GateHouse Media, Inc.
Form ARS
April 09, 2009
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Dear Fellow Shareholders:

In my 21 years in the local media sector, 2008 was by far the most challenging year for the industry. At GateHouse Media, our strategy of focusing on small markets where we are the primary source of local news and information has allowed us a competitive advantage and resulted in industry leading performance. What distinguishes GateHouse Media s markets from metro markets is the unique content we provide to the communities we serve; content in most cases our readers cannot obtain from other sources.

The greatest testament to our local strategy is the strength in our circulation numbers. On a comparative basis, circulation was up 1.7% compared to 2007, confirming our content is unique and valuable to the communities we serve. Our reported revenue for 2008 increased approximately 18% as we benefited from the full year impact of acquisitions completed in 2007. On a same store basis, our total revenue declined 5.7%, significantly better than our industry peers. Our print audience remains relatively stable as evidenced by our circulation results and our overall audience continues to grow through the development of our interactive strategy. Our best performing category was online, which grew 21% in 2008.

The print classified business, our category that is most sensitive to the economy, declined nearly 20% on a same store basis in 2008 and represented over 75% of our total advertising revenue decline. Advertising spending in the three primary classified categories, help wanted, automobile and real estate, has declined dramatically. Despite the decline we have not seen a significant shift to other mediums in our markets, an indication that the declines are primarily cyclical and not secular. We are finding our advertisers are not moving their ad dollars to other mediums or competitors; rather they are just spending less in the current environment. This is what gives us confidence in our belief that when the economy does turn, our customers will increase their spending with us. Lastly, our As Adjusted EBITDA margins continued to remain industry leading at 18.8%.

As we move into 2009 we expect to benefit from a few positive trends; fuel costs have declined significantly from the approximately $4 per gallon we experienced in 2008, newsprint costs are currently down more than 10% from their peak in December of 2008 and we expect our interest costs to be down more than 20% based on the current LIBOR rate. In addition, we have taken measures to reduce operating expenses to offset anticipated revenue declines.

We continue to believe that the majority of our overall revenue declines are cyclical and that when the economy turns, advertising revenue will improve. As we look ahead over the next year, we think the economy will remain weak. As we cannot influence the timing or the extent of the recovery, we are focusing on the things we can influence such as improving our products and operations, aggressively pursuing reductions in controllable expenses, finding ways to become more efficient and continuing to invest in our fastest growing category, online.

Finally, I would like to thank our employees. I am proud of the efforts and dedication all GateHouse Media employees have shown this year and am confident we will emerge a stronger company when the economy improves.

Mike Reed

Chief Executive Officer

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Forward-Looking Statements

We have included in this report and in our Annual Report on Form 10-K filed with the SEC forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act relating to our operations and results of operations that are based on our current expectations, estimates and projections. Words such as expects, intends, plans, projects, believes, estimates and similar expressions are used to identify these forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Forward-looking statements are based upon assumptions as to future events that may not prove to be accurate. Actual outcomes and results may differ materially from what is expressed or forecast in these forward-looking statements. We are not responsible for updating or revising any forward-looking statements, whether the result of new information, future events or otherwise, except as required by law.

Potential risks and uncertainties which could adversely affect our results include, without limitation, the following factors: (a) increased consolidation among advertisers or other events which may adversely affect business operations of major customers and depress the level of advertising; (b) an economic downturn in some or all our principal markets leading to decreased circulation or advertising; (c) a decline or slowed growth in general newspaper readership and/or advertiser revenues as a result of competitive alternative media or other factors; (d) an increase in newsprint costs over the levels anticipated or any shortage in the availability of newsprint; (e) labor disputes which may cause revenue declines or increased labor costs, including the cost of benefits; (f) acquisitions of new businesses, and associated integration risks, or dispositions of existing businesses; (g) rapid technological changes and frequent new product introductions in electronic publishing and other areas of our business; (h) the levels of our borrowings; (i) our ability to pay dividends; (j) an increase in interest rates; (k) our ability to maintain adequate liquidity and financing sources; and (l) general economic, political and business conditions.

Non-GAAP Measures

As Adjusted EBITDA is a non-GAAP measure used by the Company s senior management and Board of Directors to evaluate operating performance, cash flows and liquidity and are not calculated in accordance with U.S. generally accepted accounting principles (GAAP). The Company defines As Adjusted EBITDA as net income (loss) before interest, income tax expense (benefit), depreciation and amortization and other non-recurring or non-cash items such as non-cash compensation and non-recurring integration and reorganization costs. The non-GAAP measure referred to in this annual report should not be considered in isolation or as alternatives 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. For more detailed explanations of the assumptions and methodologies behind this reconciliation, please visit www.gatehousemedia.com/investors.

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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, 2008

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 **(State or Other Jurisdiction of Incorporation or Organization)**	**36-4197635** **(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 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 x	Non-accelerated filer ¨	Smaller reporting company ¨

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

The aggregate market value of the voting common equity held by non-affiliates of the registrant on June 30, 2008, the last business day of the registrant s most recently completed second fiscal quarter, was approximately $61.6 million. The market value calculation was determined using a per share price of $2.46, the price at which the registrant s common stock was last sold on the New York Stock Exchange 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 9, 2009, 58,087,420 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 2009 annual meeting of stockholders, are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent described therein.

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GATEHOUSE MEDIA, INC.

FORM 10-K

FOR THE YEAR ENDED DECEMBER 31, 2008

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

2005 Credit Facility refers to the term loan and revolving credit facilities that were entered into on February 28, 2005;

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 Capital 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;

Bridge Loan refers to the proceeds of the Bridge Facility;

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.;

Dover Acquisition refers to the acquisition by us of substantially all of the assets, and assumption of certain liabilities of the newspapers and related publications and websites owned by 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 Capital 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;

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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, 2008, unless otherwise indicated.

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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.

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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 506 community publications and more than 250 related websites and seven yellow page directories, serves over 239,000 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, 2008, unless otherwise indicated.

Our core products include:

- 91 daily newspapers with total paid circulation of approximately 789,000;
- 294 weekly newspapers (published up to three times per week) with total paid circulation of approximately 686,000 and total free circulation of approximately 1 million;
- 121 shoppers (generally advertising-only publications) with total circulation of approximately 1.9 million;
- over 250 locally focused websites, which extend our franchises onto the internet; and
- seven yellow page directories, with a distribution of approximately 813,000, 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 81 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 74% of our daily newspapers have been published for more than 100 years and 97% 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. This strategy has been a critical component of our growth. We believe we have demonstrated an ability to successfully integrate acquired publications and improve their performance through sound management, including revenue generating and direct cost saving initiatives. The current economic environment, however, will 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.

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We operate in 385 markets across 21 states. A key element of our business strategy is geographic clustering of publications to realize operating efficiencies and provide consistent management. 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, bookkeeping 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 in the purchase of insurance, newsprint and other supplies. We believe that these advantages, together with the generally lower overhead costs associated with operating in small and midsize markets, allow us to generate industry leading profit margins.

Compared with the industry as a whole, our advertising revenue tends to be less volatile, especially during economic downturns, such as the one we are currently experiencing. We believe that our relatively low 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 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 in front of 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 oriented media outlets deliver 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 the internet 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 local publications have an online presence

that further leverages the local brand and ensures higher penetration into a given market, as well as better ability to service the needs of local advertisers.

The Internet

The time spent online each day by media consumers continues to grow rapidly 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. This additional community-specific content will further extend and expand both the reach and the brand of the 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 mid-size 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 per share potential in the existing economic and industry climate through a combination of (i) organic growth in our existing portfolio, (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.

Strengthening our Balance Sheet and Managing our Operations. In the near future, our focus will be on strengthening our balance sheet and managing our operations. From an operations standpoint, we intend to continue to invest in our online business, which is our fastest growing segment. 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 the 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.

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We will also invest in our sales staffs in order to capture new or additional revenues and market share. We will also continue to aggressively pursue cost reductions on our controllable expenses and look for ways to manage inflationary pressures and to become more efficient.

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 and integrate acquired properties.

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 printed format in order 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 will also have the ability to sell online display advertising and online video advertising locally and nationally. Finally, we intend to share content across our organization within this network 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.

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. Finally, for managers, we have created a train the trainer program to enable our clusters to effectively propagate our training programs. 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 that we are maximizing revenue opportunities. We believe that 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.

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Products

Our product mix consists of four publication types: (i) daily newspapers, (ii) weekly newspapers, (iii) shoppers and (iv) niche publications. Key characteristics of each of these types of publications are summarized in the table below. In addition, through our SureWest Acquisition, completed in the first quarter of 2007, we have also 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:	Available online	Major publications available online	Major publications available online	Selectively available online

Overview of Operations

We operate in five geographic regions: Northeast, Western, Northern Midwest, Southern Midwest and Atlantic. A list of our dailies, weeklies and shoppers in each of our geographic regions is included under List of Our Dailies, Weeklies and Shoppers in this report. We also operate over 250 related websites. A list of such websites is included under List of Websites in this report.

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The following table sets forth information regarding our publications.

	Number of Publications			Circulation (1)		
Operating Region	**Dailies**	**Weeklies**	**Shoppers**	**Paid**	**Free**	**Total Circulation**
Northeast	9	117	9	375,618	528,913	904,531
Western	23	77	37	538,820	628,005	1,166,825
Northern Midwest	21	17	31	129,768	574,640	704,408
Southern Midwest	28	46	23	270,720	660,365	931,085
Atlantic	10	37	21	160,166	517,972	678,138
Total	91	294	121	1,475,092	2,909,895	4,384,987

(1) Circulation statistics are estimated by our management as of December 31, 2008, except that audited circulation statistics, to the extent available, are utilized as of the audit date.

Northeast Region. We are one of the largest community newspaper publishers in New England by number of daily publications, serving 118 communities in markets across eastern Massachusetts and Norwich, Connecticut. Our three largest daily newspapers are located in our Northeast region: *The Patriot Ledger* (founded in 1837 with circulation of 47,796), the *Enterprise* (founded in 1880 with circulation of 28,795) and the *MetroWest Daily News* (founded in 1897 with circulation of 20,961).

Many of the towns within our Northeast 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 Northeast region has 35 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 62% 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 Northeast region s publications.

Our Norwich, Connecticut property brings some stability to our Northeast 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.

