319)	193,175	$ (303)	$	$ (229,078)
Comprehensive loss:									
Net loss					(530,102)			(510)	(530,612)
Gain on derivative instruments, net of income taxes of $0				3,107					3,107
Net actuarial loss and prior service cost, net of income taxes of $0				(419)					(419)
Comprehensive loss .									(527,924)
Restricted share grants	100,000								
Non-cash compensation expense			3,429						3,429
Purchase of treasury stock						16,684	(3)		(3)
Balance at December 31, 2009	58,313,868	$ 568	$ 829,009	$ (48,916)	$ (1,533,421)	209,859	$ (306)	$ (510)	$ (753,576)

84

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In thousands)

	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Cash flows from operating activities:			
Net loss	$ (530,612)	$ (673,306)	$ (231,424)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	55,821	71,573	57,750
Amortization of deferred financing costs	1,360	1,845	2,101
Loss on derivative instrument	12,672	10,119	2,378
Non-cash compensation expense	3,429	3,555	4,687
Deferred income taxes		(21,348)	(32,154)
(Gain) loss on sale of assets	(418)	337	1,495
(Gain) loss on early extinguishment of debt	(7,538)		2,240
Pension and other postretirement benefit obligations	(782)	(1,499)	800
Non-cash interest expense		618	
Impairment of long-lived assets	208,794	132,856	1,553
Goodwill and mastheads impairment	275,310	496,309	225,993
Changes in assets and liabilities, net of acquisitions:			
Accounts receivable, net	7,120	11,197	5,153
Inventory	3,704	(1,697)	2,138
Prepaid expenses	(596)	274	1,143
Other assets	(2,696)	(790)	(2,685)
Accounts payable	(14,303)	6,663	5,021
Accrued expenses	(3,001)	(7,033)	10,548
Accrued interest	(4,660)	(2,052)	7,589
Deferred revenue	(463)	(1,349)	(398)
Other long-term liabilities	717	(766)	(195)
Net cash provided by operating activities	3,858	25,506	63,733
Cash flows from investing activities:			
Purchases of property, plant, and equipment	(2,476)	(9,704)	(8,602)
Proceeds from sale of publications and other assets	11,151	48,938	79,658
Acquisition of Enterprise NewsMedia, LLC, net of cash acquired			(154)
Acquisition of The Copley Press, Inc. Newspapers, net of cash acquired		(11)	(385,756)
Acquisition of Gannett Co., Inc. Newspapers, net of cash acquired			(418,576)
Other acquisitions, net of cash acquired	(275)	(27,548)	(317,738)
Net cash provided by (used) in investing activities	8,400	11,675	(1,051,168)
Cash flows from financing activities:			
Payment of debt issuance costs		(7)	(7,460)
Borrowings under term loans		19,505	1,534,757
Repayments of term loans	(9,000)	(22,547)	(897,757)
Repayments under short-term note payable	(4,000)		
Borrowings under revolving credit facility		39,700	54,700
Repayments under revolving credit facility		(50,700)	(43,700)
Payment of offering costs			(1,374)
Issuance of common stock, net of underwriter s discount			332,939
Purchase of treasury stock	(3)	(67)	(176)
Payment of dividends		(34,731)	(62,700)
Issuance of subsidiary preferred stock		11,500	
Payment of subsidiary preferred stock issuance costs		(186)	

Net cash provided by (used in) financing activities	(13,003)	(37,533)	909,229
Net decrease in cash and cash equivalents	(745)	(352)	(78,206)
Cash and cash equivalents at beginning of period	11,744	12,096	90,302
Cash and cash equivalents at end of period	$ 10,999	$ 11,744	$ 12,096
Supplemental disclosures on cash flow information:			
Cash interest paid	$ 67,950	$ 89,677	$ 74,910
Cash income taxes paid	487	115	131
Note payable issued related to the acquisition of Morris Publishing Group			10,000

85

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share data)

(1) Description of Business, Basis of Presentation and Summary of Significant Accounting Policies

(a) Description of Business

GateHouse Media, Inc. (GateHouse), formerly Liberty Group Publishing, Inc. (LGP), and subsidiaries is a leading U.S. publisher of local newspapers and related publications that are generally the dominant source of local news and print advertising in their markets. As of December 31, 2009, the Company (as defined below) owned and operated 469 publications located in 21 states. The majority of the Company s paid daily newspapers have been published for more than 100 years and are typically the only paid daily newspapers of general circulation in their respective nonmetropolitan markets. The Company s publications generally face limited competition as a result of operating in small and midsized markets that can typically support only one newspaper. The Company has strategically clustered its publications in geographically diverse, nonmetropolitan markets in the Midwest and Northeast United States, which limits its exposure to economic conditions in any single market or region.

Unlike large metropolitan newspapers, the Company derives a majority of its revenues from local advertising, rather than national advertising, which is generally more sensitive to economic conditions. The Company currently operates in a single reportable segment as its publications have similar economic characteristics, products, customers and distribution.

(b) Basis of Presentation

GateHouse was formed in 1997 for purposes of acquiring 166 daily and weekly newspapers. GateHouse is a holding company for its wholly owned subsidiary, GateHouse Media Operating, Inc. (Operating Company). The consolidated financial statements include the accounts of GateHouse and Operating Company and its consolidated subsidiaries (the Company). All significant intercompany accounts and transactions have been eliminated.

(c) Initial Public Offering

On October 25, 2006, the Company completed its initial public offering (IPO) of 13,800,000 shares of common stock at $18.00 per share. The Company s registered common stock is currently quoted over-the-counter on the Pink OTC Markets, Inc., or pink sheets, under the symbol GHSE.

On November 3, 2006, the underwriters of the Company s IPO exercised their option to purchase an additional 2,070,000 shares of common stock pursuant to the terms of the underwriting agreement. The total net proceeds from the IPO of 13,800,000 shares and this additional allotment of 2,070,000 shares after deducting offering expenses and the underwriting discount was $261,605.

(d) Follow-on Public Offering

On July 23, 2007, the Company completed a follow-on public offering of 18,700,000 shares of its common stock, including 1,700,000 shares sold pursuant to the exercise by the underwriters of their option, pursuant to the terms of the underwriting agreement, at a public offering price of $18.45 per share. The total net proceeds from the follow-on public offering were approximately $331,622.

(e) Recent Developments

The newspaper industry and the Company have experienced declining same store revenue over the past few years. This has led to increased losses, reduced cash flow from operations and the need to record impairment

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

charges for certain long term assets. It has also made it more difficult to meet certain debt covenants and has eliminated the availability of additional borrowings under the Company s revolving debt agreement. As a result of these trends in the industry and the Company, management has implemented plans to reduce costs and preserve cash flow and will continue to execute on these plans. This includes suspending the payment of the Company s cash dividend, the issuance of preferred stock, the repayment of borrowings under the revolving debt agreement, and the planned continued implementation of cost reduction programs. Management believes these initiatives will provide the financial resources necessary to invest in the business, ensure the Company s future success, and will provide the cash flow to enable the Company to meet its financial commitments in 2010.

(f) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(g) Fiscal Year

The Company s fiscal year end is December 31, 2009. CP Media, the newspapers acquired from the Copley Press, Inc. and Gannett Co., Inc., subsidiaries of the Company, have a fiscal year which ends on the Sunday closest to December 31 which was December 27 in 2009.

(h) Accounts Receivable

Accounts receivable are stated at amounts due from customers, net of an allowance for doubtful accounts. The Company s allowance for doubtful accounts is based upon several factors including the length of time the receivables are past due, historical payment trends and current economic factors. The Company generally does not require collateral.

(i) Inventory

Inventory consists principally of newsprint, which is valued at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method.

(j) Property, Plant, and Equipment

Property, plant, and equipment is recorded at cost. Routine maintenance and repairs are expensed as incurred.

Depreciation is calculated under the straight-line method over the estimated useful lives, principally 25 years for buildings and improvements, 3 to 10 years for machinery and equipment, and 3 to 10 years for furniture, fixtures, and computer software. Leasehold improvements are amortized under the straight-line method over the shorter of the lease term or estimated useful life of the asset.

(k) Goodwill and Intangible Assets

Intangible assets consist of advertiser, subscriber, customer relationships, mastheads, non-compete agreements with former owners of acquired newspapers, trade names and publication rights. The excess of acquisition costs over the estimated fair value of tangible and identifiable intangible net assets acquired is recorded as goodwill.

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

For tax purposes, the amount of goodwill that is expected to be deductible is $608,668 as of December 31, 2009.

Goodwill and mastheads are not amortized pursuant to FASB ASC Topic 350 *Intangibles Goodwill and Other* (ASC 350). Mastheads are not amortized because it has been determined that the useful lives of such mastheads are indefinite.

In accordance with ASC 350, goodwill and intangible assets with indefinite lives are tested for impairment annually or when events indicate that an impairment could exist which may include an economic downturn in a market, a change in the assessment of future operations or a decline in the Company s stock price. The Company performs an annual impairment assessment on June 30 of each year. As required by ASC 350, the Company performs its impairment analysis on each of its reporting units, represented by its geographic regions. The geographic regions have discrete financial information and are regularly reviewed by management. The fair value of the applicable reporting unit is compared to its carrying value. Calculating the fair value of a reporting unit requires significant estimates and assumptions by the Company. The Company estimates fair value by applying third-party market value indicators to projected cash flows and/or projected earnings before interest, taxes, depreciation, and amortization. In applying this methodology, the Company relies on a number of factors, including current operating results and cash flows, expected future operating results and cash flows, future business plans, and market data. If the carrying value of the reporting unit exceeds the estimate of fair value, the Company calculates the impairment as the excess of the carrying value of goodwill over its implied fair value.

No goodwill or masthead impairment charges were recorded during the quarter ended December 31, 2009.

As part of the Company s annual impairment assessment as of June 30, 2009 the Company recorded an impairment charge related to goodwill of $245,974 and a newspaper masthead impairment charge of $29,336. Due to reductions in operating projections within various reporting units, an impairment charge of $206,089 was recorded related to the Company s advertiser and subscriber relationships as of June 30, 2009.

The Company determined that it should perform impairment testing of goodwill and indefinite lived intangible assets during the fourth quarter of 2008, due to a change in the assessment of future operations and declines in market transactions. As a result of the declines in fair values of the reporting units, the Company recorded an impairment charge related to goodwill of $125,894 and a newspaper masthead impairment charge of $29,840 in the fourth quarter of 2008.

As part of the Company s annual impairment assessment as of June 30, 2008, the Company recorded an impairment charge related to goodwill of $299,153 and a newspaper masthead impairment charge of $41,422.

The Company determined that it should perform impairment testing of goodwill and indefinite lived intangibles during the fourth quarter of 2007, due to the decline of the Company s stock price. As a result, the Company recorded an impairment charge of $201,479 related to goodwill and $24,514 related to mastheads.

Refer to Note 6 for additional information on the impairment testing of goodwill and indefinite lived intangible assets.

The Company accounts for long-lived assets in accordance with the provisions of FASB ASC Topic 360, *Property, Plant and Equipment* (ASC 360). The Company assesses the recoverability of its long-lived assets, including property, plant, and equipment and definite lived intangible assets, whenever events or changes in business circumstances indicate the carrying amount of the assets, or related group of assets, may not be fully

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

recoverable. Impairment indicators include significant under performance relative to historical or projected future operating losses, significant changes in the manner of use of the acquired assets or the strategy for the Company s overall business, and significant negative industry or economic trends. The assessment of recoverability is based on management s estimates. If the carrying value of the assets exceeds the undiscounted cash flows, the asset would be deemed to be impaired. Impairment would be measured as the difference between the fair value and its carrying value.

(l) Revenue Recognition

Circulation revenue from subscribers is billed to customers at the beginning of the subscription period and is recognized on a straight-line basis over the term of the related subscription. Circulation revenue from single copy sales is recognized at the time of sale. Advertising revenue is recognized upon publication of the advertisement. Revenue for commercial printing is recognized upon delivery. Directory revenue is recognized on a straight-line basis over the period in which the corresponding directory is distributed.

(m) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company records tax assets and liabilities at the date of a purchase business combination, based on management s best estimate of the ultimate tax basis that will be accepted by the tax authority, and liabilities for prior tax returns of the acquired entity should be based on the Company s best estimate of the ultimate settlement in accordance with guidance now codified as FASB ASC Topic 805, *Business Combinations* (ASC 805). At the date of a change in the Company s best estimate of the ultimate tax basis of acquired assets, liabilities, and carryforwards, and at the date that the tax basis is settled with the tax authority, tax assets and liabilities should be adjusted to reflect the revised tax basis and the amount of any settlement with the tax authority for prior-year income taxes. Similarly, at the date of a change in the Company s best estimate of items relating to the acquired entity s prior tax returns, and at the date that the items are settled with the tax authority, any liability previously recognized should be adjusted. The effect of those adjustments should be recognized in earnings.

The realization of the remaining deferred tax assets is primarily dependent on the scheduled reversals of deferred taxes. Any changes in the scheduled reversals of deferred taxes may require an additional valuation allowance against the remaining deferred tax assets. Any increase or decrease in the valuation allowance could result in an increase or decrease in income tax expense in the period of adjustment.

The Company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of SFAS No. 109* (FIN 48), effective January 1, 2007 and now codified as ASC 740. There was no impact as a result of the implementation of FIN 48. The Company does not anticipate significant increases or decreases in our uncertain tax positions within the next twelve months. The Company recognizes penalties and interest relating to uncertain tax positions in the provision for income taxes. As of December 31, 2009 and 2008, the Company had unrecognized tax benefits of approximately $5,068 and $4,726, respectively. The Company did not record significant amounts of interest and penalties related to unrecognized tax benefits.

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

(n) Fair Value of Financial Instruments

The Company has reviewed its cash equivalents, accounts receivable, accounts payable, and accrued expenses and has determined that their carrying values approximate fair value due to the short maturity of these instruments. The Company reviewed the fair value of its debt as disclosed in Note 9.

The Company accounts for derivative instruments in accordance with guidance now codified as FASB ASC Topic 815, *Derivatives and Hedging* (ASC 815) and FASB ASC Topic 820 *Fair Value Measurements and Disclosures* (ASC 820). These standards require an entity to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Additionally, the fair value adjustments will affect either stockholders equity or net earnings depending on whether the derivative instrument qualifies as an effective hedge for accounting purposes and, if so, the nature of the hedging activity.

(o) Cash Equivalents

Cash equivalents represent highly liquid certificates of deposit which have original maturities of three months or less.

(p) Deferred Financing Costs

Deferred financing costs consist of costs incurred in connection with debt financings. Such costs are amortized on a straight-line basis over the estimated remaining term of the related debt.

(q) Advertising

Advertising costs are expensed in the period incurred. The Company incurred total advertising expenses of $4,397, $4,951 and $4,444 during the years ended December 31, 2009, 2008, and 2007, respectively.

(r) Earnings (loss) per share

Basic earnings (loss) per share is computed as net income (loss) available to common stockholders divided by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur from common shares issued through common stock equivalents.

(s) Stock-based Employee Compensation

On January 1, 2006, the Company adopted guidance now codified as FASB ASC Topic 718, *Compensation Stock Compensation* (ASC 718). ASC 718 requires that all share-based payments to employees, including grants of employee stock options, be recognized in the consolidated financial statements over the service period (generally the vesting period) based on fair values measured on grant dates. The Company adopted ASC 810 using the modified prospective transition method, therefore, prior results were not restated. Under the modified prospective method, share-based compensation is recognized for new awards, the modification, repurchase or cancellation of awards and the remaining portion of service under previously granted, unvested awards outstanding as of the date of adoption. Accordingly, the expense required under ASC 810 has been recorded beginning January 1, 2006.

(t) Pension and Postretirement Liabilities

FASB ASC Topic 715, *Compensation Retirement Benefits* (ASC 715), became effective for the Company during the year ended December 31, 2006, and requires recognition of an asset or liability in the

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

consolidated balance sheet reflecting the funded status of pension and other postretirement benefit plans such as retiree health and life, with current-year changes in the funded status recognized in the statement of stockholders equity. ASC 715 did not change the existing criteria for measurement of periodic benefit costs, plan assets or benefit obligations. During the years ended December 31, 2009, 2008 and 2007 a total of $(419), $(1,269) and $1,446 net of taxes of $0, $0 and $930 respectively, was recognized in other comprehensive income (see Note 14).