The following table sets forth information regarding our publications and production facilities in the Northeast region:

	Number of Publications			Number of Production Facilities
State of Operations	**Dailies**	**Weeklies**	**Shoppers**	
Massachusetts	8	116	7	3
Connecticut	1	1	2	1
Total	9	117	9	4

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Western Region. Our Western region encompasses Illinois, parts of Minnesota, California, Colorado and a total of 23 daily, 77 weekly newspapers and 37 shoppers. In addition to a good geographic mix, we benefit from a diverse economic and employment base across the 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. Major daily

newspapers in Rockford, Peoria, and the state capitol of Springfield coupled with the southern and western Chicago suburbs and community coverage across the state make us the largest publishing company in Illinois. 20 paid daily newspapers, 50 paid weekly newspapers, 12 free weekly papers, and 28 shoppers provide inclusive coverage across our three main clusters which are further supported by 10 print production facilities.

The suburban Chicago cluster publishes 25 weekly newspapers and one shopper publication in the southern and western suburbs. Coupled with these publications is the door-to-door Independent Delivery System 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 51,076 daily paid circulation base and ancillary products such as BusinessRockford.com, Espejo and the Star Shopper.

The western cluster of Illinois is composed of 6 daily, 13 weekly, and 10 shopper publications. The Peoria Journal Star with its daily paid circulation of approximately 62,745 has also provided print efficiencies to neighboring publications. This coupled with the print capacities of our Galesburg print facility located at the Galesburg 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 Springfield State Journal-Register with a daily paid circulation of over 49,042 covers the state capital of Illinois and begins coverage of the southern cluster of Illinois. Further south, the SI Trader with its paid weekly circulation of 16,323 adds further support to the additional 8 daily newspapers, 15 paid weekly publications, and 9 weekly shoppers throughout this section of the state.

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. This Minnesota cluster is printed primarily through our printing facility in Montevideo and represents 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. There is also a specialty/niche publication group located in Orange County. These publications reach from northern California through the southern desert and China Lake naval base in Ridgecrest.

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

State of Operations	Number of Publications			Number of Production Facilities
	Dailies	Weeklies	Shoppers	
Illinois	20	62	28	10
Southern Minnesota	0	7	4	1
California	2	5	5	3
Colorado	1	3	0	0
Total	23	77	37	14

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Northern Midwest Region. Our Northern Midwest region comprises 21 daily, 16 weekly newspapers and 31 shoppers spanning seven states: Michigan, parts of Minnesota, North Dakota, Iowa, Nebraska, Kansas and parts of Missouri. 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 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 six weeklies and seven shoppers blanket the southern tier of the state and into Indiana. The 18,794-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.

Our Kansas City cluster includes nine publications (two daily and two weekly newspapers and three shoppers) located in the eastern Kansas cities of Leavenworth, Kansas City and 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 following table sets forth information regarding our publications and production facilities in the Northern Midwest region:

State of Operations	Number of Publications			Number of Production Facilities
	Dailies	**Weeklies**	**Shoppers**	
Michigan	8	7	10	5
Minnesota	1	1	2	1
North Dakota	1	0	1	1
Iowa	1	3	3	1
Nebraska	0	2	1	1
Kansas	1	2	3	0
Northern Missouri	9	1	11	6
Total	21	16	31	15

On December 31, 2008, we sold one weekly and one shopper publication in Cresco, Iowa.

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Southern Midwest Region. Our Southern Midwest region comprises 28 daily, 46 weekly newspapers and 23 shoppers in parts of Missouri, Kansas, Arkansas, Delaware, Ohio, 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 nine weekly newspapers and three shoppers that serve the Lake of the Ozarks area reach approximately 165,000 people.

The Joplin cluster is located in southwest Missouri and Southeast Kansas and produces three daily and four weekly newspapers and two shoppers that serve a population of approximately 170,000. There are several colleges and universities in the area, a National Guard Fort and several large medical centers in addition to 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, three weeklies and five shoppers in the towns of Augusta, Derby, 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 key 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 return of military personnel to the recently reopened Fort Polk base to drive revenue at our *Guardian* publication.

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.

Purchased as part of our acquisition from Copley in April 2007, 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 59,474 daily newspaper that covers the entire area of Stark County. *The Dover New Philadelphia Times Reporter* is a 20,756 daily publication located 40 miles south of Canton in Tuscarawas County. *The Massillon Independent* a 10,922 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 1.25 million combined monthly unique visitors. Together the newspapers and web sites dominate their local markets.

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

	Number of Publications			Number of Production Facilities
State of Operations	**Dailies**	**Weeklies**	**Shoppers**	
Southern Missouri	5	14	6	2
Kansas	9	5	8	4
Louisiana	4	5	5	3
Arkansas	4	10	0	2
Delaware	0	11	1	1
Ohio	3	1	2	2
Oklahoma	2	0	1	2
Tennessee	1	0	0	0
Total	28	46	23	16

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Atlantic Region. Our Atlantic region comprises holdings in New York, Pennsylvania and West Virginia, which are anchored by two clusters, one in the area around Honesdale in northeastern Pennsylvania and the other in the area around Corning and Hornell in southwestern New York. Virtually all of our 10 dailies in the Atlantic region date back more than 100 years.

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 the 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 20 publications that span four counties, has combined circulation of 207,300. This growing commercial market has a tourism industry and is known for scores of boutique wineries. The flagship of Messenger Post Media is the 12,000-circulation Daily Messenger in Canandaigua. In the first quarter of 2008, we acquired Ad Group WC, Inc. in Wayne county, consisting of one weekly and three shopper publications with an aggregate circulation of 25,500.

In southwestern New York, our operations are centered around six publications based in Steuben County. In Corning, *The Leader*, a 10,699 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 23,083. 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.

In addition to the clustered publications, we have several strong standalone newspapers in the Atlantic region with total circulation of approximately 292,000. In addition to our standalone daily publications in Waynesboro, Pennsylvania, Jackson County, West Virginia, and in Herkimer and Little Falls, New York, the Utica operations include one daily, seven shoppers and a weekly newspaper in Hamilton. The Utica and Herkimer County operations take advantage of numerous synergies in printing, circulation and advertising.

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

	Number of Publications			Number of Production Facilities
State of Operations	**Dailies**	**Weeklies**	**Shoppers**	
New York	7	31	18	5
Pennsylvania	2	4	1	2
West Virginia	1	2	2	2
Total	10	37	21	9

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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 730,000 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 300,000) and has served the local Roseville community for over 90 years and has achieved more than 50% market share. The Greater Sacramento directory (with a circulation of approximately 250,000) 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. As a result, we believe the area 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: (i) advertising, (ii) circulation (including single copy sales and home delivery subscriptions) and (iii) other (primarily commercial printing). In 2008, advertising, circulation and other revenue accounted for approximately 73%, 21% and 6%, respectively, of our total revenue. The contribution of advertising, circulation and other revenue to our total revenue in 2006, 2007 and 2008 and to pro forma total revenue in 2007 was as follows:

	Year Ended December 31, 2006 (Actual)	Year Ended December 31, 2007 (Actual)	Year Ended December 31, 2007 (Pro Forma)	Year Ended December 31, 2008 (Actual)
		(In Thousands)		
Revenue:				
Advertising	$ 232,130	$ 428,531	$ 478,749	$ 495,667
Circulation	50,868	117,782	136,583	146,340
Commercial printing and other	23,193	33,147	37,066	41,092
Total revenue	$ 306,191	$ 579,460	$ 652,398	$ 683,099

Advertising

Advertising revenue is the largest component of our revenue, accounting for approximately 76%, 74% and 73% of our total revenue in 2006, 2007 and 2008, 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.

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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 because 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 compensation is based upon increases in 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 2006, 2007 or 2008 and our 20 largest advertisers accounted for less than 5% of our pro forma total revenue in 2007.

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.

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 91 paid daily publications that range in circulation from approximately 1,000 to over 63,000 and 204 paid weekly publications that range in circulation from approximately 100 to 75,000. Circulation revenue accounted for approximately 17%, 20% and 21% of our total revenue in 2006, 2007 and 2008, 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:

- Upgrading and expanding printing facilities and printing presses;
- Increasing the use of color and color photographs;
- Improving graphic design, including complete redesigns;

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Developing creative and interactive promotional campaigns;

Converting selected newspapers from afternoon to morning publications; and

Increasing the amount of unique hyper-local content.

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, which results 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 7%, 6% and 8% of our total revenue in 2006, 2007 and 2008, respectively, and 6% of our pro forma total revenue in 2007.

Printing and Distribution

We operate 58 print facilities. We own 57 of these facilities and lease the remaining one. Each of our print facilities produces eight publications on average and is generally located within 60 miles of the communities it serves. 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 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 newsprint-buying consortium which enables our local publishers to obtain favorable pricing by purchasing newsprint from 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 55-day inventory of newsprint.

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 2008 was approximately $719 per metric ton.

In 2008 we purchased approximately 80,000 metric tons of newsprint (including for commercial printing) and the cost of our newsprint consumption totaled approximately $54.0 million. Our newsprint expense generally 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

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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.

Northeast Region. In the Northeast 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.

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 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, which we believe 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.

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, other television stations, directories, direct mail and non-local internet websites, but none of these have proven to be significant.

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.

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

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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.

Management and Employees

The 11 members of our executive management team have an average of over 19 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 115 publishers have an average of approximately 24 years of industry experience.

As of December 31, 2008, we had approximately 6,538 full time equivalent employees, consisting of hourly and salaried employees. We employ union personnel at a number of our core publications representing approximately 830 full-time equivalent employees. As of December 31, 2008 there were 27 collective bargaining agreements covering union personnel. Six of these agreements, representing employees in Massachusetts, Ohio and Illinois, expire in 2009. 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 us. 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.

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List of Our Dailies, Weeklies, Shoppers and Directories

Our dailies, weeklies, shoppers and directories are listed below:

Northeast Region

Publication	Principal City, State	Type
The Enterprise	Brockton, MA	Daily
The MetroWest Daily News	Framingham, MA	Daily
The Milford Daily News	Milford, MA	Daily
The Daily News Transcript	Norwood, MA	Daily
Patriot Ledger	Quincy, MA	Daily
The Daily News Tribune	Waltham, MA	Daily
The Herald News	Fall River, MA	Daily
Taunton Daily Gazette	Taunton, MA	Daily
Norwich Bulletin	Norwich, CT	Daily
Abington Mariner/Rockland Standard	Abington, MA	Paid Weekly
The Beacon	Acton/Boxboro, MA	Paid Weekly
Allston/Brighton TAB	Allston, MA	Paid Weekly
Amesbury News	Amesbury, MA	Paid Weekly
The Arlington Advocate	Arlington, MA	Paid Weekly
Ashland TAB	Ashland, MA	Paid Weekly
Bedford Minuteman	Bedford, MA	Paid Weekly
Belmont Citizen-Herald	Belmont, MA	Paid Weekly
Beverly Citizen	Beverly, MA	Paid Weekly
Billerica Minuteman	Billerica, MA	Paid Weekly
The Bolton Common	Bolton, MA	Paid Weekly
Tri-Town Transcript	Boxford, MA	Paid Weekly
Braintree Forum	Braintree, MA	Paid Weekly
The Cape Codder	Brewster, MA	Paid Weekly
Burlington Union	Burlington, MA	Paid Weekly
Cambridge Chronicle	Cambridge, MA	Paid Weekly
Canton Journal	Canton, MA	Paid Weekly
Carver Reporter	Carver, MA	Paid Weekly
Chelmsford Independent	Chelmsford, MA	Paid Weekly
The Lancaster Times & Clinton Courier	Clinton, MA	Paid Weekly
Cohasset Mariner	Cohasset, MA	Paid Weekly
The Concord Journal	Concord, MA	Paid Weekly
Danvers Herald	Danvers, MA	Paid Weekly
Dover/Sherborn Press	Dover, MA	Paid Weekly
Halifax/Plympton Reporter	Halifax, MA	Paid Weekly
Hamilton-Wenham Chronicle	Hamilton, MA	Paid Weekly
Hanover Mariner	Hanover, MA	Paid Weekly
The Harvard Post	Harvard, MA	Paid Weekly
Harwich Oracle	Harwich, MA	Paid Weekly
The Hingham Journal	Hingham, MA	Paid Weekly
Holbrook Sun	Holbrook, MA	Paid Weekly
Holliston TAB	Holliston, MA	Paid Weekly
Hopkinton Crier	Hopkinton, MA	Paid Weekly
Hudson Sun	Hudson, MA	Paid Weekly
The Register	Hyannis, MA	Paid Weekly
Ipswich Chronicle	Ipswich, MA	Paid Weekly

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Publication	Principal City, State	Type
Kingston Reporter	Kingston, MA	Paid Weekly
Lexington Minuteman	Lexington, MA	Paid Weekly
Lincoln Journal	Lincoln, MA	Paid Weekly
Littleton Independent	Littleton, MA	Paid Weekly
Malden Observer	Malden, MA	Paid Weekly
Mansfield News	Mansfield, MA	Paid Weekly
Marblehead Reporter	Marblehead, MA	Paid Weekly
The Sentinel	Marion, MA	Paid Weekly
Marlborough Enterprise	Marlborough, MA	Paid Weekly
Marshfield Mariner	Marshfield, MA	Paid Weekly
The Beacon-Villager	Maynard/Stow, MA	Paid Weekly
Medfield Press	Medfield, MA	Paid Weekly
Medford Transcript	Medford, MA	Paid Weekly
Melrose Free Press	Melrose, MA	Paid Weekly
Natick Bulletin & Tab	Natick, MA	Paid Weekly
North Andover Citizen	North Andover, MA	Paid Weekly
The Northborough/Southborough Villager	Northborough/Southborough, MA	Paid Weekly
Norton Mirror	Norton, MA	Paid Weekly
Norwell Mariner	Norwell, MA	Paid Weekly
Easton Journal	Easton, MA	Paid Weekly
Westwood Press	Westwood, MA	Paid Weekly
Georgetown Record	Georgetown, MA	Paid Weekly
Old Colony Memorial	Plymouth, MA	Paid Weekly
The Reading Advocate	Reading, MA	Paid Weekly
Roslindale Transcript	Roslindale, MA	Paid Weekly
Saugus Advertiser	Saugus, MA	Paid Weekly
Scituate Mariner	Scituate, MA	Paid Weekly
Sharon Advocate	Sharon, MA	Paid Weekly
Shrewsbury Chronicle	Shrewsbury, MA	Paid Weekly
Somerville Journal	Somerville, MA	Paid Weekly
Stoughton Journal	Stoughton, MA	Paid Weekly
The Sudbury Town Crier	Sudbury, MA	Paid Weekly
Swampscott Reporter	Swampscott, MA	Paid Weekly
Tewksbury Reporter	Tewksbury, MA	Paid Weekly
Wakefield Observer	Wakefield, MA	Paid Weekly
Wareham Courier	Wareham, MA	Paid Weekly
Watertown TAB & Press	Watertown, MA	Paid Weekly
The Wayland Town Crier	Wayland, MA	Paid Weekly
The Wellesley Townsman	Wellesley, MA	Paid Weekly
West Roxbury Transcript	West Roxbury, MA	Paid Weekly
Westborough News	Westborough, MA	Paid Weekly
Westford Eagle	Westford, MA	Paid Weekly
The Weston Town Crier	Weston, MA	Paid Weekly
Weymouth News	Weymouth, MA	Paid Weekly
The Winchester Star	Winchester, MA	Paid Weekly
Norwood Bulletin	Norwood, MA	Paid Weekly
Pembroke Mariner & Reporter	Pembroke, MA	Paid Weekly
The WalpoleTimes	Walpole, MA	Paid Weekly
The Provincetown Banner	Provincetown, MA	Paid Weekly
The North Attleborough Free Press	North Attleborough, MA	Free Weekly
Country Gazette	Bellingham, MA	Free Weekly

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Publication	Principal City, State	Type
North Shore Sunday	Danvers, MA	Free Weekly
Bridgewater Independent	Bridgewater, MA	Free Weekly
Brookline TAB	Brookline, MA	Free Weekly
Cambridge TAB	Cambridge, MA	Free Weekly
Duxbury Reporter	Duxbury, MA	Free Weekly
East Bridgewater Star	E. Bridgewater, MA	Free Weekly
Framingham TAB	Framingham, MA	Free Weekly
Hanson Town Crier	Hanson, MA	Free Weekly
Lakeville Call	Lakeville, MA	Free Weekly
Needham Times	Needham, MA	Free Weekly
Newton TAB	Newton, MA	Free Weekly
The Newburyport Current	Newburyport, MA	Free Weekly
Plymouth Bulletin	Plymouth, MA	Free Weekly
Randolph Herald	Randolph, MA	Free Weekly
Raynham Call	Raynham, MA	Free Weekly
Salem Gazette	Salem, MA	Free Weekly
Stoneham Sun	Stoneham, MA	Free Weekly
West Bridgewater Times	West Bridgewater, MA	Free Weekly
Whitman Times	Whitman, MA	Free Weekly
Wilmington Advocate	Wilmington, MA	Free Weekly
Woburn Advocate	Woburn, MA	Free Weekly
OJornal	Fall River, MA	Free Weekly
El Latino Expreso	Fall River, MA	Free Weekly
Falmouth Bulletin	Falmouth, MA	Free Weekly
Sandwich Broadsider	Sandwich, MA	Free Weekly
Bourne Courier	Bourne, MA	Free Weekly
Cape Ann Beacon	Cape Ann, MA	Free Weekly
O Journal Brasieiro	Fall River, MA	Free Weekly
The Nantucket Independent	Nantucket, MA	Free Weekly
Colchester Bulletin	Colchester, CT	Free Weekly
Brockton Pennysaver	Brockton, MA	Shopper
Mashpee/Cotuit Pennysaver	Cotuit, MA	Shopper
Dennis Pennysaver	Dennis, MA	Shopper
Hyannis/Centerville Pennysaver	Hyannis, MA	Shopper
Yarmouth Pennysaver	South Yarmouth, MA	Shopper
Better Living	Taunton, MA	Shopper
South Coast Life	Fall River, MA	Shopper
Shop Local Town and Country	Norwich, CT	Shopper
Shop Local Shoreline	Norwich, CT	Shopper

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Western Region

Publication	Principal City, State	Type
Benton Evening News	Benton, IL	Daily
Daily Ledger	Canton, IL	Daily
The Carmi Times	Carmi, IL	Daily
Du Quoin Evening Call	Du Quoin, IL	Daily
The Journal Standard	Freeport, IL	Daily
Eldorado Daily Journal	Eldorado, IL	Daily
Harrisburg Daily Register	Harrisburg, IL	Daily
La Junta Tribune Democrat	La Junta, CO	Daily
Macomb Journal	Macomb, IL	Daily
Marion Daily Republican	Marion, IL	Daily
Daily Review Atlas	Monmouth, IL	Daily
The Olney Daily Mail	Olney, IL	Daily
Pekin Daily Times	Pekin, IL	Daily
Daily Leader	Pontiac, IL	Daily
The Daily Independent	Ridgecrest, CA	Daily
Star-Courier	Kewanee, IL	Daily
Daily American	West Frankfort, IL	Daily
Siskiyou Daily News	Yreka, CA	Daily
Journal Star	Peoria, IL	Daily
The Register-Mail	Galesburg, IL	Daily
The State Journal-Register	Springfield, IL	Daily
The Courier	Lincoln, IL	Daily
Rockford Register Star	Rockford, IL	Daily
Advocate Press	Flora, IL	Paid Weekly
Press	Addison/Bensenville/ Wood Dale, IL	Paid Weekly
The Times Record	Aledo, IL	Paid Weekly
Life	Berwyn/Cicero, IL	Paid Weekly
Suburban Life	Brookfield, IL	Paid Weekly
The Weekly Times	Carmi, IL	Paid Weekly
Press	Bloomingdale/Glendale Heights/ Carol Stream/Roselle/Itasca, IL	Paid Weekly
Randolph County Herald Tribune	Chester, IL	Paid Weekly
Steeleville Ledger	Steeleville, IL	Paid Weekly
The Progress	Christopher, IL	Paid Weekly
Ridgway News	Shawneetown, IL	Paid Weekly
Tri-County News	Cottonwood, MN	Paid Weekly
Suburban Life	Countryside, IL	Paid Weekly
Suburban Life	Darien, IL	Paid Weekly
Reporter	Downers Grove, IL	Paid Weekly
Ashley News	Ashley, IL	Paid Weekly
Du Quoin News	Du Quoin, IL	Paid Weekly
Press	Elmhurst, IL	Paid Weekly
The Blade	Fairbury, IL	Paid Weekly
The Geneseo Republic	Geneseo, IL	Paid Weekly
Cambridge Chronicle	Cambridge, IL	Paid Weekly
Chillicothe Times Bulletin	Chillicothe, IL	Paid Weekly
East Peoria Times-Courier	East Peoria, IL	Paid Weekly
Morton Times News	Morton, IL	Paid Weekly