(u) Self-Insurance Liability Accruals

We maintain self-insured medical and workers compensation programs. We purchase stop loss coverage from third parties which limits our exposure to large claims. We record a liability for healthcare and workers compensation costs during the period in which they occur as well as an estimate of incurred but not reported claims.

(v) Reclassifications

Certain amounts in the prior periods consolidated financial statements have been reclassified to conform to the 2009 presentation.

(w) Recently Issued Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued guidance now codified as ASC 820. ASC 820 defines fair value, provides a market-based framework for measuring fair value, and expands disclosure requirements. ASC 820 applies to other accounting pronouncements that require or permit fair value measurements. ASC 820 does not require any new fair value measurements. ASC 820 was initially effective for financial statements issued for fiscal years beginning after November 15, 2007, however the FASB provided a one year deferral for implementation of the standard for non-financial assets and liabilities. Accordingly, the Company s adoption of ASC 820 in 2008 was primarily related to the valuation of its derivative instruments. The adoption of ASC 820 in 2008 decreased the value of the derivative instruments by $3,300 upon adoption. The adoption of ASC 820 did not have a material effect on nonfinancial assets and liabilities.

In December 2007, the FASB issued guidance now codified as FASB ASC Topic 805, *Business Combinations* , and FASB ASC Topic 810 *Consolidation* (ASC 810).

ASC 805 significantly changes the accounting for business combinations. Under ASC 805, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date at fair value with limited exceptions. ASC 805 further changes the accounting treatment for certain specific items, including:

- Acquisition costs will be generally expensed as incurred;

- Acquired contingent liabilities will be recorded at fair value at the acquisition date and subsequently measured at either the higher of such amount or the amount determined under existing guidance for non-acquired contingencies;

- Restructuring costs associated with a business combination will be generally expensed subsequent to the acquisition date; and

- Changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense.

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

ASC 805 includes a substantial number of new disclosure requirements. ASC 805 applies prospectively to the Company s business combinations for which the acquisition date is on or after January 1, 2009. The adoption of ASC 805 could have a material impact on the consolidated financial statements if significant acquisitions are consummated in the future.

In December 2007, the FASB issued guidance now codified as FASB ASC Topic 810 *Consolidation* (ASC 810). ASC 810 requires reporting entities to present noncontrolling (minority) interests as equity (as opposed to as a liability) and provides guidance on the accounting for transactions between an entity and noncontrolling interests. ASC 810 applies prospectively as of January 1, 2009, except for the presentation on disclosure requirements which will be applied retrospectively for all periods presented. Effective January 1, 2009 the Company revised its financial statement presentation for the noncontrolling interest related to a small subsidiary.

In March 2008, the FASB issued guidance now codified as FASB ASC Topic 815, *Derivatives and Hedging* (ASC 815). The new standard requires additional disclosures regarding a company s derivative instruments and hedging activities by requiring disclosure of the fair values of derivative instruments and their gains and losses in a tabular format. It also requires disclosure of derivative features that are credit risk-related as well as cross-referencing within the notes to the financial statements to enable financial statement users to locate important information about derivative instruments, financial performance, and cash flows. ASC 815 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The principal impact from this standard required the Company to expand its disclosures regarding derivative instruments.

In June 2009, the Financial Accounting Standards Board (FASB) issued guidance now codified as FASB ASC Topic 105 *Generally Accepted Accounting Principles* (the Codification). The Codification, which was launched on July 1, 2009, became the single source of authoritative nongovernmental GAAP, superseding existing FASB, American Institute of Certified Public Accountants (AICPA), Emerging Issues Task Force (EITF) and related literature. The Codification eliminates the GAAP hierarchy contained in SFAS No. 162 and establishes one level of authoritative GAAP. Pursuant to the Codification, all other literature is considered non-authoritative. This Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company adopted the Codification for its quarter ending September 30, 2009. There was no change to the Company s Consolidated Financial Statements due to the implementation of the Codification.

In May 2009, the FASB issued guidance now codified as FASB ASC Topic 855, *Subsequent Events*. This Statement sets forth: (a) 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; (b) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and (c) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This Statement is effective for interim and annual periods ending after June 15, 2009. The Company adopted this Statement in the quarter ended June 30, 2009 and the Company s financial statements were not impacted. The guidance was subsequently nullified by FASB ASU No. 2010-09, *Amendments to Certain Recognition and Disclosure Requirements* which amends ASC 855 and was issued in February 2010.

In April 2009, the FASB issued guidance now codified as FASB ASC Topic 825 *Financial Instruments* (ASC 825), which amends previous Topic 825 guidance to require disclosures about fair value of financial instruments for interim periods of publicly traded companies as well as in annual financial statements. This ASC 825 requires those disclosures in summarized financial information at interim reporting periods. The Company adopted the provisions of ASC 825 during the three months ended June 30, 2009.

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

In January 2010, the FASB issued guidance as Accounting Standards Updated (ASU) No. 2010-06, *Improving Disclosures about Fair Value Measurements*, which amends ASC 820. ASU No. 2010-06 amends the ASC to require disclosure of transfers into and out of Level 1 and Level 2 fair value measurements, and also require more detailed disclosure about the activity within Level 3 fair value measurements. The changes to the ASC as a result of this update are effective for annual and interim reporting periods beginning after December 15, 2009 (January 1, 2010 for the Company), except for requirements related to Level 3 disclosures, which are effective for annual and interim reporting periods beginning after December 15, 2010 (January 1, 2011 for the Company). This guidance requires new disclosures only, and will have no impact on the Company s Consolidated Financial Statements.

(2) Share-Based Compensation

The Company recognized compensation cost for share-based payments of $3,429, $3,555 and $4,687, during the years ended December 31, 2009, 2008 and 2007, respectively. The total compensation cost not yet recognized related to non-vested awards as of December 31, 2009 was $2,164, which is expected to be recognized over a weighted-average period of 1.5 years through April 2013.

(a) Restricted Share Grants (RSGs)

Prior to the Company s initial public offering (IPO) in 2006, the Company had issued 792,500 RSGs to certain management investors pursuant to each investor s management stockholder agreement (each, a Management Stockholder Agreement). Under the Management Stockholder Agreements, RSGs vest by one-third on each of the third, fourth and fifth anniversaries from the grant date. Following the adoption of the GateHouse Media, Inc. Omnibus Stock Incentive Plan (the Plan) in October 2006, an additional 268,680 RSGs were granted during the year ended December 31, 2006 to Company directors, management, and employees. During the year ended December 31, 2007 an additional 198,846 RSGs were granted to Company directors, management and employees, 105,453 of which were both granted and forfeited. During the year ended December 31, 2008 an additional 266,795 RSGs were granted to Company directors, management and employees, 42,535 of which were both granted and forfeited. During the year ended December 31, 2009 an additional 100,000 RSGs were granted to Company management. The majority of the RSGs issued under the Plan vest in increments of one-third on each of the first, second and third anniversaries of the grant date. In the event a grantee of an RSG is terminated by the Company without cause, a number of unvested RSGs immediately vest that would have vested under the normal vesting period on the next succeeding anniversary date following such termination. In the event an RSG grantee s employment with the Company is terminated without cause within twelve months after a change in control as defined in the applicable award agreement, all unvested RSGs become immediately vested at the termination date. During the period prior to the lapse and removal of the vesting restrictions, a grantee of an RSG will have all of the rights of a stockholder, including without limitation, the right to vote and the right to receive all dividends or other distributions. As a result, the RSGs are reflected as outstanding common stock; however, the unvested RSGs have been excluded from the calculation of basic earnings per share. With respect to Company employees, the value of the RSGs on the date of issuance is recognized as employee compensation expense over the vesting period or through the grantee s eligible retirement date, if shorter, with an increase to additional paid-in-capital. During the years ended December 31, 2009, 2008 and 2007 the Company recognized $3,429, $3,555 and $4,687 respectively in share-based compensation expense related to RSGs.

As of December 31, 2009 and 2008, there were 570,696 and 868,492 RSGs, respectively, issued and outstanding with a weighted average grant date fair value of $10.01 and $12.54, respectively. As of December 31, 2009, the aggregate intrinsic value of unvested RSGs was $114. As of December 31, 2009, the aggregate fair value of vested RSGs was $79.

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

RSG activity was as follows:

	Year Ended December 31, 2009		Year Ended December 31, 2008		Year Ended December 31, 2007	
	Number of RSGs	Weighted-Average Grant Date Fair Value	Number of RSGs	Weighted-Average Grant Date Fair Value	Number of RSGs	Weighted-Average Grant Date Fair Value
Unvested at beginning of year	868,492	$ 12.54	1,035,480	$ 13.87	1,051,763	$ 14.33
Granted	100,000	0.06	266,795	7.45	198,846	11.69
Vested	(392,571)	13.03	(317,767)	13.27	(80,624)	19.78
Forfeited	(5,225)	13.13	(116,016)	14.60	(134,505)	10.72
Unvested at end of year	570,696	$ 10.01	868,492	$ 12.54	1,035,480	$ 13.87

ASC 810 requires the recognition of share-based compensation for the number of awards that are ultimately expected to vest. The Company s estimated forfeitures are based on forfeiture rates of comparable plans. Estimated forfeitures will be reassessed in subsequent periods and the estimate may change based on new facts and circumstances.

(b) Valuation of Equity Securities Issued as Compensation

The Company values equity securities issued as compensation using the fair value of the securities as of the grant date.

Prior to January 1, 2006, the Company recorded deferred share-based compensation, which consisted of the amounts by which the estimated fair value of the instrument underlying the grant exceeded the grant or exercise price, at the date of grant or other measurement date, if applicable and recognized the expense over the related service period. In determining the fair value of the Company s common stock at the dates of grant prior to the IPO on October 25, 2006, the Company s stock was not publicly traded and, therefore, the Company was unable to rely on a public trading market for its stock prior to October 25, 2006.

As the Company began the process of preparing for its IPO, it developed a preliminary valuation using a discounted cash flow approach as of July 2006. The Company estimated that the fair value of its common stock was $15.01 per share based on a valuation using a discounted cash flow approach as of July 2006.

The Company retrospectively applied the valuation to share-based compensation relating to RSGs and common stock sales which occurred from January 2006 to May 2006. Therefore, the financial statements reflect this valuation for grants made prior to the Company s IPO.

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

(3) Acquisitions

(a) Acquisitions 2008

During the year ended December 31, 2008, the Company acquired 25 publications for an aggregate purchase price of approximately $25,416. These were all attractive tuck-in acquisitions, in which the acquired businesses fit in extremely well with the Company s existing clusters. The results of operations for the acquisitions have been included in the Company s condensed consolidated financial statements since the date of the acquisitions. The purchase price allocations for these acquisitions are as follows:

Current assets	$ 3,351
Property, plant and equipment	5,524
Noncompete agreements	1,809
Advertising relationships	7,809
Subscriber relationships	781
Mastheads	3,435
Customer relationships	3,218
Goodwill	5,069
Total assets	30,996
Current liabilities	3,279
Long-term liabilities	2,301
Total liabilities	5,580
Net assets acquired	$ 25,416

For tax purposes, the amount of goodwill that is expected to be deductible is $5,069 for the newspapers acquired during the twelve months ended December 31, 2009.

(b) Morris Publishing Group Newspaper Acquisitions 2007

On November 30, 2007, the Company completed its acquisition of thirty seven publications from the Morris Publishing Group for an aggregate purchase price, including working capital of approximately $122,768. The acquisition included fifteen daily and seven weekly newspapers, as well as fifteen shopper publications serving South Dakota, Florida, Kansas, Michigan, Missouri, Nebraska, Oklahoma and Tennessee. The rationale for the acquisition was primarily due to the attractive nature of the community newspaper assets with stable revenues and cash flows combined with cost saving opportunities available by clustering with the Company s nearby newspapers. The Company accounted for these acquisitions under the purchase method of accounting. Accordingly, the cost of the acquisition was allocated to the assets and liabilities assumed based upon their respective fair values. The results of operations for the Morris Publishing Group newspaper acquisitions have been included in the Company s consolidated financial statements since the date of the acquisition.

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

The following table summarizes the fair values of the assets acquired and liabilities assumed as of the acquisition date adjusted through December 31, 2009:

Current assets	$ 9,435
Other assets	10,685
Property, plant and equipment	21,924
Advertising relationships	38,011
Subscriber relationships	8,341
Mastheads	12,244
Customer relationships	3,659
Goodwill	22,654
Total assets	126,953
Current liabilities	4,126
Long-term liabilities	59
Total liabilities	4,185
Net assets acquired	$ 122,768

The Company obtained third party independent appraisals to assist in the determination of the fair values of the subscriber relationships, advertiser relationships and customer relationships acquired in connection with the Morris Publishing Group newspaper acquisition. The appraisals used an excess earnings approach, a form of the income approach, which values assets based upon associated estimated discounted cash flows. A static pool approach using historical attrition rates was used to estimate attrition rates of 7.5% for advertiser relationships, subscriber relationships and customer relationships for the Morris Publishing Group newspaper acquisition. The growth rate was estimated to be 0.5% and the discount rate was estimated to be 10.0% for subscriber relationships. The growth rate was estimated to be 2.3% and the discount rate was estimated to be 10.0% for advertiser relationships. The growth rate was estimated to be 2.0% and the discount rate was estimated to be 10% for customer relationships.

Estimated cash flows extend up to periods of approximately 30 years which considers that a majority of the acquired newspapers have been in existence over 50 years with many having histories over 100 years. The Company is amortizing the fair values of the subscriber and advertiser relationships over the periods at which 90% of the cumulative net cash flows are estimated to be realized. Therefore, the subscriber relationships, advertiser relationships and customer relationships are being amortized over 14, 15 and 15 years respectively, on a straight-line basis as no other discernable pattern of usage was more readily determinable.

For tax purposes, goodwill is deductible for the newspapers acquired from Morris Publishing Group as of December 31, 2009.

(c) Gannett Co., Inc. Newspaper Acquisitions 2007

On May 7, 2007, the Company completed its acquisition of thirteen publications from Gannett Co., Inc. for an aggregate purchase price, including working capital, of approximately $418,961. The acquisition included four daily and three weekly newspapers, as well as six shopper publications serving Rockford, Illinois, Utica, New York, Norwich, Connecticut and Huntington, West Virginia. The rationale for the acquisition was primarily due to the attractive nature of the community newspaper assets with stable revenues and cash flows combined with cost saving opportunities available by clustering with the Company s nearby newspapers. The Company has

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

accounted for these acquisitions under the purchase method of accounting. Accordingly, the cost of the acquisition has been allocated to the assets and liabilities assumed based upon their respective fair values. The results of operations for the Gannett Co., Inc. newspaper acquisitions have been included in the Company s consolidated financial statements since the date of the acquisition.

The following table summarizes the fair values of the assets acquired and liabilities assumed as of the acquisition date adjusted through December 31, 2009:

Current assets	$ 14,153
Other assets	75,632
Property, plant and equipment	39,092
Advertising relationships	96,503
Subscriber relationships	26,964
Mastheads	24,450
Goodwill	147,232
Total assets	424,026
Total liabilities	5,065
Net assets acquired	$ 418,961

The Company obtained third party independent appraisals to assist in the determination of the fair values of the subscriber and advertiser relationships acquired in connection with the Gannett Co., Inc. newspaper acquisition. The appraisals used an excess earnings approach, a form of the income approach, which values assets based upon associated estimated discounted cash flows. A static pool approach using historical attrition rates was used to estimate attrition rates of 7.0% for advertiser relationships and subscriber relationships for the Gannett Co., Inc. newspaper acquisition. Growth rates were estimated to be 2.5% and discount rates were estimated to be 8.5% for advertiser and subscriber relationships.

Estimated cash flows extend up to periods of approximately 30 years which considers that a majority of the acquired newspapers have been in existence over 50 years with many having histories over 100 years. The Company is amortizing the fair values of the subscriber and advertiser relationships over the periods at which 90% of the cumulative net cash flows are estimated to be realized. Therefore, the subscriber and advertiser relationships are being amortized over 16 years, on a straight-line basis as no other discernable pattern of usage was more readily determinable.