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Publication	Principal City, State	Type
Orion Gazette	Orion, IL	Paid Weekly
Granite Falls Advocate-Tribute	Granite Falls, MN	Paid Weekly
The Gridley Herald	Gridley, CA	Paid Weekly
The Spokesman	Herrin, IL	Paid Weekly
Suburban Life	Hinsdale, IL	Paid Weekly
Farmside	Huntley, IL	Paid Weekly
Suburban Life	La Grange, IL	Paid Weekly
Ag Journal	La Junta, CO	Paid Weekly
Bent County Democrat	Las Pimas, CO	Paid Weekly
Fowler Tribune	Fowler, CO	Paid Weekly
Reporter	Lemont, IL	Paid Weekly
Spectator	Lombard, IL	Paid Weekly
Oquawka Current	Oquawka, IL	Paid Weekly
Montevideo American News	Montevideo, MN	Paid Weekly
Dunsmuir News	Dunsmuir, CA	Paid Weekly
Mount Shasta Herald	Mount Shasta, CA	Paid Weekly
Weed Press	Weed, CA	Paid Weekly
Murphysboro American	Murphysboro, IL	Paid Weekly
Newton Press Mentor	Newton, IL	Paid Weekly
Norris City Banner	Norris City, IL	Paid Weekly
The Weekly Mail	Olney, IL	Paid Weekly
Redwood Gazette	Redwood Falls, MN	Paid Weekly
Suburban Life	Riverside, IL	Paid Weekly
Gallatin Democrat	Shawneetown, IL	Paid Weekly
Sleepy Eye Herald Dispatch	Sleepy Eye, MN	Paid Weekly
St. James Plaindealer	St. James, MN	Paid Weekly
Midway Driller	Taft, CA	Paid Weekly
Teutopolis Press	Teutopolis, IL	Paid Weekly
SI Trader	West Frankfort, IL	Paid Weekly
Argus	Villa Park, IL	Paid Weekly
The Wabasso Standard	Wabasso, MN	Paid Weekly
Press	Winfield/Warrenville/ West Chicago, IL	Paid Weekly
Suburban Life	Westchester, IL	Paid Weekly
Progress	Westmont, IL	Paid Weekly
Reporter	Bolingbrook/Lisle/Naperville, IL	Paid Weekly
Galva News	Galva, IL	Paid Weekly
Abingdon Argus-Sentinel	Abingdon, IL	Paid Weekly
Augusta Eagle-Scribe	Augusta, IL	Paid Weekly
Macomb Eagle	Macomb, IL	Paid Weekly
Roseville Independent	Roseville, IL	Paid Weekly
Pro-Football Weekly	Downers Grove, IL	Paid Weekly
Republican	Batavia, IL	Free Weekly
Republican	Geneva, IL	Free Weekly
News	Glen Ellyn, IL	Free Weekly
Republican	St. Charles, IL	Free Weekly
Leader	Wheaton, IL	Free Weekly
Espejo	Rockford, IL	Free Weekly
The Paper	Galesburg, IL	Free Weekly
BusinessRockford.com	Rockford, IL	Free Weekly
Press	Bartlett, IL	Free Weekly

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Publication	Principal City, State	Type
Peoria Times-Observer	Peoria, IL	Free Weekly
Washington Times Reporter	Washington, IL	Free Weekly
Daily Brief	Macomb, IL	Free Weekly
White County Shopper News	Carmi, IL	Shopper
CCAP Special	Flora, IL	Shopper
The Scene	Freeport, IL	Shopper
Fulton County Shopper	Canton, IL	Shopper
The Gridley Shopping News	Gridley, CA	Shopper
Henry County Advertizer/Shopper	Geneseo, IL	Shopper
Herrin Free Time	Herrin, IL	Shopper
Marion Free Time	Marion, IL	Shopper
McDonough County Shopper	Macomb, IL	Shopper
Money Stretcher	Galatia, IL	Shopper
Pennysaver	Monmouth, IL	Shopper
The Star Advisor	Montevideo, MN	Shopper
Super Saver Advertiser	Mount Shasta, CA	Shopper
American Monday	Murphysboro, IL	Shopper
Jasper County News Eagle	Olney, IL	Shopper
Livingston Shopping News	Pontiac, IL	Shopper
Redwood Falls Livewire	Redwood Falls, MN	Shopper
Ridgecrest Ad Delivery	Ridgecrest, CA	Shopper
Brown County Reminder	Sleepy Eye, MN	Shopper
Town and Country Shopper	St. James, MN	Shopper
Star Power	Kewanee, IL	Shopper
Springfield Shopper	Springfield, IL	Shopper
Bargain Hunter	Taft, CA	Shopper
Town Crier	Aledo, IL	Shopper
Select Homes	Downers Grove, IL	Shopper
Franklin Press	West Frankfort, IL	Shopper
The Link	Yreka, CA	Shopper
Star Shopper	Rockford, IL	Shopper
US Express	Peoria, IL	Shopper
Pekin Express	Peoria, IL	Shopper
Logan County Shopper	Lincoln, IL	Shopper
Springfield Advertiser	Springfield, IL	Shopper
Chillicothe Choo Choo Advertiser	Chillicothe, IL	Shopper
Eastside Advertiser	East Peoria, IL	Shopper
Morton Pumpkin Advertiser	Morton, IL	Shopper
McDonough County This Week	Macomb, IL	Shopper
Richland County Shopper	Olney, IL	Shopper

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Northern Midwest Region

Publication	Principal City, State	Type
The Daily Telegram	Adrian, MI	Daily
Boonville Daily News	Boonville, MO	Daily
Charles City Press	Charles City, IA	Daily
Cheboygan Daily Tribune	Cheboygan, MI	Daily
Constitution Tribune	Chillicothe, MO	Daily
The Daily Reporter	Coldwater, MI	Daily
Crookston Daily Times	Crookston, MN	Daily
Devils Lake Daily Journal	Devils Lake, ND	Daily
Sentinel-Standard	Ionia, MI	Daily
Kirksville Daily Express & News	Kirksville, MO	Daily
The Leavenworth Times	Leavenworth, KS	Daily
Chronicle Herald	Macon, MO	Daily
Maryville Daily Forum	Maryville, MO	Daily
The Mexico Ledger	Mexico, MO	Daily
Moberly Monitor Index	Moberly, MO	Daily
The Evening News	Sault Ste. Marie, MI	Daily
Sturgis Journal	Sturgis, MI	Daily
Hannibal Courier Post	Hannibal, MO	Daily
Hillside Daily News	Hillside, MI	Daily
The Holland Sentinel	Holland, MI	Daily
The Examiner	Independence, MO	Daily
Kansas City Kansan	Kansas City, KS	Paid Weekly
Nebraska City News Press	Nebraska City, NE	Paid Weekly
Linn County Leader	Brookfield, MO	Paid Weekly
Mackinaw Journal	Cheboygan, MI	Paid Weekly
Bronson Journal	Bronson, MI	Paid Weekly
Jonesville Independent	Jonesville, MI	Paid Weekly
Times-Plain Dealer	Cresco, IA	Paid Weekly
The Valley Journal	Halstad, MN	Paid Weekly
Hamburg Reporter	Hamburg, IA	Paid Weekly
New Hampton Tribune	New Hampton, IA	Paid Weekly
Syracuse Journal Democrat	Syracuse, NE	Paid Weekly
Lansing This Week	Leavenworth, KS	Free Weekly
The Fort Leavenworth Lamp	Leavenworth, KS	Free Weekly
Hamilton Herald	Holland, MI	Free Weekly
My Zeeland	Holland, MI	Free Weekly
West Michigan Senior Times	Kalamazoo, MI	Free Weekly
The Sampler	Hillsdale, MI	Free Weekly
Adrian Access Shopper	Adrian, MI	Shopper
Adrian Medley	Adrian, MI	Shopper
The Record	Boonville, MO	Shopper
Sho-Me Shopper	Brookfield, MO	Shopper
The Extra	Charles City, IA	Shopper
Northeast Iowa Shopper	Charles City, IA	Shopper
Shopper Fair	Cheboygan, MI	Shopper
C.T. Extra	Chillicothe, MO	Shopper
Chronicle Shopper	Leavenworth, KS	Shopper
The Reporter Extra	Coldwater, MI	Shopper
Coldwater Shoppers Guide	Coldwater, MI	Shopper

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Publication	Principal City, State	Type
The Extra	Cresco, IA	Shopper
Crookston Valley Shopper	Crookston, MN	Shopper
The Country Peddler	Devils Lake, ND	Shopper
The Gentry County Shopper	Albany, MO	Shopper
The Shopper	Halstad, MN	Shopper
Penny Press 4	Hiawatha, KS	Shopper
Sentinel-Standard TMC	Ionia, MI	Shopper
Wyandotte County Shopper	Kansas City, KS	Shopper
Kirksville Crier	Kirksville, MO	Shopper
NEMO Trader	La Plata, MO	Shopper
Macon Journal	Macon, MO	Shopper
Penny Press 2	Maryville, MO	Shopper
The Shopper	Moberly, MO	Shopper
Penny Press 1	Nebraska City, NE	Shopper
Tri County Buyers Guide	Sault Ste. Marie, MI	Shopper
Sturgis Gateway Shopper	Sturgis, MI	Shopper
Flashes Shopping Guide	Allegan, MI	Shopper
Salt River Journal	Hannibal, MO	Shopper
The Extra	Independence, MO	Shopper
Tip Off	Jonesville, MI	Shopper

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Southern Midwest Region

Publication	Principal City, State	Type
Daily Siftings Herald	Arkadelphia, AR	Daily
Augusta Daily Gazette	Augusta, KS	Daily
The Bastrop Daily Enterprise	Bastrop, LA	Daily
Lake Sun Leader	Camdenton, MO	Daily
The Carthage Press	Carthage, MO	Daily
Derby Reporter	Derby, KS	Daily
The El Dorado Times	El Dorado, KS	Daily
The Daily World	Helena, AR	Daily
Hope Star	Hope, AR	Daily
Beauregard Daily News	DeRidder, LA	Daily
Leesville Daily Leader	Leesville, LA	Daily
Southwest Daily News	Sulphur, LA	Daily
McPherson Sentinel	McPherson, KS	Daily
Neosho Daily News	Neosho, MO	Daily
The Pratt Tribune	Pratt, KS	Daily
Rolla Daily News	Rolla, MO	Daily
Stuttgart Daily Leader	Stuttgart, AR	Daily
The Daily Guide	Waynesville, MO	Daily
Wellington Daily News	Wellington, KS	Daily
The Repository	Canton, OH	Daily
The Independent	Massilon, OH	Daily
The Times-Reporter	Dover/New Philadelphia, OH	Daily
The Daily Ardmoreite	Ardmore, OK	Daily
Dodge City Daily Globe	Dodge City, KS	Daily
The Newton Kansan	Newton, KS	Daily
The Oak Ridger	Oak Ridge, TN	Daily
The Morning Sun	Pittsburg, KS	Daily
The Shawnee News-Star	Shawnee, OK	Daily
Gurdon Times	Arkadelphia, AR	Paid Weekly
The Donaldsonville Chief	Donaldsonville, LA	Paid Weekly
Gonzales Weekly Citizen	Gonzales, LA	Paid Weekly
The Vedette	Greenfield/Miller, MO	Paid Weekly
The Sun Times	Heber Springs, AR	Paid Weekly
Nevada County Picayune	Hope, AR	Paid Weekly
Vinton News	Sulphur, LA	Paid Weekly
The Post Focus on Rural Living	Neosho, MO	Paid Weekly
Newport Independent	Newport, AR	Paid Weekly
Post South	Plaquemine, LA	Paid Weekly
Barber County Index	Medicine Lodge, KS	Paid Weekly
St. Johns News	St. Johns, KS	Paid Weekly
Kiowa County Signal	Greensburg, KS	Paid Weekly
St. James Leader Journal	St. James, MO	Paid Weekly
The White Hall Journal	White Hall, AR	Paid Weekly
Aurora Advertiser	Aurora, MO	Paid Weekly
Girard Press	Girard, KS	Paid Weekly
Dover Post	Dover, DE	Paid Weekly
Milford Beacon	Milford, DE	Paid Weekly
Smyrna/Clayton Sun-Times	Smyrna, DE	Paid Weekly
The Airlifter	Dover, DE	Paid Weekly