For tax purposes, goodwill is deductible for the newspapers acquired from Gannett Co., Inc. as of December 31, 2009

(d) The Copley Press, Inc. Newspaper Acquisitions 2007

On April 11, 2007, the Company completed its acquisition of fifteen publications from The Copley Press, Inc. for an aggregate purchase price, including working capital, of approximately $388,245. The acquisition included seven daily and two weekly newspapers as well as six shopper publications, serving areas of Ohio and Illinois. The rationale for the acquisition was primarily due to the attractive nature of the community newspaper assets with stable revenues and cash flows. In addition, there were cost saving opportunities from margin improvement as well as clustering with the Company s nearby newspapers. The Company has accounted for these acquisitions under the purchase method of accounting. Accordingly, the cost of the acquisition has been

97

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

allocated to the assets and liabilities based upon their respective fair values. The results of operations for The Copley Press, Inc. newspaper acquisitions have been included in the Company s consolidated financial statements since the date of the acquisition.

The following table summarizes the fair values of the assets acquired and liabilities assumed as of the acquisition date adjusted through December 31, 2009:

Current assets	$ 21,204
Other assets	18
Property, plant and equipment	71,076
Advertising relationships	95,466
Subscriber relationships	40,083
Mastheads	34,719
Goodwill	164,648
Total assets	427,214
Current liabilities	15,451
Long-term liabilities	23,518
Total liabilities	38,969
Net assets acquired	$ 388,245

The Company obtained third party independent appraisals to assist in the determination of the fair values of the subscriber and advertiser relationships acquired in connection with the Copley Press, Inc. newspaper acquisition. The appraisals used an excess earnings approach, a form of the income approach, which values assets based upon associated estimated discounted cash flows. A static pool approach using historical attrition rates was used to estimate attrition rates of 7.0% for advertiser relationships and subscriber relationships for the Copley Press, Inc. newspaper acquisition. Growth rates were estimated to be 2.5% and discount rates were estimated to be 10.0% for advertiser relationships and subscriber relationships.

Estimated cash flows extend up to periods of approximately 30 years which considers that a majority of the acquired newspapers have been in existence over 50 years with many having histories over 100 years. The Company is amortizing the fair values of the subscriber and advertiser relationships over the periods at which 90% of the cumulative net cash flows are estimated to be realized. Therefore, the subscriber and advertiser relationships are being amortized over 15 years on a straight-line basis as no other discernable pattern of usage was more readily determinable.

For tax purposes, the amount of goodwill that is expected to be deductible is $104,433 for the newspapers acquired from the Copley Press, Inc. as of December 31, 2009.

(e) SureWest Directories Acquisition 2007

On February 28, 2007, the Company completed its acquisition of all the issued and outstanding capital stock of SureWest Directories from SureWest Communications for an aggregate purchase price, including working capital, of approximately $110,156. SureWest Directories is engaged in the business of publishing yellow page and white page directories, as well as internet yellow pages through the www.sacramento.com website. The Company has become the publisher of the official directory of SureWest Telephone. The acquisition of SureWest Directories is the Company s platform acquisition into the local directories business. This was an attractive acquisition due to the stability and visibility of the businesses revenues and cash flows, minimal capital expenditure requirements and growth prospects for the Sacramento, California marketplace. The Company has

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

accounted for this acquisition under the purchase method of accounting. Accordingly, the cost of the acquisition has been allocated to the assets and liabilities assumed based upon their respective fair values. The results of operations for SureWest Directories have been included in the Company s consolidated financial statements since the date of the acquisition.

The following table summarizes the fair values of the assets acquired and liabilities assumed as of the acquisition date adjusted through December 31, 2009:

Current assets	$ 15,041
Property, plant and equipment	51
Advertising relationships	40,955
Trade name	5,493
Publication rights	345
Goodwill	48,454
Total assets	110,339
Total liabilities	183
Net assets acquired	$ 110,156

The Company obtained third party independent appraisals to assist in the determination of the fair values of the advertiser relationships acquired in connection with the SureWest Directories acquisition. The appraisals used an excess earnings approach, a form of the income approach, which values assets based upon associated estimated discounted cash flows. A static pool approach using historical attrition rates was used to estimate attrition rates of 12.0% for advertiser relationships for SureWest Directories. Growth rates were estimated to be 2.5% and the discount rate was estimated to be 11.0% for advertiser relationships.

Estimated cash flows extend up to periods of approximately 18 years which considers an attrition study which concluded that half of the existing advertiser base would be advertising in the Company s directories after six years. Survival curves were calculated based on this and other relevant information which resulted in the 12% attrition rate. The Company is amortizing the fair values of the advertiser relationships over the periods at which 90% of the cumulative net cash flows are estimated to be realized. Therefore, the advertiser relationships are being amortized over 12 years, on a straight-line basis as no other discernable pattern of usage was more readily determinable.

For tax purposes, the amount of goodwill that is expected to be deductible is $48,454 for SureWest Directories as of December 31, 2009.

(f) Journal Register Company Newspaper Acquisitions 2007

On February 9, 2007, the Company completed its acquisition of eight publications from the Journal Register Company for an aggregate purchase price, including working capital, of approximately $72,371. The acquisition included two daily and four weekly newspapers as well as two shopper publications serving southeastern Massachusetts. The rationale for the acquisition was primarily due to the attractive nature of the community newspaper assets with stable revenues and cash flows combined with the cost savings opportunities from clustering with the Company s other newspapers serving Massachusetts. The Company has accounted for these acquisitions under the purchase method of accounting. Accordingly, the cost of the acquisition has been allocated to the assets and liabilities assumed based upon their respective fair values. The results of operations for the Journal Register Company newspaper acquisitions have been included in the Company s consolidated financial statements since the date of the acquisition.

99

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

The following table summarizes the fair values of the assets acquired and liabilities assumed as of the acquisition date adjusted through December 31, 2009:

Current assets	$ 2,614
Property, plant and equipment	7,159
Advertising relationships	27,268
Subscriber relationships	6,397
Mastheads	4,393
Goodwill	25,357
Total assets	73,188
Total liabilities	817
Net assets acquired	$ 72,371

The Company obtained third party independent appraisals to assist in the determination of the fair values of the subscriber and advertiser relationships acquired in connection with the Journal Register Company newspaper acquisition. The appraisals used an excess earnings approach, a form of the income approach, which values assets based upon associated estimated discounted cash flows. A static pool approach using historical attrition rates was used to estimate attrition rates of 7.0% for advertiser relationships and subscriber relationships for the Journal Register Company newspaper acquisitions. The growth rate was estimated to be 1.8% and the discount rate was estimated to be 10.0% for subscriber relationships. The growth rate was estimated to be 1.7% and the discount rate was estimated to be 10.0% for advertiser relationships.

Estimated cash flows extend up to periods of approximately 30 years, which considers that a majority of the acquired newspapers have been in existence over 50 years with many having histories over 100 years. The Company is amortizing the fair values of the subscriber and advertiser relationships over the periods at which 90% of the cumulative net cash flows are estimated to be realized. Therefore, the subscriber and advertiser relationships are being amortized over 16 years on a straight-line basis as no other discernable pattern of usage was more readily determinable.

For tax purposes, the amount of goodwill that is expected to be deductible is $25,357 for the newspapers acquired from the Journal Register Company as of December 31, 2009.

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

(g) Other Acquisitions 2007

During the year ended December 31, 2007, the Company acquired an additional 40 publications (excluding the acquisitions discussed above) for an aggregate purchase price of $27,595. These were all attractive tuck-in acquisitions, in which the acquired businesses fit in extremely well with existing GateHouse clusters. The purchase price allocation for these acquisitions are as follows:

Current assets	$ 2,630
Other assets	225
Property, plant and equipment	5,683
Noncompete agreements	1,577
Advertising relationships	7,432
Subscriber relationships	1,716
Mastheads	3,375
Customer relationships	967
Goodwill	8,288
Total assets	31,893
Current liabilities	2,520
Long-term liabilities	1,778
Total liabilities	4,298
Net assets acquired	$ 27,595

(h) Pro-Forma Results

The unaudited pro forma condensed consolidated statement of operations information for 2007, set forth below, presents the results of operations as if the acquisitions of the newspapers from The Copley Press, Inc. and the newspapers from Gannett Co., Inc. had occurred on January 1, 2007. These amounts are not necessarily indicative of future results or actual results that would have been achieved had the acquisitions occurred as of the beginning of such period. The unaudited pro forma condensed consolidated statements of operations data, set forth below, does not give pro forma effect to the following acquisitions which are not considered significant:

the acquisition of all the issued and outstanding capital stock of SureWest Directories from SureWest Communications for an aggregate purchase price of approximately $110,156 in February of 2007;

the acquisition of eight publications from the Journal Register Company for an aggregate purchase price of approximately $72,371 in February of 2007; and

the acquisition of thirty seven publications from Morris Publishing Group for an aggregate purchase price of approximately $122,768 in November, 2007.

		Year Ended December 31, 2007
Revenues	$	647,863
Net loss from continuing operations	$	(241,295)
Net loss	$	(231,424)
Net loss per common share		
Basic	$	(4.99)
Diluted	$	(4.99)

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

(4) Restructuring

Over the past several years we have engaged in a series of individual restructuring programs, primarily to right size the Company s employee base and consolidate facilities. These initiatives impact all of the Company s geographic regions and are often dictated by union contracts within the region. All costs related to these programs, which primarily reflect severance expense, are accrued at the time of announcement.

Information related to restructuring program activity during the years ended December 31, 2009 and 2008 is outlined below.

	Severance and Related Costs	Other Costs[(1)]	Total
Balance at December 31, 2007	$ 1,650	$ 41	$ 1,691
Acquisition related restructuring provision included as a liability on the opening balance sheet	240		240
Reversals of prior acquisition related restructuring provision included as a liability on the opening balance sheet	(472)		(472)
Restructuring provision included in Integration and Reorganization	3,659	1,741	5,400
Reversals of prior accruals included in Integration and Reorganization	(151)	(10)	(161)
Cash payments	(4,310)	(1,716)	(6,026)
Balance at December 31, 2008	$ 616	$ 56	$ 672
Restructuring provision included in Integration and Reorganization	1,537	419	1,956
Reversals of prior accruals included in Integration and Reorganization	(55)		(55)
Cash payments	(1,853)	(455)	(2,308)
Balance at December 31, 2009	$ 245	$ 20	$ 265

(1) Other costs primarily included costs to consolidate operations

As of December 31, 2009, the accrued restructuring balance related to acquisitions was $0.

(5) Property, Plant, and Equipment

Property, plant, and equipment consisted of the following:

	December 31, 2009	December 31, 2008
Land	$ 20,004	$ 20,203
Buildings and improvements	89,739	89,128
Machinery and equipment	124,029	123,704
Furniture, fixtures, and computer software	18,131	16,654
Construction in progress	1,162	2,112

	253,065	251,801
Less: accumulated depreciation and amortization	(81,493)	(57,400)
Total	$ 171,572	$ 194,401

Depreciation expense during the years ended December 31, 2009, 2008, and 2007 was $24,682, $27,150 and $19,604, respectively.

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

(6) Goodwill and Other Intangible Assets

Goodwill and intangible assets consisted of the following:

	December 31, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:			
Noncompete agreements	$ 4,970	$ 3,065	$ 1,905
Advertiser relationships	286,601	99,061	187,540
Customer relationships	8,940	1,646	7,294
Subscriber relationships	83,217	25,079	58,138
Trade name	5,493	1,556	3,937
Publication rights	345	65	280
Total	$ 389,566	$ 130,472	$ 259,094
Nonamortized intangible assets:			
Goodwill	$ 14,343		
Mastheads	36,637		
Total	$ 50,980		

	December 31, 2008		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:			
Noncompete agreements	$ 4,970	$ 2,262	$ 2,708
Advertiser relationships	455,568	76,787	378,781
Customer relationships	8,941	995	7,946
Subscriber relationships	123,452	19,039	104,413
Trade name	5,493	1,007	4,486
Publication rights	345	42	303
Total	$ 598,769	$ 100,132	$ 498,637
Nonamortized intangible assets:			
Goodwill	$ 261,332		
Mastheads	66,396		
Total	$ 327,728		

The weighted average amortization periods for amortizable intangible assets are 4.4 years for noncompete agreements, 16 years for advertiser relationships, 13.8 years for customer relationships, 16.5 years for subscriber relationships, 10 years for trade names and 10 years for publication rights.

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

Amortization expense for the years ended December 31, 2009, 2008, and 2007 was $31,070, $42,763 and $37,488, respectively. Estimated future amortization expense as of December 31, 2009, is as follows:

For the year ending December 31:	
2010	$ 24,533
2011	24,411
2012	24,102
2013	23,819
2014	23,773
Thereafter	138,456
Total	$ 259,094

The changes in the carrying amount of goodwill for the years ended December 31, 2009 and 2008 are as follows:

Balance at January 1, 2008	$ 701,852
Goodwill from acquisitions, net	571
Goodwill from divestitures	(16,044)
Goodwill impairment	(425,047)
Balance at December 31, 2008	261,332
Goodwill impairment on discontinued operations	(488)
Purchase and sale accounting adjustments	(527)
Goodwill impairment	(245,974)
Balance at December 31, 2009	$ 14,343

Goodwill from divestitures during the year ended December 31, 2008 relates primarily from the sale of certain newspapers originally acquired from the Morris Publishing Group.

As of December 31, 2009 and 2008, goodwill in the amount of $608,668 and $608,722, respectively was deductible for income tax purposes.

The Company s date on which its annual impairment assessment is made is June 30. No impairment charge resulted from the assessments completed as of June 30, 2007. As of September 30, 2007 a review of impairment indicators was performed with the Company noting that its market capitalization continued to exceed its consolidated carrying value, and it was determined that an impairment analysis was not required.

The Company determined that it should perform impairment testing of goodwill and indefinite lived intangible assets as of December 31, 2007, due to the declines in its stock price, market capitalization, revenue trends and other economic factors, which were most significant in the fourth quarter of 2007. During the second half of 2007, the Company and the newspaper industry experienced declines in classified advertising, primarily caused by economic trends. Also during this period, the Company s stock price declined, with its consolidated carrying value exceeding its market capitalization in the fourth quarter of 2007.

As of December 31, 2007, the fair values of the Company s reporting units for goodwill impairment testing and individual newspaper mastheads were estimated using the expected present value of future cash flows, recent industry transaction multiples and using estimates, judgments and assumptions that management believes were

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

appropriate in the circumstances. While this method was consistent with the June 30, 2007, impairment analysis, revenue declines, increased volatility of operating performance and decreased market capitalization, primarily occurring during the fourth quarter, resulted in a reduction of the Company s estimated fair value between the June 30, 2007, and December 31, 2007, impairment analysis. The sum of the fair values of the reporting units was reconciled to the Company s then market capitalization (based upon the stock market price) plus an estimated control premium. The Company recorded an impairment charge related to goodwill of $201,479 and a newspaper masthead impairment charge of $24,514 in the fourth quarter of 2007 based on this comparison of reporting unit carrying value to fair value.

The 2007 impairment charge included amounts related to the Copley and Gannett operations which were purchased during 2007. While these operations were purchased during the year, the industry downturn, as well as the Company s revenue, stock price and enterprise value declines, predominately occurred in the second half of 2007 and the impact was considered for these reporting units.

As of March 31, 2008, a review of impairment indicators was performed with the Company noting that its market capitalization exceeded its consolidated carrying value and it was determined that an impairment analysis was not required.

As part of the annual impairment assessment, as of June 30, 2008, the fair values of the Company s reporting units for goodwill impairment testing and individual newspaper mastheads were estimated using the expected present value of future cash flows, recent industry transaction multiples and using estimates, judgments and assumptions that management believes were appropriate in the circumstances. While this method was consistent with the June 30, 2007 and December 31, 2007, impairment analysis, revenue declines, increased volatility of operating performance and decreased market capitalization, resulted in a reduction of the Company s estimated fair value between the June 30, 2007, December 31, 2007 and June 30, 2008, impairment analysis. The sum of the fair values of the reporting units was reconciled to the Company s then market capitalization (based upon the stock market price) plus an estimated control premium. The Company recorded an impairment charge related to goodwill of $299,153 and a newspaper masthead impairment charge of $41,422 in the second quarter of 2008 based on this comparison of reporting unit carrying value to fair value. During the third quarter of 2008, the Company sold certain publications, and as a result a total of $4,479 of goodwill and masthead impairment has been reclassified to discontinued operations.

The Company considered the goodwill and masthead impairment to be an impairment indicator under ASC 360, and performed an analysis of its undiscounted cash flows for amortizable intangibles. Due to reductions in operating projections within the Company s Northeast reporting unit, an impairment charge of $102,517 was recorded related to the Company s advertiser and subscriber relationships.