Publication	Principal City, State	Type
The Middletown Transcript	Middletown, DE	Paid Weekly
The Sussex Countian	Sussex, DE	Paid Weekly
West Side Star	Laurie, MO	Free Weekly
Lake Lifestyles Magazine	Osage Beach, MO	Free Weekly
Lake Area News Focus	Osage Beach, MO	Free Weekly
Vacation News	Osage Beach, MO	Free Weekly
Homes	Camdenton, MO	Free Weekly
The Suburbanite	Green, OH	Free Weekly
Tube Tab	Osage Beach, MO	Free Weekly
Lake of Ozarks Real Estate	Osage Beach, MO	Free Weekly
La Estrella	Dodge City, KS	Free Weekly
The Arsenal Sentinel	White Hall, AR	Free Weekly
Arkadelphia Extra	Arkadelphia, AR	Free Weekly
The Carthage Press Scope	Carthage, MO	Free Weekly
Daily World TMC	Helena, AR	Free Weekly
Star Extra	Hope, AR	Free Weekly
Neighborhood Showcase	Neosho, MO	Free Weekly
Rolla Daily News Plus	Rolla, MO	Free Weekly
The Xtra	Stuttgart, AR	Free Weekly
Guardian	Sulphur, LA	Free Weekly
Brandywine East Community News	Dover, DE	Free Weekly
Brandywine West Community News	Dover, DE	Free Weekly
Greenville Community News	Greenville, DE	Free Weekly
Hockessin Community News	Hockessin, DE	Free Weekly
Mill Creek Community News	Mill Creek, DE	Free Weekly
The Pennysaver	Bastrop, LA	Shopper
Pennysaver	Camdenton, MO	Shopper
Shoppers Guide	El Dorado, KS	Shopper
Nickel Ads	Gonzales, LA	Shopper
The Marketeer	Gonzales, LA	Shopper
Lake Stockton Shopper	Greenfield/Miller, MO	Shopper
Big Nickel	Joplin, MO	Shopper
Calcasieu Shopper	Sulphur, LA	Shopper
South Central Kansas Shoppers Guide	McPherson, KS	Shopper
Lake of the Ozarks Boats	Osage Beach, MO	Shopper
West Bank Shopper	Plaquemine, LA	Shopper
Sunflower Shopper	Pratt, KS	Shopper
Pulaski County Weekly	Waynesville, MO	Shopper
The Weekender	Wellington, KS	Shopper
Stark Values	Canton, OH	Shopper
TMC-EXTRA	Dover/New Philadelphia, OH	Shopper
Entertainment Spotlight	Ardmore, OK	Shopper
Big AA Shopper	Aurora, MO	Shopper
Shoppers Weekly	Dodge City, KS	Shopper
Prairie Shopper	Newton, KS	Shopper
The Sunland Shopper	Pittsburg, KS	Shopper
Augusta Advertiser	Augusta, KS	Shopper
The Express	Dover, DE	Shopper

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Atlantic Region

Publication	**Principal City, State**	**Type**
The Leader	Corning, NY	Daily
The Evening Telegram	Herkimer, NY	Daily
The Wayne Independent	Honesdale, PA	Daily
Evening Tribune	Hornell, NY	Daily
Mineral Daily News Tribune	Keyser, WV	Daily
The Evening Times	Little Falls, NY	Daily
The Record Herald	Waynesboro, PA	Daily
Wellsville Daily Reporter	Wellsville, NY	Daily
Daily Messenger	Canandaigua, NY	Daily
Utica Observer-Dispatch	Utica, NY	Daily
Mid-York Weekly	Hamilton, NY	Paid Weekly
The Villager	Moscow, PA	Paid Weekly
Carbondale News	Carbondale, PA	Paid Weekly
Genesee Country Express	Dansville, NY	Paid Weekly
The Echo Pilot	Greencastle, PA	Paid Weekly
News Eagle	Hawley, PA	Paid Weekly
The Chronicle-Express	Penn Yan, NY	Paid Weekly
The Jackson Star News	Ravenswood, WV	Paid Weekly
The Jackson Herald	Ripley, WV	Paid Weekly
Brighton-Pittsford Post	Brighton/Pittsford, NY	Paid Weekly
Greece Post	Greece, NY	Paid Weekly
Irondequoit Post	Irondequoit, NY	Paid Weekly
Webster Post	Webster, NY	Paid Weekly
Gates-Chili Post	Gates/Chili, NY	Paid Weekly
Rush-Henrietta Post	Rush/Henrietta, NY	Paid Weekly
Penfield Post	Penfield, NY	Paid Weekly
Saugerties Post Star	Saugerties, NY	Paid Weekly
Fairport-ER Post	Fairport, NY	Paid Weekly
Palmyra Courier-Journal	Palmyra, NY	Paid Weekly
Newark Courier Gazette	Newark, NY	Paid Weekly
Steuben Courier Advocate	Bath, NY	Free Weekly
Brighton-Pittsford Community Post	Brighton/Pittsford, NY	Free Weekly
Canandaigua-Victor Community Post	Canandaigua/Naples, NY	Free Weekly
Fairport-ER Community Post	Fairport, NY	Free Weekly
Gates-Chili Community Post	Gates/Chili, NY	Free Weekly
Greece Community Post	Greece, NY	Free Weekly
Irondequoit Community Post	Irondequoit, NY	Free Weekly
Penfield Community Post	Penfield, NY	Free Weekly
Rush-Henrietta Community Post	Rush/Henrietta, NY	Free Weekly
Webster Community Post	Webster, NY	Free Weekly
Fusion	Utica, NY	Free Weekly
Utica Pennysaver	Utica, NY	Free Weekly
New Hartford Pennysaver	Utica, NY	Free Weekly
North County Pennysaver	Utica, NY	Free Weekly
Herkimer Pennysaver	Utica, NY	Free Weekly
Whitesboro Pennysaver	Utica, NY	Free Weekly
Clinton Pennysaver	Utica, NY	Free Weekly
Rome Pennysaver	Utica, NY	Shopper
Hornell Canisteo Penn-E-Saver	Canisteo, NY	Shopper

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Publication	Principal City, State	Type
Corning Pennysaver	Corning, NY	Shopper
Geneseeway Shopper	Dansville, NY	Shopper
Dansville-Wayland Pennysaver	Dansville/Wayland, NY	Shopper
Images	Herkimer, NY	Shopper
The Independent Extra	Honesdale, PA	Shopper
The Tribune Extra	Hornell, NY	Shopper
The Shopper	Horseheads, NY	Shopper
Today s Shopper	Keyser, WV	Shopper
Catskill Shopper	Liberty, NY	Shopper
Mohawk Valley Pennysaver	Ft. Plain, NY	Shopper
Star Herald Weekender	Ripley, WV	Shopper
Mountain Pennysaver	Saugerties, NY	Shopper
Saugerties Pennysaver	Saugerties, NY	Shopper
Allegany County Pennysaver	Wellsville, NY	Shopper
Chronicle Ad-Viser	Penn Yan, NY	Shopper
Timesaver	Wayne Co., NY	Shopper
Lyons Shopping Guide	Lyons, NY	Shopper
Newark Pennysaver	Newark, NY	Shopper
Sodus Pennysaver	Sodus, NY	Shopper

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Yellow Page Directories

Publication	Principal City, State	Type
Roseville Directory	Roseville, CA	Yellow Page Directory
Greater Sacramento Directory	Sacramento, CA	Yellow Page Directory
Auburn/Grass Valley/Nevada City Directory	Auburn/Grass Valley/Nevada City, CA	Yellow Page Directory
Folsom/EI Dorado/Placerville Directory	Folsom/EI Dorado/Placerville, CA	Yellow Page Directory
Michigan & Indiana Phone Guide	St. Joseph County, MI and LaGrange County, IN	Yellow Page Directory
Michigan & Indiana Phone Guide	Branch County, MI and Steuben County, IN	Yellow Page Directory
The Siskiyou County Connection	Mt. Shasta, CA	Yellow Page Directory

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List of Websites

Our websites are listed below.

Arkadelphia Daily Siftings Herald	siftingsherald.com
Arkadelphia Extra	siftingsherald.com
The Sun Times	thesuntimes.com
Daily World TMC	helena-arkansas.com
The Daily World	helena-arkansas.com
Hope Star	hopestar.com
Star Extra	hopestar.com
Newport Independant	newportindependent.com
Nevada County Picayune	picayune-times.com
Stuttgart Daily Leader	stuttgartdailyleader.com
The Extra	stuttgartdailyleader.com
The Gridley Herald	gridleyherald.com
The Gridley Shopping News	gridleyherald.com
Dunsmuir News	mtshastanews.com
Mount Shasta Herald	mtshastanews.com
Weed Press	mtshastanews.com
The Daily Independent	ridgecrestca.com
Daily Midway Driller	taftmidwaydriller.com
Siskiyou Daily News	siskiyoudaily.com
Siskiyou Daily News Extra	siskiyoudaily.com
SureWest Directories	surewestdirectories.com
Ag Journal	agjournalonline.com
La Junta Tribune Democrat	lajuntatribunedemocrat.com
Norwich Bulletin	norwichbulletin.com
Charles City Press	charlescitypress.com
Times-Plain Dealer	crescotimes.com
Hamburg Reporter	hamburgreporter.com
New Hampton Tribune	northeastiowafocus.com
Addison Press	chicagosuburbannews.com
Times Record	aledotimesrecord.com
Benton Evening News	bentoneveningnews.com
Berwyn Life	chicagosuburbannews.com
Cambridge Chronicle	cambridgechronicle.com
Canton Daily Ledger	cantondailyledger.com
Carmi Times	carmitimes.com
Darien Suburban Life	chicagosuburbannews.com
Downers Grove Reporter	chicagosuburbannews.com
Hinsdale Suburban Life	chicagosuburbannews.com
Lemont Reporter	chicagosuburbannews.com
Westmont Progress	chicagosuburbannews.com
Du Quoin Evening Call	duquoin.com
Advocate Press	advocatepress.com
The Journal Standard	journalstandard.com
Money Stretcher	galatiamoneystretcher.com
The Paper	thepaper.net
The Geneseo Republic	geneseorepublic.com
Geneva Republican	chicagosuburbannews.com
Bloomingdale Press	chicagosuburbannews.com

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Carol Stream Press	chicagosuburbannews.com
Countryside Suburban Life	chicagosuburbannews.com
Elmhurst Press	chicagosuburbannews.com
Glen Ellyn News	chicagosuburbannews.com
Itasca Press Roselle Press	chicagosuburbannews.com
Lombard Spectator	chicagosuburbannews.com
Villa Park Argus	chicagosuburbannews.com
Harrisburg Daily Register	dailyregister.com
Star Courier	starcourier.com
La Grange Park Suburban Life	chicagosuburbannews.com
Lisle Reporter	chicagosuburbannews.com
Macomb Journal	macombjournal.com
Marion Daily Republican	mariondaily.com
Daily Review Atlas	reviewatlas.com
Brookfield Suburban Life	chicagosuburbannews.com
Suburban Life	chicagosuburbannews.com
Westchester Suburban Life	chicagosuburbannews.com
Advantage	olneydailymail.com
The Olney Daily Mail	olneydailymail.com
Orion Gazette	oriongazette.com
Pekin Daily Times	pekintimes.com
Daily Leader	pontiacdailyleader.com
Batavia Republican	chicagosuburbannews.com
Springfield Shopper	springfield-shopper.net
Huntley Farmside	chicagosuburbannews.com
Press	chicagosuburbannews.com
St. Charles Republican	chicagosuburbannews.com
Daily American	dailyamericannews.com
SI Trader	sitraders.com
The Courier	lincolncourier.com
Peoria Journal Star	pjstar.com
Register-Mail	registermail.com
Rockford Register Star	rrstar.com
The State-Journal Register	sj-r.com
Peoria Times Observer	peoriatimesobserver.com
Wheaton Leader	chicagosuburbannews.com
Augusta Daily Gazette	augustagazette.com
Derby Reporter	derbydailyrep.com
The El Dorado Times	eldoradotimes.com
Kiowa County Signal	kiowacountysignal.com
Kansas City Kansan	kansascitykansan.com
Lansing This Week	lansingthisweek.com
The Lansing Chronicle Times	lansingchronicletimes.com
Chronicle Shopper	leavenworthshopper.com
Leavenworth Times	leavenworthtimes.com
McPherson Sentinel	mcphersonsentinel.com
The Pratt Tribune	pratttribune.com
Wellington Daily News	wgtndailynews.com
The Morning Sun	morningsun.net
The Daily Globe	dodgeglobe.com
The Newton Kansan	dodgeglobe.com
The Bastrop Daily Enterprise	bastropenterprise.com

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Beauregard Daily News	deridderdailynews.com
Ascension Citizen	ascensioncitizen.com
Nickel Ads	ascensioncitizen.com
The Marketeer	ascensioncitizen.com
Leesville Daily Leader	leesvilledailyleader.com
Post South	postsouth.com
West Bank Shopper	postsouth.com
Southwest Daily News	sulphurdailynews.com
The Register	barnstableregister.com
Country Gazette	thecountrygazette.com
Amesbury News	amesburynews.com
Beverly Citizen	beverlycitizen.com
Danvers Herald	danversherald.com
Georgetown Record	georgetownrecord.com
Hamilton-Wenham Chronicle	hamiltonwenhamchronicle.com
Medford Transcript	medfordtranscript.com
Melrose Free Press	melrosefreepress.com
The Newburyport Current	newburyportcurrent.com
North Andover Citizen	northandovercitizen.com
North Shore Sunday	northshoresunday.com
Stoneham Sun	stonehamsun.com
Tri-Town Transcript	tritowntranscript.com
Wakefield Observer	wakefieldobserver.com
Billerica Minuteman	thebillericaminuteman.com
Bourne Courier	uppercapecodder.com
The Enterprise	enterprisenews.com
The Cape Codder	capecodder.com
The Lancaster Times & Clinton Courier	timesandcourier.com
The Beacon	actonbeacon.com
Bedford Minuteman	bedfordminuteman.com
Burlington Union	burlingtonunion.com
Chelmsford Independent	chelmsfordindependent.com
The Concord Journal	concordjournal.com
Littleton Independent	littletonindependent.com
The Reading Advocate	readingadvocate.com
Tewksbury Advocate	tewksburyadvocate.com
Lincoln Journal	thelincolnjournal.com
Wilmington Advocate	wilmingtonadvocate.com
Woburn Advocate	woburnadvocate.com
The Herald News	heraldnews.com
Ashland TAB	ashlandweekly.com
Canton Journal	cantonjournal.com
The Daily News Transcript	dailynewstranscript.com
The Framingham Tab	framinghamtab.com
Holliston TAB	hollistontab.com
Hopkinton Crier	hopkintoncrier.com
Medfield Press	medfieldpress.com
The MetroWest Daily News	metrowestdailynews.com
Natick Bulletin and Tab	natickbulletinandtab.com
Norton Mirror	nortonmirror.com
Stoughton Journal	stoughtonjournal.com
The Sudbury Town Crier	sudburytowncrier.com

The Wayland Town Crier	waylandtowncrier.com
The Weston Town Crier	westontowncrier.com
The Bolton Common	boltoncommon.com
The Harvard Post	harvardpost.com
Cohasset Mariner	cohassetmariner.com
The Hingham Journal	hinghamjournal.com
Ipswich Chronicle	ipswichchronicle.com
The Arlington Advocate	arlingtonadvocate.com
Belmont Citizen-Herald	belmontcitizenherald.com
Lexington Minuteman	lexingtonminuteman.com
The Winchester Star	thewinchesterstar.com
Marblehead Reporter	marbleheadreporter.com
Swampscott Reporter	swampscottreporter.com
Hudson Sun	hudsonsun.com
Marlborough Enterprise	marlboroughenterprise.com
Abington Rockland Mariner	abingtonmariner.com
Carver Reporter	carverreporter.com
Duxbury Reporter	duxbury.wickedlocal.com
East Bridgewater Star	eastbridgewaterstar.com
Hanover Mariner	hanovermariner.com
Marshfield Mariner	marshfieldmariner.com
Norwell Mariner	norwellmariner.com
Pembroke Mariner & Reporter	pembrokemariner.com
Plymouth Bulletin	townonline.com\plymouth
The Beacon-Villager	beaconvillager.com
Malden Observer	maldenobserver.com
Easton Journal	theeastonjournal.com
The Milford Daily News	milforddailynews.com
Country Gazette	thecountrygazette.com
Mansfield News	themansfieldnews.com
Mothertown	mothertown.com
The North Attleborough Free Press	nafreepress.com
Allston Brighton TAB	allstonbrightontab.com
Brookline TAB	brooklinetab.com
Cambridge TAB	cambridgetab.com
Dover-Sherborn Press	dovershebornpress.com
Needham Times	needhamtimes.com
Newton TAB	newtontab.com
Watertown TAB & Press	watertowntab.com
West Roxbury Transcript	westroxburytranscript.com
The Villager	northboroughvillager.com
Norwood Bulletin	norwoodbulletin.com
Harwich Oracle	harwichoracle.com
Halifax Plympton Reporter	halifaxreporter.com
Kingston Reporter	kingstonreporter.com
Old Colony Memorial	plymouth.wickedlocal.com
The Sentinel	thesentinelnewspaper.com
Wareham Courier	wareham.wickedlocal.com
The Patriot Ledger	ledger.com
Avon Messenger	avonmessenger.com
Bridgewater Independent	bridgewaterindependent.com
Easton Bulletin	eastonbulletin.com

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Hanson Town Crier	hansontowncrier.com
Lakeville Call	lakevillecall.com
Randolph Herald	randolphherald.com
Raynham Call	raynhamcall.com
Taunton Call	tauntoncall.com
The Taunton Daily Gazette	tauntongazette.com
Rockland Standard	therocklandstandard.com
West Bridgewater Times	westbridgewatertimes.com
Roslindale West Roxbury Transcript	parkwaytranscript.com
Somerville Journal	somervillejournal.com
The Daily News Tribune	dailynewstribune.com
The Wellesley Townsman	wellesleytownsman.com
Westborough News	westboronews.com
Braintree Forum	braintreeforum.com
Holbrook Sun	holbrooksun.com
The Register	barnstableregister.com
Salem Gazette	thesalemgazette.com
Westford Eagle	westfordeagle.com
Sharon Advocate	sharonadvocate.com
Westwood Press	thewestwoodpress.com
Shrewsbury Chronicle	theshrewsburychronicle.com
Scituate Mariner	scituatemariner.com
Saugus Advertiser	saugusadvertiser.com
Roslindale Transcript	roslindaletranscript.com
Whitman Times	whitmantimes.com
Weymouth News	theweymouthnews.com
El Latino Expreso	neexpreso.com
O Jornal	ojornal.com
The Daily Telegram	lenconnect.com
Cheboygan Daily Tribune	cheboygannews.com
Mackinaw Journal	cheboygannews.com
Bronson Journal	thebronsonjournal.com
The Daily Reporter	thedailyreporter.com
Union City Register Tribune	thedailyreporter.com
The Evening News	sooeveningnews.com
Sturgis Journal	sturgisjournal.com
Sentinel-Standard	sentinel-standard.com
The Hillside Daily News	hilsdale.net
The Holland Sentinel	hollandsentinel.com
Crookston Daily Times	crookstontimes.com
Granite Falls Advocate Tribune	granitefallsnews.com
Montevideo American News	montenews.com
Redwood Gazette	redwoodfallsgazette.com
Sleepy Eye Herald Dispatch	sleepyeyenews.com
St. James Plain Dealer	stjamesnews.com
Boonville Daily News	boonvilledailynews.com
Linn County Leader	linncountyleader.com
Lake Sun Leader	lakesunleader.com
The Westside Star	westsidestar.net
The Carthage Press	carthagepress.com
Constitution Tribune	chillicothenews.com
Kirksville Daily Express	kirksvilledailyexpress.com