As of September 30, 2008, a review of impairment indicators was performed with the Company noting that its market capitalization exceeded its consolidated carrying value and it was determined that an impairment analysis was not required.

As of December 31, 2008, the Company reviewed the impairment indicators within ASC 350 and determined that an impairment analysis should be performed for all reporting units due to the reduction of estimated future cash flows and decline in market transaction multiples, primarily experienced during the fourth quarter of 2008.

As of December 31, 2008, the fair values of the Company s reporting units for goodwill impairment testing and individual newspaper mastheads were estimated using the expected present value of future cash flows, recent

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

industry transaction multiples and using estimates, judgments and assumptions that management believes were appropriate in the circumstances. While this method was consistent with the June 30, 2008 and December 31, 2007 impairment analysis, revenue declines, increased volatility of operating performance, decreased transactions multiples and declines in general economic conditions during the second half of the year resulted in a reduction of the Company s estimated fair value between June 30, 2008, and December 31, 2008. The Company recorded an impairment charge related to goodwill of $125,894 and a newspaper masthead impairment charge of $29,840 in the fourth quarter of 2008 based on this comparison of reporting unit carrying value to fair value.

The Company considered the goodwill and masthead impairment to be an impairment indicator under ASC 360 and performed an analysis of its undiscounted cash flows for amortizable intangibles. Due to reductions in operating projections within certain of the Company s reporting units, an impairment charge of $20,608 was recorded related to the Company s advertiser relationships in the fourth quarter of 2008.

As of March 31, 2009, a review of impairment indicators was performed with the Company noting that its market capitalization exceeded its consolidated carrying value and it was determined that an impairment analysis was not required.

As part of the annual impairment assessment, as of June 30, 2009, the fair values of the Company s reporting units for goodwill impairment testing and individual newspaper mastheads were estimated using the expected present value of future cash flows, recent industry transaction multiples and using estimates, judgments and assumptions that management believes were appropriate in the circumstances. The estimates and judgments used in the assessment include multiples for revenue and EBITDA, the weighted average cost of capital and the terminal growth rate. Given the current market conditions and declines in recent multiples, the Company determined that current transactions provided the best estimate of the fair value of its reporting units. This analysis resulted in a reduction of the Company s estimated fair value compared to prior impairment analysis. The sum of the fair values of the reporting units was reconciled to the Company s then market capitalization (based upon the stock market price and fair value of debt) plus an estimated control premium. The Company recorded an impairment charge related to goodwill of $245,974 and a newspaper masthead impairment charge of $29,336 in the second quarter of 2009 based on this comparison of reporting unit carrying value to fair value. The Company considered the goodwill and masthead impairment to be an impairment indicator under ASC 360 and performed an analysis of its undiscounted cash flow for amortizable intangibles. Due to reductions in operating projections within various reporting units, an impairment charge of $206,089 was recorded related to the Company s advertiser and subscriber relationships.

As of September 30, 2009, a review of impairment indicators was performed with the Company noting that conditions regarding its financial results and forecast had not changed since June 30, 2009 impairment test and its market capitalization exceeded its consolidated carrying value and it was determined that an impairment analysis was not required.

As of December 31, 2009, a review of impairment indicators was performed with the Company noting that conditions regarding its financial results and forecast had not changed since the June 30, 2009 impairment test and its market capitalization exceeded its consolidated carrying value and it was determined that an impairment analysis was not required.

It is reasonably possible that impairment charges could be incurred in the future based on industry and market factors present at that time. The Company is unable to estimate any possible future impairment charges at this time.

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

(7) Accrued Expenses

Accrued expenses consisted of the following:

	December 31, 2009	December 31, 2008
Accrued payroll	$ 4,085	$ 4,887
Accrued bonus	3,436	2,385
Accrued vacation	2,769	4,146
Accrued insurance	5,855	4,687
Accrued newsprint	285	945
Accrued other	12,168	14,345
	$ 28,598	$ 31,395

(8) Lease Commitments

The future minimum lease payments related to the Company s non-cancelable operating lease commitments as of December 31, 2009 are as follows:

For the year ending December 31:	
2010	$ 4,935
2011	2,689
2012	2,312
2013	2,168
2014	1,741
Thereafter	1,654
Total minimum lease payments	$ 15,499

Future minimum operating lease payments have not been reduced by future minimum sublease income of $512.

Rental expense under operating leases for the years ended December 31, 2009, 2008 and 2007 was $5,631, $5,434 and $4,888, respectively.

(9) Indebtedness

2007 Credit Facility

GateHouse Media Operating, Inc. (Operating), an indirectly wholly owned subsidiary of GateHouse Media, GateHouse Media Holdco, Inc. (Holdco), an indirectly wholly owned subsidiary of GateHouse Media, and certain of their subsidiaries entered into an Amended and Restated Credit Agreement, dated as of February 27, 2007, with a syndicate of financial institutions with Wachovia Bank, National Association as administrative agent.

The 2007 Credit Facility, prior to execution of the Second Amendment (defined below), provided for a; (a) $670,000 term loan facility that matures on August 28, 2014; (b) a delayed draw term loan facility of up to $250,000 that matures on August 28, 2014, and (c) a revolving credit facility with a $40,000 aggregate loan

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

commitment amount available, including a $15,000 sub-facility for letters of credit and a $10,000 swingline facility, that matures on February 28, 2014. The borrowers used the proceeds of the 2007 Credit Facility to refinance existing indebtedness and for working capital and other general corporate purposes, including, without limitation, financing acquisitions permitted under the 2007 Credit Facility. The 2007 Credit Facility is secured by a first priority security interest in (a) all present and future capital stock or other membership, equity, ownership or profits interest of Operating and all of its direct and indirect domestic restricted subsidiaries, (b) 65% of the voting stock (and 100% of the nonvoting stock) of all present and future first-tier foreign subsidiaries and (c) substantially all of the tangible and intangible assets of Holdco, Operating and their present and future direct and indirect domestic restricted subsidiaries. In addition, the loans and other obligations of the borrowers under the 2007 Credit Facility are guaranteed, subject to specified limitations, by Holdco, Operating and their present and future direct and indirect domestic restricted subsidiaries.

As of December 31, 2009, a total of $670,000 was outstanding under the term loan facility, $250,000 was outstanding under the delayed draw term loan facility and no amounts were outstanding under the revolving credit facility. Borrowings under the 2007 Credit Facility bear interest, at the borrower s option, at a rate equal to the LIBOR Rate for a LIBOR Rate Loan (as defined in the 2007 Credit Facility), or the Alternate Base Rate for an Alternate Base Rate Loan (as defined in the 2007 Credit Facility), plus an applicable margin. The applicable margin for the LIBOR Rate term loans and Alternate Base Rate term loans, as amended by the First Amendment (defined below), is 2.00% and 1.00%, respectively. The applicable margin for revolving loans is adjusted quarterly based upon Holdco s Total Leverage Ratio (as defined in the 2007 Credit Facility) (*i.e*., the ratio of Holdco s Consolidated Indebtedness (as defined in the 2007 Credit Facility) on the last day of the preceding quarter to Consolidated EBITDA (as defined in the 2007 Credit Facility) for the four fiscal quarters ending on the date of determination). The applicable margin ranges from 1.50% to 2.00%, in the case of LIBOR Rate Loans and, 0.50% to 1.00% in the case of Alternate Base Rate Loans. Under the revolving credit facility, GateHouse Media will also pay a quarterly commitment fee is also payable on the unused portion of the revolving credit facility ranging from 0.25% to 0.5% based on the same total leverage ratio (as described above) and a quarterly fee equal to the applicable margin for LIBOR Rate Loans on the aggregate amount of outstanding letters of credit. In addition, GateHouse Media will be required to pay a ticking fee at the rate of 0.50% of the aggregate unfunded amount available to be borrowed under the delayed draw term facility.

No principal payments are due on the term loan facilities or the revolving credit facility until the applicable maturity date. The Borrowers are required to prepay borrowings under the term loan facilities in an amount equal to 50.0% of Holdco s Excess Cash Flow (as defined in the 2007 Credit Facility) earned during the previous fiscal year, except that no prepayments are required if the Total Leverage Ratio (as defined in the 2007 Credit Facility) is less than or equal to 6.0 to 1.0 at the end of such fiscal year. In addition, the Borrowers are required to prepay borrowings under the term loan facilities with asset disposition proceeds in excess of specified amounts to the extent necessary to cause Holdco s Total Leverage Ratio to be less than or equal to 6.25 to 1.00, and with cash insurance proceeds and condemnation or expropriation awards, in excess of specified amounts, subject, in each case, to reinvestment rights. The Borrowers are required to prepay borrowings under the term loan facilities with the net proceeds of equity issuances by GateHouse Media in an amount equal to the lesser of (a) the amount by which 50.0% of the net cash proceeds exceeds the amount (if any) required to repay any credit facilities of GateHouse Media or (b) the amount of proceeds required to reduce Holdco s Total Leverage Ratio to 6.0 to 1.0. The Borrowers are also required to prepay borrowings under the term loan facilities with 100% of the proceeds of debt issuances (with specified exceptions), except that no prepayment is required if Holdco s Total Leverage Ratio is less than 6.0 to 1.0. If the term loan facilities have been paid in full, mandatory prepayments are applied to the repayment of borrowings under the swingline facility and revolving credit facilities and the cash collateralization of letters of credit.

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

The 2007 Credit Facility contains a financial covenant that requires Holdco to maintain a Total Leverage Ratio of less than or equal to 6.5 to 1.0 at any time an extension of credit is outstanding under the revolving credit facility. The 2007 Credit Facility contains affirmative and negative covenants applicable to Holdco, Operating and their restricted subsidiaries customarily found in loan agreements for similar transactions, including restrictions on their ability to incur indebtedness (which GateHouse Media is generally permitted to incur so long as it satisfies an incurrence test that requires it to maintain a pro forma Total Leverage Ratio of less than 6.5 to 1.0), create liens on assets, engage in certain lines of business, engage in mergers or consolidations, dispose of assets, make investments or acquisitions, engage in transactions with affiliates, enter into sale leaseback transactions, enter into negative pledges or pay dividends or make other restricted payments (except that Holdco is permitted to (a) make restricted payments (including quarterly dividends) so long as, after giving effect to any such restricted payment, Holdco and its subsidiaries have a Fixed Charge Coverage Ratio (as defined in the 2007 Credit Facility) equal to or greater than 1.0 to 1.0 and would be able to incur an additional $1.00 of debt under the incurrence test referred to above and (b) make restricted payments of proceeds of asset dispositions to GateHouse Media to the extent such proceeds are not required to prepay loans under the 2007 Credit Facility and/or cash collateralize letter of credit obligations and such proceeds are used to prepay borrowings under acquisition credit facilities of GateHouse Media. The 2007 Credit Facility also permits the borrowers, in certain limited circumstances, to designate subsidiaries as unrestricted subsidiaries which are not subject to the covenant restrictions in the 2007 Credit Facility. The 2007 Credit Facility contains customary events of default, including defaults based on a failure to pay principal, reimbursement obligations, interest, fees or other obligations, subject to specified grace periods; a material inaccuracy of representations and warranties; breach of covenants; failure to pay other indebtedness and cross-accelerations; a Change of Control (as defined in the 2007 Credit Facility); events of bankruptcy and insolvency; material judgments; failure to meet certain requirements with respect to ERISA; and impairment of collateral. There were no extensions of credit outstanding under the revolving credit portion of the facility at December 31, 2009 and, therefore, the Company was not required to be in compliance with the Total Leverage Ratio covenant.

First Amendment to 2007 Credit Facility

On May 7, 2007, the Borrowers entered into the First Amendment to the 2007 Credit Facility. The First Amendment provided an incremental term loan facility under the 2007 Credit Facility in the amount of $275,000. As amended by the First Amendment, the 2007 Credit Facility includes $1,195,000 of term loan facilities and $40,000 of a revolving credit facility. The incremental term loan facility amortizes at the same rate and matures on the same date as the 2007 Credit Facility prior to its amendment. Interest on the incremental term loan facility accrues at a rate per annum equal to, at the option of the borrower, (a) adjusted LIBOR plus a margin equal to (i) 2.00%, if the corporate family ratings and corporate credit ratings of Operating by Moody s Investors Service Inc. and Standard & Poor s Rating Services, are at least B1, and B+, respectively, in each case with stable outlook or (ii) 2.25%, otherwise, as was the case as of December 31, 2009, or (b) the greater of the prime rate set by Wachovia Bank, National Association, or the federal funds effective rate plus 0.50%, plus a margin 1.00% lower than that applicable to adjusted LIBOR-based loans. Any voluntary or mandatory repayment of the First Amendment term loans made with the proceeds of a new term loan entered into for the primary purpose of benefiting from a margin that is less than the margin applicable as a result of the First Amendment will be subject to a 1.00% prepayment premium. The First Amendment term loans are subject to a most favored nation interest provision that grants the First Amendment term loans an interest rate margin that is 0.25% less than the highest margin of any future term loan borrowings under the 2007 Credit Facility.

As previously noted, the First Amendment also modified the interest rates applicable to the term loans under the 2007 Credit Facility. Term loans thereunder accrue interest at a rate per annum equal to, at the option of the

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

Borrower, (a) adjusted LIBOR plus a margin equal to 2.00% or (b) the greater of the prime rate set by Wachovia Bank, National Association, or the federal funds effective rate plus 0.50%, plus a margin equal to 1.00%. The terms of the previously outstanding borrowings were also modified to include a 1.00% prepayment premium corresponding to the prepayment premium applicable to the First Amendment term loans and a corresponding most favored nation interest provision.

Second Amendment to 2007 Credit Facility

On February 3, 2009, the Company entered into a Second Amendment to the 2007 Credit Facility (the Second Amendment).

The Second Amendment, among other things, permits the borrowers to repurchase term loans outstanding under the 2007 Credit Facility at prices below par through one or more Modified Dutch Auctions (as defined in the Second Amendment) through December 31, 2011, provided that: (a) no Default or Event of Default (each as described in the 2007 Credit Facility) under the 2007 Credit Agreement has occurred and is continuing or would result from such repurchases, (b) the sum of Unrestricted Cash and Accessible Borrowing Availability (as defined in the Second Amendment) under the 2007 Credit Facility is greater than or equal to $20,000; and (c) no Extension of Credit (as defined in the Second Amendment) is outstanding under the revolving credit facility before or after giving effect to such repurchases. The Second Amendment further provides that such repurchases may result in the prepayment of term loans on a non-pro rata basis. No debt repurchases are required to be made pursuant to the Second Amendment and the Company cannot provide any assurances that any such debt repurchases will be made or, if made, the prices at which such repurchases will be made.

The Second Amendment also reduces the aggregate principal amounts available under the 2007 Credit Facility, as follows: (a) for revolving loans, from $40,000 to $20,000; (b) for the letter of credit subfacility, from $15,000 to $5,000; and (c) for the swingline loan subfacility, from $10,000 to $5,000.

In addition, the Second Amendment provides that Holdco may not incur additional term debt under the 2007 Credit Facility unless the Senior Secured Incurrence Test (as defined in the Second Amendment) is less than 4.00 to 1 and the current Incurrence Test (as defined in the Second Amendment) is satisfied.

In conjunction with the Second Amendment, the Company incurred and expensed approximately $550 of fees. The existing unamortized deferred financing fees that should be written off, in accordance with FASB ASC Topic 855, *Debt* , as a result of the decrease in borrowing capacity were not significant. The Company determined that the approximate net impact of $400 was immaterial and, as a result, the Company expensed the $550 of new fees and continues to amortize the existing deferred financing fees.

As of December 31, 2009, a total of $1,195,000 was outstanding under the 2007 Credit Facility.

Note Payable

In connection with the acquisition of certain newspapers from Morris Publishing Group, the Company committed to pay a portion of the purchase price under a $10,000 promissory note. During 2008, this note was amended to include the working capital settlement related to the acquisition. On May 1, 2009, the Company entered into a second amendment to the promissory note with Morris Publishing Group, which requires monthly payments of interest only from January through December of 2009. On September 25, 2009, the Company entered into an accommodation agreement and release with Morris Publishing Group, which extinguished the promissory note for $4,000. As of December 31, 2009, the Company recognized a gain on early extinguishment of this debt in the amount of $7,538.

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

2008 Bridge Facility

On February 15, 2008, GateHouse Media Intermediate Holdco, Inc., a subsidiary of the Company (Holdco II), and the Company (collectively, the Bridge Borrower) entered into the 2008 Bridge Facility with Barclays Capital (Barclays). The 2008 Bridge Facility originally provided for a $20,600 term loan facility subject to extensions through August 15, 2009. The Bridge Facility is secured by a first priority security interest in all present and future capital stock of Holdco owned by Holdco II and all proceeds thereof.

Borrowings under the 2008 Bridge Facility bear interest at a floating rate equal to the LIBOR Rate (as defined in the 2008 Bridge Facility), plus an applicable margin. During the first three months of the facility, until May 15, 2008, the applicable margin was 8.00%. After May 15, 2008 and until the date of the Second Waiver and Amendment to the 2008 Bridge Facility (February 12, 2009) the applicable margin was 10.00%. After the date of the Second Waiver and Amendment to the 2008 Bridge Facility (as defined below) and until the maturity date, the applicable margin is 12.00%.

The Bridge Borrower is required to prepay borrowings under the 2008 Bridge Facility with (a) 100% of the net cash proceeds from the issuance or incurrence of debt by Holdco II and its restricted subsidiaries, (b) 100% of the net cash proceeds from any issuances of equity by Holdco II or any of its restricted subsidiaries and (c) 100% of the net cash proceeds of asset sales and dispositions by Holdco II and its subsidiaries, except, in the case of each of clause (a), (b) and (c), to the extent such required prepayment would contravene any provision of, or cause a violation of or default under, the 2007 Credit Facility, in which case such mandatory prepayment shall not be required. The Bridge Borrower may voluntarily prepay the 2008 Bridge Facility at any time.

In connection with the 2008 Bridge Facility, Holdco II entered into a Pledge Agreement in favor of Barclays, pursuant to which Holdco II pledges certain assets for the benefit of the secured parties as collateral security for the payment and performance of its obligations under the 2008 Bridge Facility. The pledged assets include, among other things (a) all present and future capital stock or other membership, equity, ownership or profits interest of the Holdco II in all of its direct domestic restricted subsidiaries and (b) 65% of the voting stock (and 100% of the nonvoting stock) of all of the present and future first-tier foreign subsidiaries.

First Waiver to 2008 Bridge Facility

On October 17, 2008, Holdco II entered into the First Waiver to the 2008 Bridge Facility. The First Waiver waived compliance by Holdco II with the Total Leverage Ratio (as defined in the 2008 Bridge Facility) covenant, for the quarter ended September 30, 2008. The Total Leverage Ratio was required to be no greater than 7.25 to 1.00.

Second Waiver and Amendment to 2008 Bridge Facility

On February 12, 2009, Holdco II entered into the Second Waiver and Amendment to the 2008 Bridge Facility. The Second Waiver and Amendment waived compliance by Holdco II with the Total Leverage Ratio Covenant for the quarter ended December 31, 2008. As mentioned above, the Second Waiver and Amendment also set the applicable margin for the 2008 Bridge Facility at 12.00% and established an amortization schedule for the outstanding balance due under the 2008 Bridge Facility to be paid by December 31, 2009. Monthly payments under the amortization schedule were to begin in May 2009.

Furthermore, under the Second Waiver and Amendment to the 2008 Bridge Facility the covenant requiring compliance with the Total Leverage Ratio was eliminated. The Bridge Borrower also agreed to prepay the 2008

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

Bridge Facility in any month, and only to the extent that, the month end cash balance exceeds the Projected Cash Balance by $2,000, starting in May of 2009, and agreed to make certain prepayments in the event of any voluntary repurchase or prepayment of term loans under the 2007 Credit Facility.

Third Waiver to the 2008 Bridge Facility

On June 1, 2009, Holdco II entered into the Third Waiver to the 2008 Bridge Facility. The Third Waiver waived compliance by Holdco II with the obligation to pay the monthly payment due on May 31, 2009 in the principal amount of $1,500 until June 12, 2009.

Third Amendment to 2008 Bridge Facility

On June 12, 2009, Holdco II entered into the Third Amendment to the 2008 Bridge Facility. The Third Amendment established a revised amortization schedule for the outstanding balance due under the 2008 Bridge Facility which runs through February 12, 2011. Bi-monthly payments of $1,500 under the revised amortization schedule began in June 2009 with any remaining amounts due February 12, 2011. As a result of the prepayment of a portion of the 2008 Bridge Facility the final payment has been accelerated to December 2010. The Bridge Borrower s agreement to prepay the 2008 Bridge Facility in any month was amended to provide that the Bridge Borrower prepay the 2008 Bridge Facility in any month, and only to the extent that, the month end cash balance exceeds the revised Projected Cash Balance by $4,000, starting in June of 2009. The Bridge Borrower also agreed to additional informational document delivery requirements. In addition, the applicable grace period for any failure to make a principal payment was extended to 30 days. As of December 31, 2009, a total of $8,000 was outstanding under the 2008 Bridge Facility.

Preferred Stock Agreement with Subsidiary

On August 21, 2008, FIF III Liberty Holdings LLC (FIF III) purchased an aggregate of $11,500 in 10% cumulative preferred stock of GateHouse Media Macomb Holdings, Inc. (Macomb), an operating subsidiary of the Company. Macomb, an Unrestricted Subsidiary under the terms of the 2007 Credit Facility, used the proceeds from such sale of preferred stock to make an $11,500 cash investment in Holdco non-voting 10% cumulative preferred stock. FIF III may require the Company to purchase its Macomb preferred stock during the five-year period following the full repayment by the Company of the 2008 Bridge Facility for an amount equal to the original purchase price plus accrued but unpaid dividends. The entire preferred stock balance of $11,500 is included in current portion of long-term liabilities, and dividends of $1,567 are accrued as of December 31, 2009. FIF III is an affiliate of Fortress Investment Group, LLC, the owner of approximately 39.5% of the Company s outstanding Common Stock.

Compliance with Covenants

As of December 31, 2009 the Company was in compliance with all of the covenants and obligations under the 2007 Credit Facility, as amended, and the 2008 Bridge Facility, as amended. However, due to restrictive covenants and conditions within each of the facilities, the Company currently does not have the ability to draw upon the revolving credit facility portion of the 2007 Credit Facility for any immediate short-term funding needs or to incur additional long-term debt.

Fair Value

The fair value of the Company s total long-term debt, determined based on estimated market prices for similar issues of debt with consistent remaining maturities and terms, total approximately $689,000.

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

Payment Schedule

As of December 31, 2009, scheduled principal payments of outstanding debt are as follows:

2010	8,000
2011	
2012	
2013	
2014	1,195,000
	$ 1,203,000
Less: Short-Term Debt	8,000
Long-Term Debt	$ 1,195,000

(10) Derivative Instruments

The Company uses certain derivative financial instruments to hedge the aggregate risk of interest rate fluctuations with respect to its long-term debt, which requires payments based on a variable interest rate index. These risks include: increases in debt rates above the earnings of the encumbered assets, increases in debt rates resulting in the failure of certain debt ratio covenants, increases in debt rates such that assets can no longer be refinanced, and earnings volatility.

In order to reduce such risks, the Company primarily uses interest rate swap agreements to change floating-rate long term debt to fixed-rate long-term debt. This type of hedge is intended to qualify as a cash-flow hedge under ASC 815. For these instruments, the effective portion of the change in the fair value of the derivative is recorded in accumulated other comprehensive income in the Condensed Consolidated Statement of Stockholders Equity (Deficit) and recognized in the Condensed Consolidated Statement of Operations in the same period in which the hedged transaction impacts earnings. The ineffective portion of the change in the fair valueof the derivative is immediately recognized in earnings.

Fair Values of Derivative Instruments

	Liability Derivatives			
	December 31, 2009		December 31, 2008	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivative designed as hedging instruments under ASC 815				
Interest rate swaps	Derivative Instruments	$ 44,522	Derivative Instruments	$ 34,957
Total derivatives		$ 44,522		$ 34,957

113

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

The Effect of Derivative Instruments on the Statement of Operations

for the Years Ended December 31, 2009 and 2008

Derivatives in ASC 815 Fair Value Hedging Relationships	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative 2009	Amount of Gain or (Loss) Recognized in Income on Derivative 2008
Interest rate swaps	Loss on derivative instrument	$ (12,672)	$ (10,119)

Derivatives in ASC 815 Fair Value Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) 2009	2008	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) 2009	2008	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) 2009	2008
Interest rate swaps	$ (10,563)	$ (6,710)	Interest income/ (expense)	$ (45,116)	$ (7,027)	Other income/ (expense)	$ 998	$ (3,092)

On June 23, 2005, the Company entered into and designated an interest rate swap based on a notional amount of $300,000 maturing June 2012 as a cash flow hedge. Under the swap agreement, the Company receives interest equivalent to one month LIBOR and pays a fixed rate of 4.135%, with settlements occurring monthly. For the period from January 1, 2006 through February 19, 2006, the hedge was deemed ineffective and, as a result, the change in the fair value of the derivative of $2,605 was recognized through earnings. On February 20, 2006, the Company redesignated the same interest rate swap as a cash flow hedge for accounting purposes. The fair value of the swap decreased by $1,082, net, of which $(1,472) was recognized through earnings and a $234 increase in fair value net of income taxes of $156 was recognized through accumulated other comprehensive income. At December 31, 2006, the swap no longer qualified as an effective hedge. Therefore, the balance in accumulated other comprehensive income was reclassified into earnings over the life of the hedged item. On January 1, 2007, the Company redesignated the same interest rate swap as a cash flow hedge for accounting purposes. On August 18, 2008, the Company terminated the swap and entered into a settlement agreement with Goldman Sachs in the aggregate amount of $18,947 which also includes the termination of the swap having a notional value of $270,000. The balance in accumulated other comprehensive income will be reclassified into earnings over the remaining life of the item previously hedged. During the period from January 1, 2008 to August 18, 2008, the fair value of the swap decreased by $2,748, net, of which $2,383 was recognized through earnings and a $222 decrease in fair value, net of income taxes of $143 was recognized through accumulated other comprehensive income. During the year ended December 31, 2009, $8,256 was amortized and recognized through earnings relating to the balances in accumulated other comprehensive income as of December 31, 2006 and August 18, 2008. The estimated net amount to be reclassified into earnings during the next twelve months is $4,047.

In connection with the 2006 Financing, the Company entered into and designated an interest rate swap based on a notional amount of $270,000 maturing July 2011 as a cash flow hedge. Under the swap agreement, the Company receives interest equivalent to one month LIBOR and pays a fixed rate of 5.359%, with settlements occurring monthly. On January 1, 2007, the swap was redesignated. Therefore, the balance in accumulated other comprehensive income will be reclassified into earnings over the life of the hedged item. On August 18, 2008,

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

the Company terminated the swap and entered into a settlement agreement with Goldman Sachs in the aggregate amount of $18,947 which also includes the termination of the swap having a notional value of $300,000. The balance in accumulated other comprehensive income will be reclassified into earnings over the remaining life of the item previously hedged. During the period from January 1, 2008 to August 18, 2008, the effective portion of the decrease in fair value of the swap of $326, net of income taxes of $210 was recognized through accumulated other comprehensive income. During the year ended December 31, 2009, $5,413 was amortized and recognized through earnings relating to the balance in accumulated other comprehensive income as of December 31, 2006 and August 18, 2008. The estimated net amount to be reclassified into earnings during the next twelve months is $4,062.

In connection with the 2007 Credit Facility, the Company entered into and designated an interest rate swap based on a notional amount of $100,000 maturing September 2014, as a cash flow hedge. Under the swap agreement, the Company receives interest equivalent to one-month LIBOR and pays a fixed rate of 5.14%, with settlements occurring monthly. During the year ended December 31, 2009, the fair value of the swap decreased by $1,585, net, of which $76 increase was recognized through earnings and a $1,661 decrease in fair value was recognized through accumulated other comprehensive income.

In connection with the 2007 Credit Facility, the Company entered into and designated an interest rate swap based on a notional amount of $250,000 maturing September 2014, as a cash flow hedge. Under the swap agreement, the Company receives interest equivalent to one-month LIBOR and pays a fixed rate of 4.971%, with settlements occurring monthly. During the year ended December 31, 2009, the fair value of the swap decreased by $3,765, net, of which $456 increase was recognized through earnings and a $4,221 decrease in fair value was recognized through accumulated other comprehensive income.

In connection with the First Amendment to the 2007 Credit Facility, the Company entered into and designated an interest rate swap based on a notional amount of $200,000 maturing September 2014, as a cash flow hedge. Under the swap agreement, the Company receives interest equivalent to one-month LIBOR and pays a fixed rate of 5.079% with settlements occurring monthly. During the year ended December 31, 2009, the fair value of the swap decreased by $3,113, net, of which $409 increase was recognized through earnings and a $3,522 decrease in fair value was recognized through accumulated other comprehensive income.

During September, 2007, the Company entered into and designated an interest rate swap based on a notional amount of $75,000 maturing September 2014, as a cash flow hedge. Under the swap agreement, the Company receives interest equivalent to one-month LIBOR and pays a fixed rate of 4.941% with settlements occurring monthly. During the year ended December 31, 2009, the fair value of the swap decreased by $1,102, net, of which $57 increase was recognized through earnings and a $1,159 decrease in fair value was recognized through accumulated other comprehensive income.

A valuation allowance was reversed during the year ended December 31, 2009 related to the decrease in deferred tax assets as a result of the change in fair value of the swap instruments in the amount of $1,052 for a net tax effect of $0.

The aggregate amount of unrealized loss related to derivative instruments recognized in other comprehensive income as of December 31, 2009 was $48,379.

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

(11) Income Taxes

Income tax expense (benefit) for the periods shown below consisted of:

	Current	Deferred	Total
Year ended December 31, 2009:			
U.S. Federal	$	$	$
State and local	342		342
	$ 342		342
Year ended December 31, 2008:			
U.S. Federal	$	$ (17,077)	$ (17,077)
State and local	209	(4,271)	(4,062)
	$ 209	$ (21,348)	$ (21,139)
Year ended December 31, 2007:			
U.S. Federal	$	$ (26,519)	$ (26,519)
State and local	962	(6,304)	(5,342)
	$ 962	$ (32,823)	$ (31,861)

Income tax expense (benefit) differed from the amounts computed by applying the U.S. federal income tax rate of 34% to income (loss) from continuing operations before income taxes as a result of the following:

	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Computed expected tax expense (benefit)	$ (179,008)	$ (232,227)	$ (90,454)
Increase (decrease) in income taxes resulting from:			
State and local income taxes, net of federal benefit		(2,772)	(5,454)
Nondeductible meals and entertainment	75	142	92
Return to provision adjustment	(155)	21	(1,399)
Impairment of Non-Deductible Goodwill	26,710	61,114	24,676
Change in valuation allowance	152,476	151,745	39,775
Increase to provision for unrecognized tax benefits	342	209	897
Other	(98)	629	6
	$ 342	$ (21,139)	$ (31,861)

During the year ended December 31, 2009, income tax expense, net of income tax valuation allowance related to discontinued operations, was $0.

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of December 31, 2009 and 2008 are presented below:

	December 31, 2009	December 31, 2008
Deferred tax assets:		
Accounts receivable, principally due to allowance for doubtful accounts	$ 1,789	$ 2,358
Inventory capitalization	2,760	4,224
Accrued expenses	11,416	9,211
Derivative instrument	17,403	13,659
Pension and other postretirement benefit obligation	5,481	5,602
Long-lived and intangible assets, principally due to differences in depreciation and amortization	233,107	92,751
Net operating losses	147,311	115,649
Gross deferred tax assets	419,267	243,454
Less valuation allowance	(419,267)	(243,454)
Net deferred tax assets		

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. In assessing the realizability of the Company s deferred tax assets, which are principally net operating loss carryforwards, management considers the reversal of deferred tax liabilities which are scheduled to reverse during the carryforward period and tax planning strategies.

During the year ended December 31, 2007, the valuation allowance increased by $64,321, of which $45,800 was charged to earnings, and $18,521 was recorded through accumulated other comprehensive income. During the year ended December 31, 2008, the valuation allowance increased by $178,032, of which $178,309 was charged to earnings, $915 reduction was related to purchase accounting adjustments and $638 was recorded through accumulated other comprehensive income. During the year ended December 31, 2009, the valuation allowance increased by $175,813, of which $176,865 was changed to earnings and a $1,052 reduction was recorded through accumulated other comprehensive income.