Chronicle Herald	maconch.com
Macon Journal	maconch.com
Maryville Daily Forum	maryvilledailyforum.com
The Mexico Ledger	mexicoledger.com
Moberly Monitor Index	moberlymonitor.com
Neosho Daily News	neoshodailynews.com
Rolla Daily News	therolladailynews.com
The Daily Guide	waynesvilledailyguide.com
The Examiner	examiner.net
The Hannibal Courier-Post	hannibal.net
Aurora Advertiser	auroraadvertiser.net
Devils Lake Daily Journal	devilslakejournal.com
Nebraska City News	ncnewspress.com
Syracuse Journal Democrat	journaldemocrat.com
The Leader	the-leader.com
GateHouse Media	gatehousemedia.com
The Evening Telegram	herkimertelegram.com
Evening Tribune	eveningtribune.com
The Evening Times	littlefallstimes.com
Wellsville Daily Reporter	wellsvilledaily.com
Daily Messenger	mpnewspapers.com
Ad Net Direct	adnetdirect.net
The Observer-Dispatch	uticaod.com
The Repository	cantonrepository.com
The Independent	indeonline.com
The Repository	jacksonrep.com
The Suburbanite	thesuburbanite.com
The Times-Reporter	timesreporter.com
The Daily Ardmoreite	ardmoreite.com
Shawnee News-Star	news-star.com
The News Eagle	neagle.com
The Wayne Independent	wayneindependent.com
The Record Herald	therecordherald.com
The Oak Ridger	oakridger.com
Mineral Daily News Tribune	newstribune.info
Courier-Gazette	cgazette.com
The State Journal-Register	cityguidespringfield.com
The Community News	communitypub.com
The Dover Post	doverpost.com
Macomb Eagle	eaglepublications.com
Middletown Transcript	middletowntranscript.com
Milford Beacon	milfordbeacon.com
Provincetown Banner	provincetownbanner.com
Smyrna Clayton Sun-Times	scsuntimes.com
Sussex Countian	sussexcountian.com
Delmarva Express	delmarvaexpress.com

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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 could 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, 2008, we had total indebtedness of approximately $1.2 billion under our 2007 Credit Facility. Our interest expense for the year ended December 31, 2008 was $88.2 million. Additionally, we had $17 million in short term debt outstanding as of December 31, 2008 under the 2008 Bridge Facility with Barclays Capital that we incurred in connection with our acquisition of newspapers from the Dover Post and $11.5 million of short term debt outstanding as of December 31, 2008 pursuant to a seller note.

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;

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- 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 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.

Recessionary 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 continued 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.

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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 will further limit 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 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 2008 was approximately $719 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.

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 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.

We could be adversely affected by declining circulation.

Overall daily newspaper circulation, including national and urban newspapers, has declined. 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.

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

We experienced operating losses from continuing operations of approximately $661.9 million, $234.1 million and $2.5 million in 2008, 2007 and 2006, 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, 2008, goodwill and other intangible assets were approximately $826.4 million, or 71.9% 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, 2008, 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 $615.5 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. 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.

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

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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. In addition, our delisting from the NYSE may have other negative results, including the potential loss of confidence by employees and the loss of institutional investor interest.

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.

We do not anticipate paying additional 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 other Credit Facilities 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 and the interests of our principal stockholder may conflict with interests of our other stockholders.

As of December 31, 2008, Fortress beneficially owned approximately 41.9% of our outstanding common stock. As a result, Fortress will continue to have effective control over fundamental and significant corporate matters and transactions, including: the election of directors; mergers, consolidations or acquisitions; the sale of all or substantially all of our assets 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.

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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;
- 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.

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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.

The requirements of being a public company may strain our resources, including personnel, and cause us to incur additional expenses.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, (the Exchange Act) and the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act). These requirements may place a strain on our people, systems and resources. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal controls over financial reporting, significant resources and management oversight will be required. This may divert management s attention from other business concerns. Since the IPO, our costs have and will increase as a result of having to comply with the Exchange Act and the Sarbanes-Oxley Act, which required us, among other things, to establish an internal audit function.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

We operate 58 print facilities across the United States. We owned 57 of these facilities and lease the remaining one for a term ranging from one to five years. 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.

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

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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. Submission of Matters to a Vote of Security Holders

Not applicable.

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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 on the Pink Sheets Electronic Quotation Service, 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 Over-the-Counter Bulletin Board System reflect intermediate prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

	High	Low
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
Year Ended December 31, 2007		
Fourth Quarter	$ 13.12	$ 7.43
Third Quarter	$ 19.10	$ 11.80
Second Quarter	$ 22.18	$ 17.92
First Quarter	$ 20.75	$ 17.98

The closing sale price for our common stock as reported on the over-the-counter market on March 9, 2009 was $0.07 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 9, 2007, our board of directors declared a first quarter 2007 cash dividend of $0.37 per share on our common stock, or an aggregate of $14.5 million, for the period from January 1, 2007 to March 31, 2007, which was paid on April 16, 2007 to stockholders of record as of March 30, 2007.

On June 18, 2007, our board of directors declared a second quarter 2007 cash dividend of $0.40 per share on our common stock, or an aggregate of $15.7 million, for the period from April 1, 2007 to June 30, 2007, which was paid on July 16, 2007 to stockholders of record as of June 29, 2007.

On September 13, 2007, our board of directors declared a third quarter 2007 cash dividend of $0.40 per share on our common stock, or an aggregate of $23.1 million for the period from July 1, 2007 to September 30, 2007, which was paid on October 15, 2007 to stockholders of record as of September 28, 2007.

On November 13, 2007, our board of directors declared a fourth quarter 2007 cash dividend of $0.40 per share on our common stock, or an aggregate of $23.1 million for the period from October 1, 2007 to December 31, 2007, which was paid on January 15, 2008 to stockholders of record as of December 31, 2007.

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.

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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.

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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, 2008. 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, 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)	Year Ended December 31, 2004 [7] (Predecessor)
	(In Thousands, Except Per Share Data)					
Statement of Operations Data:						
Revenues:						
Advertising	$ 495,667	$ 428,531	232,130	88,798	$ 63,172	$ 148,291
Circulation	146,340	117,782	50,868	19,298	14,184	34,017
Commercial printing and other	41,092	33,147	23,193	11,415	8,134	17,776
Total revenues	683,099	579,460	306,191	119,511	85,490	200,084
Operating costs and expenses:						
Operating costs	384,594	311,999	156,697	61,001	40,007	97,198
Selling, general and administrative	187,781	156,016	88,578	29,033	26,210	52,223
Depreciation and amortization [1]	70,121	57,292	23,610	8,030	5,776	13,374
Transaction costs related to Merger and Massachusetts Acquisitions				2,850	7,703	
Integration and reorganization costs and management fees paid to prior owner	7,627	7,490	4,486	1,002	768	1,480
Impairment of long-lived assets	123,717	1,553	917			1,500
Gain (loss) on sale of assets	(337)	(1,495)	(700)	40		(30)
Goodwill and mastheads impairment	491,830	225,993				
Operating income (loss)	(582,908)	(182,378)	31,203	17,635	5,026	34,279
Interest expense, amortization of deferred financing costs, loss on early extinguishment of debt, unrealized gain on derivative instrument and other	100,111	83,461	37,458	1,020	32,884	63,762
Income (loss) from continuing operations before income taxes	(683,019)	(265,839)	(6,255)	16,615	(27,858)	(29,483)
Income tax expense (benefit)	(21,139)	(31,789)	(3,769)	7,050	(3,027)	1,228
Income (loss) from continuing operations	(661,880)	(234,050)	(2,486)	9,565	(24,831)	(30,711)
Income from discontinued operations, net of income taxes	(11,426)	2,626	912			4,626
Net income (loss)	(673,306)	$ (231,424)	$ (1,574)	$ 9,565	$ (24,831)	$ (26,085)
Net income (loss) available to common stockholders	(673,306)	$ (231,424)	$ (1,574)	$ 9,565	$ (24,831)	$ (26,085)
Basic net income (loss) from continuing operations per share [2]	$ (11.60)	$ (5.04)	(0.10)	0.43	$ (0.12)	$ (0.14)
Diluted net income (loss) from continuing operations per share [2]	$ (11.60)	$ (5.04)	(0.10)	0.43	$ (0.12)	$ (0.14)
Basic net income (loss) available to common stockholders per share [2]	$ (11.80)	$ (4.99)	(0.06)	0.43	$ (0.12)	$ (0.12)
Diluted net income (loss) available to common stockholders per share [2]	$ (11.80)	$ (4.99)	(0.06)	0.43	$ (0.12)	$ (0.12)
Other Data:						
Adjusted EBITDA [3]	$ 102,819	$ 102,444	$ 55,746	$ 28,515	$ 18,505	$ 49,153
Cash interest paid	$ 89,677	$ 74,910	$ 38,459	$ 31,720	$ 16,879	$ 24,210

(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.

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(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.

(7) Includes the results of the newspapers acquired from Lee Enterprises since their acquisitions on February 3, 2004.

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

	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)	Year Ended December 31, 2004 (Predecessor)
			(In Thousands)			
Income (loss) from continuing operations	$ (661,880)	$ (234,050)	$ (2,486)	$ 9,565	$ (24,831)	$ (30,711)
Income tax expense (benefit)	(21,139)	(31,789)	(3,769)	7,050	(3,027)	1,228
Unrealized (gain) loss on derivative instrument [1]	10,119	2,378	(1,150)	(10,807)		
Loss on early extinguishment of debt [2]		2,240	2,086		5,525	
Amortization of deferred financing costs	1,845	2,101	544	67	643	1,826
Interest expense dividends on mandatorily redeemable preferred stock					13,484	29,019
Interest expense debt	88,206	76,726	35,994	11,760	13,232	32,917
Impairment of long-lived assets	123,717	1,553	917			1,500
Transaction costs related to Merger and Massachusetts Acquisitions				2,850	7,703	
Depreciation and amortization	70,121	57,292	23,610	8,030	5,776	13,374
Goodwill and mastheads impairment	491,830	225,993				
Adjusted EBITDA from continuing operations	$ 102,819(a)	$ 102,444(b)	$ 55,746(c)	$ 28,515(d)	$ 18,505(e)	$ 49,153(f)

(a) Adjusted EBITDA for the year ended December 31, 2008 included net expenses of $24,664 which are one time in nature or non-cash compensation. Included in these net expenses of $24,664 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 $7,627 and $338 loss on the sale of assets. Adjusted EBITDA also does not include $3,894 of EBITDA generated from our discontinued operations.