At December 31, 2009, the Company has net operating loss carryforwards for Federal and state income tax purposes of approximately $380,254, which are available to offset future taxable income, if any. These Federal and state net operating loss carryforwards begin to expire on various dates from 2018 through 2029. A portion of these net operating losses are subject to the limitations of Internal Revenue Code Section 382. This section provides limitations on the availability of net operating losses to offset current taxable income if significant ownership changes have occurred for Federal tax purposes.

As discussed in Note 1, the Company adopted the provisions of FIN 48 as of January 1, 2007 and now codified as ASC 740. The cumulative effect of adopting FIN 48 had no effect on the Company s retained earnings. The total amount of unrecognized tax benefits as of the date of adoption was $3,621 million. At December 31, 2009, the Company had unrecognized tax benefits of $5,068 which, if recognized, would impact the effective tax rate. The Company did not record significant amounts of interest and penalties related to unrecognized tax benefits in 2009.

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

A reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended December 31, 2009 and 2008 are as follows:

Balance as of January 1, 2008	$ 4,518
Increases based on tax positions prior to 2008	92
Increases based on tax positions in 2008	116
Unrecognized tax benefits as of December 31, 2008	$ 4,726
Increases based on tax positions prior to 2009	218
Increases based on tax positions in 2009	124
Unrecognized tax benefits as of December 31, 2009	$ 5,068

The Company does not anticipate significant increases or decreases in our uncertain tax positions within the next twelve months. The Company recognizes penalties and interest relating to uncertain tax positions in the provision for income taxes.

The Company files a U.S. federal consolidated income tax return for which the statute of limitations remains open for the 2005 tax year and beyond. U.S. state jurisdictions have statute of limitations generally ranging from 3 to 6 years. Currently, the 2006-2008 tax years are under examination by the Internal Revenue Service. We do not anticipate any material adjustments related to this examination.

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

(12) Earnings (Loss) Per Share

The following table sets forth the computation of basic and diluted earnings (loss) per share (EPS):

	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Numerator for earnings per share calculation:			
Loss from continuing operations attributable to GateHouse Media	$ (526,837)	$ (658,710)	$ (234,165)
Income (loss) from discontinued operations, attributable to GateHouse Media, net of income taxes	(3,265)	(14,596)	2,741
Net loss attributable to GateHouse Media	$ (530,102)	$ (673,306)	$ (231,424)
Denominator for earnings per share calculation:			
Basic weighted average shares outstanding	57,412,401	57,058,454	46,403,965
Dilutive securities, including restricted share grants			
Diluted weighted average shares outstanding	57,412,401	57,058,454	46,403,965
Loss per share basic:			
Loss from continuing operations attributable to GateHouse Media	$ (9.18)	$ (11.54)	$ (5.05)
Income (loss) from discontinued operations, attributable to GateHouse Media, net of taxes	(0.06)	(0.26)	0.06
Net loss attributable to GateHouse Media	$ (9.24)	$ (11.80)	$ (4.99)
Income (loss) per share diluted:			
Loss from continuing operations attributable to GateHouse Media	$ (9.18)	$ (11.54)	$ (5.05)
Income (loss) from discontinued operations, attributable to GateHouse Media, net of taxes	(0.06)	(0.26)	0.06
Net loss attributable to GateHouse Media,	$ (9.24)	$ (11.80)	$ (4.99)

During the years ended December 31, 2009 and 2008, 570,696 and 868,492 RSG s, respectively, were excluded from the computation of diluted loss per share because their effect would have been antidilutive.

(13) Employee Benefit Plans

The Company maintains a GateHouse Media, Inc. defined contribution plan (the Defined Plan) designed to conform to IRS rules for 401(k) plans for all of its employees satisfying minimum service requirements as set forth under the plan. The plan allows for a matching contribution at the discretion of the Company. Employees can contribute amounts up to 100% of their eligible gross wages to the plan, subject to IRS limitations. The Company implemented a Company wide matching contribution on January 1, 2008 and discontinued offering such matching contribution across the Company on January 1, 2009. The Company now only offers a matching contribution to certain groups of the Company s employees. The Company s current match ranges from 50% to 100% of a specified portion of employee contribution, which specified portion ranges from 1% to 6% of eligible gross wages. During the years ended December 31, 2009 and December 31, 2007, when the Company did not offer a matching contribution across the entire Company, the Company s matching contributions to the plan were $107 and $1,264, respectively.

During the year ended December 31, 2008, when the Company offered a matching contribution across the entire Company, the Company s matching contribution to the plan was $3,060.

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

The Company maintains three nonqualified deferred compensation plans, as described below, for certain of its employees.

The Company maintains the GateHouse Media, Inc. Publishers Deferred Compensation Plan (Publishers Plan), a nonqualified deferred compensation plan for the benefit of certain designated publishers of the Company s newspapers. Under the Publishers Plan, the Company credits an amount to a bookkeeping account established for each participating publisher pursuant to a pre-determined formula, which is based upon the gross operating profits of each such publisher s newspaper. The bookkeeping account is credited with earnings and losses based upon the investment choices selected by the participant. The amounts credited to the bookkeeping account on behalf of each participating publisher vest on an installment basis over a period of 15 years. A participating publisher forfeits all amounts under the Publishers Plan in the event that the publisher s employment with the Company is terminated for cause , as defined in the Publishers Plan. Amounts credited to a participating publisher s bookkeeping account are distributable upon termination of the publisher s employment with the Company and will be made in a lump sum or installments as elected by the publisher. The Publisher s Plan was frozen effective as of December 31, 2006, and all accrued benefits of participants under the terms of the Publisher s Plan became 100% vested. The Company recorded $0, $0 and $0 of compensation expense related to the Publishers Plan for the years ended December 31, 2009, 2008 and 2007, respectively.

The Company maintains the GateHouse Media, Inc. Executive Benefit Plan (Executive Benefit Plan), a nonqualified deferred compensation plan for the benefit of certain key employees of the Company. Under the Executive Benefit Plan, the Company credits an amount, determined at the Company s sole discretion, to a bookkeeping account established for each participating key employee. The bookkeeping account is credited with earnings and losses based upon the investment choices selected by the participant. The amounts credited to the bookkeeping account on behalf of each participating key employee vest on an installment basis over a period of 5 years. A participating key employee forfeits all amounts under the Executive Benefit Plan in the event that the key employee s employment with the Company is terminated for cause , as defined in the Executive Benefit Plan. Amounts credited to a participating key employee s bookkeeping account are distributable upon termination of the key employee s employment with the Company, and will be made in a lump sum or installments as elected by the key employee. The Executive Benefit Plan was frozen effective as of December 31, 2006, and all accrued benefits of participants under the terms of the Executive Benefit Plan became 100% vested. The Company recorded $0, $0 and $0 of compensation expense related to the Executive Benefit Plan for the years ended December 31, 2009, 2008 and 2007, respectively.

The Company maintains the GateHouse Media, Inc. Executive Deferral Plan (Executive Deferral Plan), a nonqualified deferred compensation plan for the benefit of certain key employees of the Company. Under the Executive Deferral Plan, eligible key employees may elect to defer a portion of their compensation for payment at a later date. Currently, the Executive Deferral Plan allows a participating key employee to defer up to 100% of his or her annual compensation until termination of employment or such earlier period as elected by the participating key employee. Amounts deferred are credited to a bookkeeping account established by the Company for this purpose. The bookkeeping account is credited with earnings and losses based upon the investment choices selected by the participant. Amounts deferred under the Executive Deferral Plan are fully vested and non-forfeitable. The amounts in the bookkeeping account are payable to the key employee at the time and in the manner elected by the key employee.

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

(14) Pension and Postretirement Benefits

As a result of the Enterprise and Copley acquisitions, the Company maintains a pension plan and postretirement medical and life insurance plans which cover certain employees. The Company uses the accrued benefit actuarial method and best estimate assumptions to determine pension costs, liabilities and other pension information for defined benefit plans.

The Company assumed a post retirement medical and life insurance plan as part of the acquisition of newspapers from Copley. An actuarial valuation of the plan obligation had not been performed and the Company estimated a $460 obligation in accrued liabilities for this plan as of December 31, 2007. During the first quarter of 2008, a valuation was performed and a benefit obligation of $2,217 was recorded, $2,037 of which was recognized through a purchase accounting adjustment.

The Enterprise pension plan was amended to freeze all future benefit accruals as of December 31, 2008, except for a select group of union employees whose benefits were frozen during 2009. Also, during 2008 the medical and life insurance benefits were frozen and the plan was amended to limit future benefits to a select group of active employees under the Enterprise postretirement medical and life insurance plan. A curtailment gain in the amount of $297 and $2,434 was recognized related to the postretirement medical and life insurance plan during the years ended December 31, 2009 and 2008, respectively.

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

The following provides information on the pension plan and postretirement medical and life insurance plan as of December 31, 2009 and 2008, for the years ended December 31, 2009 and 2008.

	Pension Year Ended December 31, 2009	Postretirement Year Ended December 31, 2009	Pension Year Ended December 31, 2008	Postretirement Year Ended December 31, 2008
Change in projected benefit obligation:				
Benefit obligation at beginning of period	$ 20,679	$ 6,705	$ 20,754	$ 11,304
Service cost	217	84	431	301
Interest cost	1,263	376	1,291	739
Actuarial (gain) loss	1,440	236	560	864
Benefits and expenses paid	(1,621)	(352)	(1,568)	(385)
Participant contributions		22		25
Plan change		(97)		(3,242)
Curtailments		(682)	(789)	(2,901)
Projected benefit obligation at end of period	$ 21,978	$ 6,292	$ 20,679	$ 6,705
Change in plan assets:				
Fair value of plan assets at beginning of period	$ 14,066	$	$ 17,429	$
Actual return on plan assets	2,246		(3,556)	
Employer contributions	698	330	1,763	360
Participant contributions		22		25
Benefits paid	(1,434)	(352)	(1,372)	(385)
Expenses paid	(187)		(198)	
Fair value of plan assets at end of period(1)	$ 15,389	$	$ 14,066	$
Reconciliation of funded status:				
Benefit obligation at end of period	$ (21,978)	$ (6,292)	$ (20,679)	$ (6,705)
Fair value of assets at end of period	15,389		14,066	
Funded status	(6,589)	(6,292)	(6,613)	(6,705)
Unrecognized prior service cost		(2,895)		(3,243)
Unrecognized actuarial (gain) loss	3,496	(64)	3,329	32
Net accrued benefit cost	$ (3,093)	$ (9,251)	$ (3,284)	$ (9,916)
Balance sheet presentation:				
Accrued liabilities	$	$ 449	$	$ 509
Pension and other postretirement benefit obligations	6,589	5,843	6,613	6,196
Accumulated other comprehensive income	(3,496)	2,959	(3,329)	3,211
Deferred taxes				
Net accrued benefit cost	$ 3,093	$ 9,251	$ 3,284	$ 9,916
Components of net periodic benefit cost:				
Service cost	$ 217	$ 84	$ 431	$ 301

Interest cost	1,263	376	1,291	739
Expected return on plan assets	(1,101)		(1,487)	
Amortization of prior service cost		(444)		
Amortization of unrecognized (gain) loss	127	(54)		
Special termination benefits			42	
Net periodic benefit cost	$ 506	$ (38)	$ 277	$ 1,040
Other changes in plan assets and benefit obligations recognized in other comprehensive income:				
Net actuarial loss (gain)	$ 295	$ (536)	$ 4,814	$ 397
Prior service cost (credit)		(97)		(3,242)
Amortization of net actuarial (loss) gain	(127)	54		
Amortization of prior service (cost) credit		444		
Other adjustment		386	(700)	
Total recognized in other comprehensive income	$ 168	$ 251	$ 4,114	$ (2,845)
Comparison of obligations to plan assets:				
Projected benefit obligation	$ 21,978	$ 6,292	$ 20,679	$ 6,705
Accumulated benefit obligation	21,978	6,292	20,612	6,705
Fair value of plan assets	15,389		14,066	

(1) Fair value of plan assets are measured on a recurring basis using quoted market prices in active markets for identical assets, Level 1 input. To see additional information on fair value measurement criteria, see footnote 17.

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

The following assumptions were used in connection with the Company s actuarial valuation of its defined benefit pension and postretirement plans:

	Pension Year Ended December 31, 2009	Postretirement Year Ended December 31, 2009	Pension Year Ended December 31, 2008	Postretirement Year Ended December 31, 2008
Weighted average discount rate	5.7%	5.6%	6.2%	6.2%
Rate of increase in future compensation levels	3.5%		3.0%	
Expected return on assets	8.0%		8.5%	
Current year trend		9.5%		8.8%
Ultimate year trend		5.0%		5.3%
Year of ultimate trend		2019		2017

The following assumptions were used to calculate the net periodic benefit cost for the Company s defined benefit pension and post retirement plans:

	Pension Year Ended December 31, 2009	Postretirement Year Ended December 31, 2009	Pension Year Ended December 31, 2008	Postretirement Year Ended December 31, 2008
Weighted average discount rate	6.2%	6.2%	6.4%	6.5%
Rate of increase in future compensation levels	3.0%		3.0%	
Expected return on assets	8.0%		8.5%	
Current year trend		8.8%		9.0%
Ultimate year trend		5.3%		5.3%
Year of ultimate trend		2018		2018

To determine the expected long-term rate of return on pension plan assets, the Company considers the current and expected asset allocations, as well as historical and expected returns on various categories of plan assets, input from the actuaries and investment consultants, and long-term inflation assumptions. The expected allocation of pension plan assets is based on a diversified portfolio consisting of domestic and international equity securities and fixed income securities. This expected return is then applied to the fair value of plan assets. The Company amortizes experience gains and losses, including the effects of changes in actuarial assumptions and plan provisions over a period equal to the average future service of plan participants.

Amortization of prior service costs was calculated using the straight-line method over the average remaining service periods of the employees expected to receive benefits under the plan.

	Postretirement Year Ended December 31, 2009
Effect of 1% increase in health care cost trend rates	

APBO	$	2,660
Dollar change	$	389
Percent change		14.6%
Effect of 1% decrease in health care cost trend rates		
APBO	$	1,946
Dollar change	$	(325)
Percent change		(16.7)%

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

The pension plan s assets by asset category are as follows:

	Pension December 31, 2009	Pension December 31, 2008
Equity funds	69%	60%
Debt funds	30%	20%
Other	1%	20%
Total	100%	100%

Plan fiduciaries of the George W. Prescott Publishing Company LLC Pension Plan set investment policies and strategies for the pension trust. Objectives include preserving the funded status of the plan and balancing risk against return. The general target allocation is 70% in equity funds and 30% in fixed income funds for the plan s investments. To accomplish this goal, each plan s assets are actively managed by outside investment managers with the objective of optimizing long-term return while maintaining a high standard of portfolio quality and proper diversification. The Company monitors the maturities of fixed income securities so that there is sufficient liquidity to meet current benefit payment obligations.

The following benefit payments, which reflect expected future services, as appropriate, are expected to be paid as follows:

	Pension	Postretirement
2010	$ 1,399	$ 461
2011	1,395	459
2012	1,440	428
2013	1,463	434
2014	1,460	420
2015-2019	7,613	1,820
Employer contribution expected to be paid during the year ending December 31, 2010	$ 723	$ 461

The postretirement plans are not funded.

The aggregate amount of net actuarial loss and prior service cost related to the Company s pension and post retirement plans recognized in other comprehensive income as of December 31, 2009 was $537.

(15) Stock Compensation Plans

Omnibus Stock Incentive Plan

On October 5, 2006, the Company adopted a new equity incentive plan for its employees, the GateHouse Media, Inc. Omnibus Stock Incentive Plan (the Plan) and presented the Plan to the Company s stockholders for approval, which was received on October 6, 2006. The purposes of the Plan are to strengthen the commitment of the Company s employees, motivate them to faithfully and diligently perform their responsibilities and attract and retain competent and dedicated persons who are essential to the success of the business and whose efforts will result in the Company s long-term growth and profitability. To accomplish such purposes, the Plan provides for the issuance of stock options, stock appreciation rights, restricted shares, deferred shares, performance shares, unrestricted shares and other stock-based awards.

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

A total of 2,000,000 shares of the Company s common stock were initially reserved for issuance under the Plan, provided however, that commencing on the first day of each fiscal year beginning in calendar year 2007, the number of shares reserved and available for issuance is increased by an amount equal to 100,000. All such shares of the Company s common stock that are available for the grant of awards under the Plan may be granted as incentive stock options. Section 162(m) of the Internal Revenue Code (the Code) states that the maximum aggregate number of shares that is subject to stock options or stock appreciation rights that may be granted to any individual during any fiscal year is 400,000 and the maximum aggregate number of shares that is subject to awards of restricted stock, deferred shares, unrestricted shares or other stock-based awards that may be granted to any individual during any fiscal year is 400,000.

The Plan is administered by the Company s board of directors, although it may be administered by either the board of directors or any committee of the board of directors including a committee that complies with the applicable requirements of Section 162(m) of the Code, Section 16 of the Exchange Act and any other applicable legal or stock exchange listing requirements.

Except as otherwise provided by the Plan administrator, on the first business day after the Company s annual meeting of stockholders and each such annual meeting thereafter during the term of the Plan, each of the Company s independent directors who is serving following such annual meeting will automatically be granted under the Plan a number of unrestricted shares of common stock having a fair market value of $15 as of the date of grant; however, those of the Company s independent directors who were granted restricted common stock upon the consummation of the IPO will not be eligible to receive these automatic annual grants.

The terms of the Plan provide that the board of directors may amend, alter or discontinue the Plan, but no such action may impair the rights of any participant with respect to outstanding awards without the participant s consent. The Plan administrator, however, reserves the right to amend, modify, or supplement an award to either bring it into compliance with Section 409A of the Code, or to cause the award to not be subject to such section. The Plan will terminate on October 5, 2016.

As of December 31, 2009 and 2008, a total of 304,030 and 343,492 RSGs were outstanding under the Plan, respectively.

(16) Assets Held for Sale

As of December 31, 2009 and 2008, the Company intended to dispose of various assets which are classified as held for sale on the consolidated balance sheet in accordance with ASC 360. The following table summarizes the major classes of assets and liabilities held for sale at December 31, 2009 and 2008:

	December 31, 2008	December 31, 2008
Long-term assets held for sale:		
Property, plant and equipment, net	$ 1,428	$ 13,119
Total long-term assets held for sale	$ 1,428	$ 13,119

During the year ended December 31, 2008 the Company recorded a charge to operations $9,706 related to the impairment of property, plant and equipment and certain intangible assets which were either classified as held for sale as of December 31, 2008 or disposed of during the year ended December 31, 2008. No such impairment charges were recorded during the year ended December 31, 2009.

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

(17) Fair Value Measurement

The Company measures and records in the accompanying condensed consolidated financial statements certain assets and liabilities at fair value on a recurring basis. ASC 820 establishes a fair value hierarchy for those instruments measured at fair value that distinguishes between assumptions based on market data (observable inputs) and the Company s own assumptions (unobservable inputs).

These inputs are prioritized as follows:

Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities or market corroborated inputs; and

Level 3: Unobservable inputs for which there is little or no market data and which require us to develop our own assumptions about how market participants price the asset or liability.

The valuation techniques that may be used to measure fair value are as follows:

Market approach Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

Income approach Uses valuation techniques to convert future amounts to a single present amount based on current market expectation about those future amounts;

Cost approach Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost).

The following table provides fair value measurement information for the Company s major categories of financial assets and liabilities measured on a recurring basis:

	Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value Measurements
Liabilities				
Derivatives as of December 31, 2008[1]	$	$	$ 34,957	$ 34,957

Derivatives as of December 31, 2009[1]	44,522	44,522

(1) Derivative assets and liabilities include interest rate swaps which are measured using the Company s assumptions about the assumptions market participant would use in pricing the derivative. The calculation of fair value of the Company s derivatives in a liability position includes the Company s own credit risk.

During the first two quarters of 2008, the Company used level two inputs to calculate the fair value of its derivative instruments. When the Company s credit rating was downgraded, these inputs were no longer available. Beginning in the third quarter of 2008, the Company began calculating the credit value adjustment based on unobservable inputs.

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

The following tables reflect the activity of our derivative liabilities measured at fair value using significant unobservable inputs (level 3) for the year ended December 31, 2009:

	Derivative Liabilities
Balance as of December 31, 2008	$ 34,957
Total (gains) losses, net:	
Included in earnings (or changes in net assets)	(998)
Included in other comprehensive income	10,563
Balance as of December 31, 2009	$ 44,522

Certain assets are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment). During the quarter ended June 30, 2009, goodwill was written down to implied fair value and mastheads and certain amortizable intangibles were written down to fair value. The valuation techniques utilized to measure fair value are discussed in Note 6 above.

The following table summarizes the nonfinancial assets measured at fair value on a nonrecurring basis during 2009 in the accompanying condensed consolidated balance sheet, these amounts relate to our June 30, 2009 annual impairment review:

	Fair Value Measurements as of June 30, 2009			
	Level 1	Level 2	Level 3	Total
Goodwill			$ 14,361	$ 14,361
Mastheads			36,692	36,692
Amortizable intangibles			72,565	72,565

(18) Commitments and Contingencies

The Company becomes involved from time to time in claims and lawsuits incidental to the ordinary course of its business, including such matters as libel, invasion of privacy, intellectual property infringement, wrongful termination actions, and complaints alleging discrimination. In addition, the Company is involved from time to time in governmental and administrative proceedings concerning employment, labor, environmental and other claims. Insurance coverage mitigates potential loss for certain of these matters. Historically, such claims and proceedings have not had a material effect upon the Company s condensed consolidated results of operations or financial condition. While the Company is unable to predict the ultimate outcome of any currently outstanding legal actions, it is the opinion of the Company s management that it is a remote possibility that the disposition of these matters would have a material adverse effect upon the Company s condensed consolidated results of operations, financial condition or cash flow.

Included in cash and cash equivalents at December 31, 2009 are certificates of deposit, having maturities of less than three months, in the aggregate amount of $5,265. These amounts are currently used to collateralize standby letters of credit in the name of the Company s insurers in accordance with certain insurance policies.

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

(19) Related-Party Transactions

Fortress Investment Group, LLC

On May 9, 2005, FIF III, FIF III Liberty Acquisitions, LLC, a wholly owned subsidiary of FIF III (Merger Subsidiary), and the Company entered into an agreement that provided for the merger of Merger Subsidiary with and into the Company, with the Company continuing as a wholly owned subsidiary of FIF III (the Merger). The Merger was completed on June 6, 2005.

As of December 31, 2009, Fortress Investment Group LLC and its affiliates (Fortress) beneficially owned approximately 39.5% of the Company s outstanding common stock.

In addition, the Company s Chairman, Wesley Edens, is also the Co-Chairman of the board of directors of Fortress Investment Group LLC. The Company does not pay Mr. Edens a salary or any other form of compensation.

Affiliates of Fortress Investment Group LLC own $126,000 of the $1,195,000 2007 Credit Facility as of December 31, 2009. These amounts were purchased on arms length terms in secondary market transactions.

Affiliates of Fortress Investment Group LLC own $4,000 of the $8,000 2008 Bridge Facility as of December 31, 2009. These amounts were purchased directly from Barclays.

On August 21, 2008, FIF III purchased an aggregate of $11,500 in 10% cumulative preferred stock of GateHouse Media Macomb. The preferred stock was issued on August 21, 2008. Macomb, an Unrestricted Subsidiary under the terms of the 2007 Credit Facility, used the proceeds from such sale of preferred stock to make an $11,500 cash investment in Holdco non-voting 10% cumulative preferred stock. FIF III may require the Company to purchase its Macomb preferred stock during the five-year period following the full repayment by the Company of the 2008 Bridge Facility for an amount equal to the original purchase price plus accrued but unpaid dividends.

On October 24, 2006, the Company entered into an Investor Rights Agreement with FIF III. The Investor Rights Agreement provides FIF III with certain rights with respect to the nomination of directors to the Company s board of directors as well as registration rights for securities of the Company owned by Fortress.

The Investor Rights Agreement requires the Company to take all necessary or desirable action within its control to elect to its board of directors so long as Fortress beneficially owns (i) more than 50% of the voting power of the Company, four directors nominated by FIG Advisors LLC, an affiliate of Fortress (FIG Advisors), or such other party nominated by Fortress; (ii) between 25% and 50% of the voting power of the Company, three directors nominated by FIG Advisors; (iii) between 10% and 25% of the voting power of the Company, two directors nominated by FIG Advisors; and (iv) between 5% and 10% of the voting power of the Company, one director nominated by FIG Advisors. In the event that any designee of FIG Advisors shall for any reason cease to serve as a member of the board of directors during his term of office, FIG Advisors will be entitled to nominate an individual to fill the resulting vacancy on the board of directors.

Pursuant to the Investor Rights Agreement, the Company has granted FIF III, for so long as it or its permitted transferees beneficially own an amount of the Company s common stock at least equal to 5% or more of the Company s common stock issued and outstanding immediately after the consummation of its IPO (a Registrable Amount), demand registration rights that allow FIF III at any time to request that the Company register under the Securities Act of 1933, as amended, an amount equal to or greater than a Registrable Amount (as defined in the Investor Rights Agreement). Parent is entitled to an aggregate of four demand registrations.

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

The Company is not required to maintain the effectiveness of the registration statement for more than 60 days. The Company is also not required to effect any demand registration within nine months of a firm commitment underwritten offering to which the requestor held piggyback rights and which included at least 50% of the securities requested by the requestor to be included. The Company is not obligated to grant a request for a demand registration within four months of any other demand registration and may refuse a request for demand registration if, in the Company s reasonable judgment, it is not feasible for the Company to proceed with the registration because of the unavailability of audited financial statements.

FIF III also has piggyback registration rights that allow FIF III to include the shares of common stock that FIF III and its permitted transferees own in any public offering of equity securities initiated by the Company (other than those public offerings pursuant to registration statements on Forms S-4 or S-8) or by any of the Company s other stockholders that may have registration rights in the future. The piggyback registration rights of FIF III are subject to proportional cutbacks based on the manner of the offering and the identity of the party initiating such offering.

The Company has additionally granted FIF III and its permitted transferees for as long as Fortress beneficially owns a Registrable Amount, the right to request shelf registrations on Form S-3, providing for an offering to be made on a continuous basis, subject to a time limit on the Company s efforts to keep the shelf registration statement continuously effective and the Company s right to suspend the use of a shelf registration prospectus for a reasonable period of time (not exceeding 60 days in succession or 90 days in the aggregate in any 12-month period) if the Company determines that certain disclosures required by the shelf registration statement would be detrimental to the Company or the Company s stockholders.

The Company has agreed to indemnify FIF III and its permitted transferees against any losses or damages resulting from any untrue statement or omission of material fact in any registration statement or prospectus pursuant to which FIF III and its permitted transferees sells shares of the Company s common stock, unless such liability arose from FIF III misstatement or omission, and Parent has agreed to indemnify the Company against all losses caused by its misstatements or omissions. The Company will pay all expenses incident to registration and Fortress will pay its respective portions of all underwriting discounts, commissions and transfer taxes relating to the sale of its shares under such a registration statement.

Gene A. Hall

On April 9, 2009, the Company sold certain of its assets relating to the business of operating and publishing *Charles City Press*, *The Extra, The Northeast Iowa Shopper* and *New Hampton Tribune* to an affiliate of Gene A. Hall for a purchase price of $1,925, subject to customary adjustments. The parties also entered into a transitional services agreement to provide such affiliate with certain services with respect to the acquired business for up to nine months after the sale. On October 9, 2009, the Company sold an additional parcel of real estate related to the acquired business to Mr. Hall s affiliate for a purchase price of $75. Mr. Hall was an Executive Vice President of the Company up to the date of the sale.

(20) Discontinued Operations

During the year ended December 31, 2008, the Company completed its sale of twelve publications (initially acquired in the Morris Publishing Group newspaper acquisition) for an aggregate purchase price of approximately $35,380. Additionally, during the year ended December 31, 2008, the Company completed its sale of fifteen publications acquired through various acquisitions for an aggregate purchase price of approximately $9,277.

Table of Contents

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

During the year ended December 31, 2009, the Company completed its sale of four publications in Iowa for an aggregate sale price of $2,000. As a result, an impairment loss of $1,792 is included in loss from discontinued operations on the Statement of Operations for this period. Also during the year ended December 31, 2009, the Company discontinued publications in Derby, Kansas, Western Printers, Minnesota, Albany, Missouri, and an on-line only publication in Kansas resulting in an impairment loss of $551, $179, $144, and $38, respectively, included in loss from discontinued operations on the Statement of Operations for this period.

The net revenue during the years ended December 31, 2009 and 2008 for the aforementioned discontinued operations was $1,026 and $15,376, respectively. Income (loss) before income taxes during the years ended December 31, 2009 and 2008 for the aforementioned discontinued operations was $(3,265) and $(14,596), respectively, During the year ended December 31, 2009, the Company recorded a charge to operations of $2,641 related to certain publications which were sold during the period.

(21) Quarterly Results (unaudited)

	Quarter Ended March 31[(a)]	Quarter Ended June 30[(a),(b)]	Quarter Ended September 30[(a)]	Quarter Ended December 31[(b)]
Year Ended December 31, 2009				
Revenues	$ 138,562	$ 151,382	$ 144,877	$ 150,217
Impairment loss		(481,399)		
Operating income (loss)	(9,930)	(474,793)	14,094	16,143
Loss before income taxes	(30,944)	(494,531)	2,223	(3,753)
Net loss	(31,777)	(496,388)	2,163	(4,100)
Basic income (loss) per share	$ (0.55)	$ (8.64)	$ 0.04	$ (0.07)
Diluted income (loss) per share	$ (0.55)	$ (8.64)	$ 0.04	$ (0.07)

	Quarter Ended March 31[(a)]	Quarter Ended June 30[(a)]	Quarter Ended September 30[(a)]	Quarter Ended December 31[(a),(b)]
Year Ended December 31, 2008				
Revenues	$ 162,939	$ 178,105	$ 170,453	$ 167,554
Impairment loss		(436,072)		(175,597)
Operating income (loss)	179	(423,958)	9,829	(165,364)
Loss before income taxes	(25,553)	(448,815)	(15,827)	(189,655)
Net loss	(28,789)	(443,251)	(18,507)	(182,760)
Basic loss per share	$ (0.50)	$ (7.77)	$ (0.32)	$ (3.20)
Diluted loss per share	$ (0.50)	$ (7.77)	$ (0.32)	$ (3.20)

(a) Certain amounts differ from those previously reported on Forms 10-Q and 10-K due to the reclassification of discontinued operations as described in Note 20 to the consolidated Financial Statements.

(b) Impairment charges recorded in the second quarter of 2009 and the second and fourth quarters of 2008 are included above due to their size and unusual nature.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure
Not applicable.

Item 9A. Controls and Procedures
Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2009, our disclosure controls and procedures were effective.

Changes in Internal Controls Over Financial Reporting

There have not been any changes in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) during the fourth quarter of the fiscal year covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining effective internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control system was designed under the supervision of our Chief Executive Officer and our Chief Financial Officer and with the participation of management in order to provide reasonable assurance regarding the reliability of our financial reporting and our preparation of financial statements for external purposes in accordance with GAAP.

All internal control systems, no matter how well designed and tested, have inherent limitations, including, among other things, the possibility of human error, circumvention or disregard. Therefore, even those systems of internal control that have been determined to be effective can provide only reasonable assurance that the objectives of the control system are met and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision of our Chief Executive Officer and our Chief Financial Officer and with the participation of management, we conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria set forth in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on an assessment of such criteria, management concluded that, as of December 31, 2009, we maintained effective internal control over financial reporting.

The effectiveness of our internal control over financial reporting as of December 31, 2009, has been audited by Ernst & Young LLP, an independent registered public accounting firm. Ernst & Young LLP s attestation report is included below.

Table of Contents

Attestation Report of the Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of GateHouse Media, Inc.

We have audited GateHouse Media Inc. s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). GateHouse Media Inc. s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, GateHouse Media, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of GateHouse Media, Inc. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, stockholders equity (deficit), and cash flows for each of the three years in the period ended December 31, 2009. Our report dated March 4, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Buffalo, New York

March 4, 2010

Table of Contents

Item 9B. Other Information

(a) On March 4, 2010, awards of annual cash bonuses to certain GateHouse Media, Inc. executive officers were declared, as set forth below. It is anticipated that such bonuses will be paid out late in the first quarter or early in the second quarter of 2010.

Executive Officer	Cash Bonus
Michael R. Reed Chief Executive Officer	$ 500,000
Melinda A. Janik Senior Vice President and Chief Financial Officer	$ 150,000
Scott T. Champion Regional Manager	$ 50,000
Polly Grunfeld Sack Senior Vice President, Secretary and General Counsel	$ 125,000
Kirk A. Davis President and Chief Operating Officer	$ 250,000
Mark Maring Treasurer and Vice President of Investor Relations and Strategic Development	$ 75,000

(b) On March 4, 2010, the Board of Directors of the Company approved a two year extension, through March 13, 2012, of the Company s previously approved share repurchase program (the Program), otherwise on the same terms and conditions. The terms and conditions of the Program are as described in our Current Report on Form 8-K, filed with the Commission on March 14, 2008.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Except as set forth below, the information required by this Item 10 is incorporated into this report by reference to our proxy statement to be issued in connection with our 2010 Annual Meeting of Stockholders under the headings Election of Directors, Executive Officers, Corporate Governance Principles and Board Matters and Section 16(a) Beneficial Ownership Reporting Compliance, which proxy statement will be filed within 120 days after the year ended December 31, 2009.

We have adopted a Code of Business Conduct and Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions. Our Code of Business Conduct and Ethics also applies to all of our other employees and, as set forth therein, to our directors. Our Code of Business Conduct and Ethics is posted on our website at www.gatehousemedia.com under Investors/Governance Documents. We intend to satisfy any disclosure requirements pursuant to Item 5.05 of Form 8-K regarding any amendment to, or a waiver from, certain provisions of our Code of Business Conduct and Ethics by posting such information on our website under Investors/Governance Documents.

Item 11. Executive Compensation

The information required by this Item 11 is incorporated into this report by reference to our proxy statement to be issued in connection with our 2010 Annual Meeting of Stockholders, under the headings Compensation Discussion and Analysis, Compensation Committee Report and Compensation of Executive Officers, which proxy statement will be filed within 120 days after the year ended December 31, 2009.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Except as set forth below, the information required by this Item 12 is incorporated into this report by reference to our proxy statement to be issued in connection with our 2010 Annual Meeting of Stockholders, under the heading Common Stock Ownership of Certain Beneficial Owners and Management, which proxy statement will be filed within 120 days after the year ended December 31, 2009.

Securities Authorized for Issuance Under Equity Compensation Plans as of December 31, 2009

Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders			1,856,508
Equity compensation plans not approved by security holders			
Totals			1,856,508

Table of Contents

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item 13 is incorporated into this report by reference to our proxy statement to be issued in connection with our 2010 Annual Meeting of Stockholders, under the headings Related Person Transactions and Corporate Governance Principles and Board Matters, which proxy statement will be filed within 120 days after the year ended December 31, 2009.

Item 14. Principal Accounting Fees and Services

The information required by this Item 14 is incorporated into this report by reference to our proxy statement to be issued in connection with our 2010 Annual Meeting of Stockholders, under the heading Matters Relating to the Independent Registered Public Accounting Firm, which proxy statement will be filed within 120 days after the year ended December 31, 2009.

Table of Contents

PART IV

Item 15. Exhibits and Financial Statement Schedules
(a) Documents filed as part of this report:

(1) Financial Statements
The financial statements required by this Item 15 are set forth in Part II, Item 8 of this report.

(2) Financial Statement Schedules
Schedule II Valuation and Qualifying Accounts.

GateHouse Media, Inc.

Valuation and Qualifying Accounts

(In Thousands)

Description	Balance at Beginning of Period	Charges to Earnings	Charges to Other Accounts	Deductions	Balance at End of Period
Allowance for doubtful accounts					
Year ended December 31, 2009	$ 6,024	$ 5,336	$	$ (6,791)(3)	$ 4,569
Year ended December 31, 2008	$ 3,874	$ 5,462	$ 2,302(1)	$ (5,614)(3)	$ 6,024
Year ended December 31, 2007	$ 2,332	$ 2,996	$ 1,675(2)	$ (3,129)(3)	$ 3,874
Deferred tax valuation allowance					
Year ended December 31, 2009	$ 243,454	$ 176,865	$ (1,052)(4)	$	$ 419,267
Year ended December 31, 2008	$ 65,421	$ 177,395	$ 638(4))	$	$ 243,454
Year ended December 31, 2007	$ 1,100	$ 45,800	$ 18,521(4)	$	$ 65,421

(1) The assets acquired in the Company s directories business included certain accounts receivable which are deemed not collectable and therefore had a fair value of zero and were not recorded in the opening balance sheet. During 2008, the Company in conjunction with a full review of accounts receivables decided to record the gross amount of these additional accounts receivable and an equivalent allowance for doubtful accounts was recorded. Based on this adjustment, there was no change in the fair value of the net assets acquired and no line item of the financial statements was impacted, but for accounting purposes, the accounts receivable and related allowance values were grossed up.
(2) Amount is primarily related to the acquisitions of the newspapers from the Copley Press, Inc., the newspapers from Gannett Co. Inc., and the newspapers from Morris Publishing Group.
(3) Amounts are primarily related to the write off of fully reserved accounts receivable.
(4) Amount is primarily related to the change in derivative value and is recorded in accumulated other comprehensive income.

All other schedules are omitted because the conditions requiring their filing do not exist, or because the required information is provided in the consolidated financial statements, including the notes thereto.

(b) Exhibits. The following Exhibits are filed as a part of this report:

Exhibit No.	Description of Exhibit	Included Herewith	Incorporated by Reference Herein Form	Exhibit	Filing Date
2.1	Share Purchase Agreement, dated as of January 28, 2007, by and among SureWest Communications, as Seller, SureWest Directories and GateHouse Media, Inc., as Purchaser		8-K	2.1	March 1, 2007
2.2	Stock and Asset Purchase Agreement, dated as of March 13, 2007, by and between GateHouse Media Illinois Holdings, Inc., as Buyer, and The Copley Press, Inc., as Seller		8-K	2.1	April 11, 2007
2.3	Amended and Restated Asset Purchase Agreement, dated April 12, 2007, by and among Gannett Satellite Information Network, Inc., Gannett River States Publishing Corporation, Pacific and Southern Company, Inc., Federated Publications, Inc., Media West GSI, Inc., Media West GRS, Inc., as Sellers, and GateHouse Media Illinois Holdings, Inc., as Buyer, and GateHouse Media, Inc., as Buyer guarantor		8-K	2.1	May 8, 2007
2.4	Asset Purchase Agreement, dated April 12, 2007, by and among Gannett Satellite Information Network, Inc., Media West GSI, Inc., as Sellers, GateHouse Media Illinois Holdings, Inc., as Buyer, and GateHouse Media, Inc., as Buyer guarantor		8-K	2.2	May 8, 2007
2.5	Asset Purchase Agreement, dated June 28, 2007, by and among GateHouse Media, Inc., GateHouse Media West Virginia Holdings, Inc., GateHouse Media Illinois Holdings, Inc., Champion Publishing, Inc. and Champion Industries, Inc.		S-1/A	2.9	July 13, 2007
2.6	Asset Purchase Agreement, dated October 23, 2007, by and among GateHouse Media Operating, Inc., as Buyer, GateHouse Media, Inc., as Buyer guarantor, Morris Communications Company LLC, Morris Publishing Group, LLC, MPG Allegan Property, LLC, Broadcaster Press, Inc., MPG Holland Property, LLC, The Oak Ridger, LLC, and Yankton Printing Company, as Sellers, and Morris Communications Company, LLC, as Sellers guarantor		8-K	2.1	December 3, 2007
3.1	Second Amended and Restated Certificate of Incorporation of GateHouse Media, Inc.		S-1/A	3.1	October 11, 2006
3.2	Amended and Restated By-laws of GateHouse Media, Inc.		8-K	3.2	November 13, 2007
4.1	Form of common stock certificate		S-1/A	4.1	October 11, 2006
4.2	Form of Investor Rights Agreement by and among GateHouse Media, Inc. and FIF III Liberty Holdings LLC		S-1/A	4.2	October 11, 2006

Table of Contents

Exhibit No.	Description of Exhibit	Included Herewith	Incorporated by Reference Herein Form	Exhibit	Filing Date
*10.1	GateHouse Media, Inc. Omnibus Stock Incentive Plan		S-1/A	10.1	October 11, 2006
*10.2	Form of Restricted Share Award Agreement under the GateHouse Media, Inc. Omnibus Stock Incentive Plan (three-year vesting)		10-K	10.2	March 17, 2008
*10.3	Form of Restricted Share Award Agreement under the GateHouse Media, Inc. Omnibus Stock Incentive Plan (April 15, 2008 vesting)		10-K	10.3	March 17, 2008
*10.4	Liberty Group Publishing, Inc. Publisher s Deferred Compensation Plan		S-1	10.2	July 21, 2006
*10.5	Liberty Group Publishing, Inc. Executive Benefit Plan		S-1	10.3	July 21, 2006
*10.6	Liberty Group Publishing, Inc. Executive Deferral Plan		S-1	10.4	July 21, 2006
*10.7	Employment Agreement, dated as of January 3, 2006, by and among Liberty Group Publishing, Inc., Liberty Group Operating, Inc. and Michael E. Reed		S-1	10.8	July 21, 2006
*10.8	Employment Agreement, dated as of May 9, 2005, by and among Liberty Group Publishing, Inc., Liberty Group Operating, Inc. and Scott Tracy Champion		S-1	10.9	July 21, 2006
*10.9	Employment Agreement, dated as of May 1, 2006, by and among GateHouse Media, Inc., GateHouse Media Operating, Inc. and Polly G. Sack		S-1	10.12	July 21, 2006
*10.10	Management Stockholder Agreement, dated as of January 29, 2006, by and between Liberty Group Publishing, Inc., FIF III Liberty Holdings LLC and Michael E. Reed		S-1	10.13	July 21, 2006
*10.11	Management Stockholder Agreement, dated as of May 17, 2006, by and between GateHouse Media, Inc., FIF III Liberty Holdings LLC and Polly G. Sack		S-1	10.19	July 21, 2006
10.12	Form of Indemnification Agreement to be entered into by GateHouse Media, Inc. with each of its executive officers and directors		S-1/A	10.6	October 11, 2006
10.13	License Agreement, dated as of February 28, 2007, by and between SureWest Communications and GateHouse Media, Inc.		8-K	10.1	March 1, 2007

Table of Contents

Exhibit No.	Description of Exhibit	Included Herewith	Incorporated by Reference Herein Form	Exhibit	Filing Date
10.14	Amended and Restated Credit Agreement, dated as of February 27, 2007, among GateHouse Media Holdco, Inc., as Holdco, GateHouse Media Operating, Inc., as the Company, GateHouse Media Massachusetts I, Inc., GateHouse Media Massachusetts II, Inc., and ENHE Acquisition, LLC, as Subsidiary Borrowers, the Domestic Subsidiaries of Holdco from time to time Parties thereto, as Guarantors, the Lenders Parties thereto, Goldman Sachs Credit Partners L.P., as Syndication Agent, Morgan Stanley Senior Funding, Inc., and BMO Capital Markets Financing, Inc., as co-documentation Agents and Wachovia Bank, National Association, as Administrative Agent, Wachovia Capital Markets, LLC, as Goldman Sachs Credit Partners, L.P., General Electric Capital Corporation and Morgan Stanley Senior Funding, Inc., as Joint Lead Arrangers and Joint Book Runners		8-K	10.1	March 1, 2007
10.15	Amended and Restated Security Agreement, dated as of February 28, 2007, among GateHouse Media Holdco, Inc., as Holdco, GateHouse Media Operating, Inc., as the Company, GateHouse Media Massachusetts I, Inc., GateHouse Media Massachusetts II, Inc., and ENHE Acquisition, LLC, as Subsidiary Borrowers, the Domestic Subsidiaries of Holdco from time to time Parties thereto, as Guarantors, and Wachovia Bank, National Association, as Administrative Agent, Wachovia Capital Markets, LLC, as Goldman Sachs Credit Partners, L.P., General Electric Capital Corporation and Morgan Stanley Senior Funding, Inc., as Joint Lead Arrangers and Joint Book Runners		8-K	10.2	March 1, 2007
10.16	Amended and Restated Pledge Agreement, dated as of February 28, 2007, among GateHouse Media Holdco, Inc., as Holdco, GateHouse Media Operating, Inc., as the Company, GateHouse Media Massachusetts I, Inc., GateHouse Media Massachusetts II, Inc., and ENHE Acquisition, LLC, as Subsidiary Borrowers, the Domestic Subsidiaries of Holdco from time to time Parties thereto, as Guarantors, and Wachovia Bank, National Association, as Administrative Agent, for the several banks and other financial institutions as may from time to time becomes parties to such Credit Agreement		8-K	10.3	March 1, 2007

Table of Contents

Exhibit No.	Description of Exhibit	Included Herewith	Incorporated by Reference Herein Form	Exhibit	Filing Date
10.17	First Amendment to Amended and Restated Credit Agreement, dated as of May 7, 2007, by and among GateHouse Media Holdco, Inc., as Holdco, GateHouse Media Operating, Inc., as the Company, GateHouse Media Massachusetts I, Inc., GateHouse Media Massachusetts II, Inc. and ENHE Acquisition, LLC, as Subsidiary Borrowers, the Domestic Subsidiaries of Holdco from time to time Parties thereto, as Guarantors, the Lenders Parties thereto, and Wachovia Bank, National Association, as Administrative Agent		8-K	99.1	May 11, 2007
10.18	Underwriting Agreement, dated July 17, 2007, among GateHouse Media, Inc. and Goldman, Sachs & Co., Wachovia Capital Markets, LLC and Morgan Stanley & Co. Incorporated		8-K	1.1	July 18, 2007
10.19	Second Amendment to Amended and Restated Credit Agreement, dated as of February 3, 2009, by and among GateHouse Media Holdco, Inc., as Holdco, GateHouse Media Operating, Inc., as the Company, GateHouse Media Massachusetts I, Inc., GateHouse Media Massachusetts II, Inc. and ENHE Acquisition, LLC, as Subsidiary Borrowers, the Domestic Subsidiaries of Holdco from time to time Parties thereto, as Guarantors, the Lenders Parties thereto, and Wachovia Bank, National Association, as Administrative Agent		8-K	99.1	February 5, 2009
*10.20	Offer letter dated December 23, 2008, between GateHouse Media, Inc., and Melinda A. Janik		10-K	10.23	March 13, 2009
*10.21	Employment Agreement dated as of January 9, 2009, by and among GateHouse Media, Inc., GateHouse Media Operating Inc., and Kirk Davis.		8-K	10.1	January 9, 2009
*10.22	Offer letter dated February 4, 2008, between GateHouse Media, Inc., and Mark Maring.		10-Q	10.1	November 7, 2008
16.1	Letter from KPMG LLP to the Securities and Exchange Commission dated April 13, 2007		8-K/A	16.1	April 13, 2007
21	Subsidiaries of GateHouse Media, Inc.	X			
23	Consent of Ernst & Young LLP	X			
31.1	Rule 13a-14(a)/15d-14(d) Certification of Principal Executive Officer under the Securities Exchange Act of 1934	X			
31.2	Rule 13a-14(a)/15d-14(d) Certification of Principal Financial Officer under the Securities Exchange Act of 1934	X			
32.1	Section 1350 Certification	X			
32.2	Section 1350 Certification	X			

Table of Contents

For purposes of the incorporation by reference of documents as Exhibits, all references to Forms 10-Q and 8-K of GateHouse Media, Inc. refer to Forms 10-Q and 8-K filed with the Commission under Commission file number 001-33091; and all references to Forms S-1 and S-1/A of GateHouse Media, Inc. refer to Forms S-1 and S-1/A filed with the Commission under Registration Number 333-135944.

* Asterisks identify management contracts and compensatory plans or arrangements.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GATEHOUSE MEDIA, INC.

By: /s/ MICHAEL E. REED
Michael E. Reed

Chief Executive Officer

March 4, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ WESLEY R. EDENS	Chairman of the Board	March 4, 2010
Wesley R. Edens		
/s/ MICHAEL E. REED	Chief Executive Officer and Director	March 4, 2010
Michael E. Reed	(Principal Executive Officer)	
/s/ MELINDA A. JANIK	Chief Financial Officer	March 4, 2010
Melinda A. Janik	(Principal Financial Officer)	
/s/ RICHARD FRIEDMAN	Director	March 4, 2010
Richard Friedman		
/s/ BURL OSBORNE	Director	March 4, 2010
Burl Osborne		
/s/ KEVIN M. SHEEHAN	Director	March 4, 2010
Kevin M. Sheehan		