(b) 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 $4,398 of EBITDA generated from our discontinued operations, including Huntington, West Virginia, Yankton, South Dakota and Winter Haven, Florida.

(c) 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.

(d) 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

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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.

(e) 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.

(f) Adjusted EBITDA for the year ended December 31, 2004 included net expenses of $1,076 which are one-time in nature or non-cash compensation. Included in these net expenses of $1,076 is management fees paid to prior owners of $1,480 and a loss of $30 on the sale of assets, partially offset by $434 of other income.

(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 amorization of financing fees and are excluded from Adjusted EBITDA.

	As of December 31,				
	2008 (Successor)	2007 (Successor)	2006 (Successor)	2005 (Successor)	2004 (Predecessor)
	(In Thousands)				
Balance Sheet Data:					
Total assets	$ 1,149,621	$ 1,874,995	$ 1,131,497	$ 638,726	$ 488,176
Total long-term obligations, including current maturities	1,241,975	1,220,856	559,811	313,655	602,003
Stockholders equity (deficit)	(229,078)	453,988	473,084	232,056	(165,577)

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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 506 community publications and more than 250 related websites, and seven yellow page directories, serves over 233,000 business advertising accounts and reaches approximately 10.0 million people on a weekly basis.

Our core products include:

- 91 daily newspapers with total paid circulation of approximately 789,000;
- 294 weekly newspapers (published up to three times per week) with total paid circulation of approximately 686,000 and total free circulation of approximately 1 million;
- 121 shoppers (generally advertising-only publications) with total circulation of approximately 1.9 million;
- over 250 locally focused websites, which extend our franchises onto the internet; and
- seven yellow page directories, with a distribution of approximately 813,000, 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 81 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. We accounted for the initial acquisition using the purchase method of accounting.

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. Prior to the effectiveness of the Merger, we were controlled by affiliates of Leonard Green & Partners, L.P.

As of December 31, 2008, Fortress beneficially owned approximately 41.9% 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.

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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.

According to the Newspaper Association of America, overall annual volume for the industry, including national and urban newspapers, decreased 6.7% during 2007. 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 levels of recent declines in advertising revenue we have 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. While we expect newsprint costs to decline per metric ton in 2009, we have taken steps to mitigate some of these prior 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 two 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 revolving debt agreement. As a result of these trends in the industry and the Company, management is implementing plans to reduce costs and preserve cash flow. This includes suspending the payment of our cash dividend, the issuance of preferred stock, repayment of borrowings under the revolving debt agreement, and the planned continued implementation of cost reduction programs, and the potential 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 committments 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 we operated in. These changes may negatively impact advertising and other revenue

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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 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 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 cost, subject us to more onerous borrowing terms and reduce or eliminate our borrowing flexibility in the future.

We have a history of growth through acquisitions. The current economic environment will limit our ability to grow through acquisition in the near-term future. As a result, we are focused on cost reductions and de-levering opportunities.

Pro Forma

We believe that the separate presentation of historical financial results for the Predecessor and Successor periods may impede the ability of users of our financial information to understand our operating and cash flow performance. Consequently, in order to enhance an analysis of our operating results, we have presented our operating results on a pro forma basis for the years ended December 31, 2007 and 2006. As no material acquisitions were completed during 2008 pro forma results are not presented for this period. 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 2006. This pro forma presentation for the year ended December 31, 2006 assumes that the Massachusetts Acquisitions, the Copley Acquisition, the Gannett Acquisition and the 2007 Financings occurred at the beginning of 2006. These pro forma presentations are not necessarily indicative of what our operating results would have actually been had the Merger, the Massachusetts Acquisitions, the Copley Acquisition, the Gannett Acquisition and the 2007 and 2006 Financings occurred at the beginning of each 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 Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142). We perform our impairment analysis on each of our reporting

units, represented by our nine 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 SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. (SFAS No. 144). 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 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 2008 and 2007 and related to goodwill, mastheads and amortizable intangibles in fiscal 2008. See additional information in Note 5 to the Consolidated Financial Statements.

Newspaper mastheads (newspaper titles and website domain names) are not subject to amortization and are tested for impairment annually (at year-end), 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 and December 31, 2008 and December 31, 2007. See Note 5 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 and December 31, 2008 and December 31, 2007. See Note 5 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 SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133), as amended and SFAS No. 157, *Fair Value Measurements* (SFAS No. 157). 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 SFAS No. 133, unrealized changes in the fair value of the derivative are recognized in accumulated other comprehensive income. However, any ineffective portion of a 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 SFAS No. 109*, Accounting for Income Taxes* (SFAS No. 109). 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*, (FIN 48) which is an interpretation of SFAS No. 109. FIN 48 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 FIN 48, 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. FIN 48 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. FIN 48 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 FIN 48. 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

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to specific guidance would be an adjustment to retained earnings as of the beginning of the adoption period. The FASB has issued a FASB Staff Position (FSP) related to FIN 48. The proposed FSP, *Definition of Settlement in FASB Interpretation No. 48*, would amend FIN 48 to address concerns regarding the meaning of ultimately settled in paragraph 10b. 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 Emerging Issues Task Force (EITF) Issue No. 93-7, *Uncertainties Related to Income Taxes in a Purchase Business Combination*. 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 is applied to increase or decrease the remaining balance of goodwill attributable to that acquisition. If goodwill is reduced to zero, the remaining amount of those adjustments will be applied initially to reduce to zero other noncurrent intangible assets related to that acquisition, and any remaining amount should be recognized in earnings.

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.

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Results of Operations

The following table summarizes our historical results of operations for the years ended December 31, 2008 2007 and 2006 and our pro forma results of operations for the years ended December 31, 2007 and 2006.

	Year Ended December 31, 2008 (Actual)	Year Ended December 31, 2007 (Pro Forma)	Year Ended December 31, 2007 (Actual)	Year Ended December 31, 2006 (Pro Forma)	Year Ended December 31, 2006 (Actual)
			(In Thousands)		
Revenues:					
Advertising	$ 495,667	$ 478,749	$ 428,531	$ 469,883	$ 232,130
Circulation	146,340	136,583	117,782	128,132	50,868
Commercial printing and other	41,092	37,066	33,147	37,100	23,193
Total revenues	683,099	652,398	579,460	635,115	306,191
Operating costs and expenses:					
Operating costs	384,594	354,409	311,999	348,787	156,697
Selling, general and administrative	187,781	172,266	156,016	155,074	88,578
Depreciation and amortization	70,121	64,783	57,292	55,876	23,610
Transaction costs related to Merger and Massachusetts Acquisitions				4,420	
Integration and reorganization costs	7,627	7,490	7,490	4,486	4,486
Impairment of long-lived assets	123,717	1,553	1,553	917	917
Loss on sale of assets	(337)	(1,495)	(1,495)	(745)	(700)
Goodwill and mastheads impairment	491,830	225,993	225,993		
Operating income (loss)	(582,908)	(175,591)	(182,378)	64,810	31,203
Interest expense	88,206	96,096	76,726	103,933	35,994
Amortization of deferred financing costs	1,845	1,532	2,101	4,397	544
Loss on early extinguishment of debt		2,240	2,240	3,449	2,086
Unrealized (gain) loss on derivative instrument	10,119	2,378	2,378	(1,150)	(1,150)
Other (income) loss	(59)	(4)	16	1	(16)
Loss from continuing operations before income taxes	(683,019)	(277,833)	(265,839)	(45,820)	(6,255)
Income tax benefit	(21,139)	(36,725)	(31,789)	(15,045)	(3,769)
Loss from continuing operations	$ (661,880)	$ (241,108)	$ (234,050)	$ (30,775)	$ (2,486)

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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	$ 428,531	$ 26,272	$ 28,511	$ (4,565)[1]	$ 478,749
Circulation	117,782	12,369	7,862	(1,430)[1]	136,583
Commercial printing and other	33,147	2,934	2,013	(1,028)[1]	37,066
Total revenues	579,460	41,575	38,386	(7,023)	652,398
Operating costs and expenses:					
Operating costs	311,999	25,476	21,699	(4,765)[1,2]	354,409
Selling, general and administrative	156,016	11,459	6,860	(2,069)[1,3]	172,266
Depreciation and amortization	57,292	2,882	1,372	3,237[1,4]	64,783
Integration and reorganization	7,490				7,490
Impairment of long-lived assets	1,553				1,553
Loss on sale of assets	(1,495)				(1,495)
Goodwill and mastheads impairment	225,993				225,993
Total operating expenses	761,838	39,817	29,931	(3,597)	827,989
Operating income (loss)	(182,378)	1,758	8,455	(3,426)	(175,591)
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	(265,839)	(2,039)	8,455	(18,410)	(277,833)
Income tax expense (benefit)	(31,789)	(1,120)	3,391	(7,207)[1,7]	(36,725)
Income (loss) from continuing operations	$ (234,050)	$ (919)	$ 5,064	$ (11,203)	$ (241,108)

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.

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(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

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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%		

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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.

Unaudited Pro Forma Condensed Consolidated Statement of Operations

For the Year Ended December 31, 2006

(In thousands)

	GateHouse Media (A)	Copley (B)	Gannett (C)	Enterprise (D)	CNC (E)	Adjustments (F)	Pro forma
Revenues:							
Advertising	$ 232,130	$ 104,000	$ 89,679	24,175	35,550	$ (15,651)[(1)]	$ 469,883
Circulation	50,868	44,238	23,914	8,226	5,222	(4,336)[(1)]	128,132
Commercial printing and other	23,193	10,591	5,008	235	1,633	(3,560)[(1)]	37,100
Total revenues	306,191	158,829	118,601	32,636	42,405	(23,547)	635,115
Operating costs and expenses:							
Operating costs	156,697	93,170	64,916	23,789	25,611	(15,396)[(1,2)]	348,787
Selling, general and administrative	88,578	43,706	19,697	5,000	8,772	(10,679)[(1,3)]	155,074
Depreciation and amortization	23,610	11,083	3,748	2,953	1,716	12,766(1,4)	55,876
Transaction costs related to Massachusetts Acquisitions				4,420			4,420
Integration and reorganization	4,486						4,486
Impairment of long-lived assets	917						917
Other expense	(700)	(45)					(745)
Total operating expenses	274,988	148,004	88,361	36,162	36,099	(13,309)	570,305
Operating income (loss)	31,203	10,825	30,240	(3,526)	6,306	(10,238)	64,810
Interest expense							
Debt	35,994			2,161	4,248	61,530(5)	103,933
Other interest expense		13,061			2,488	(15,549)[(5)]	
Amortization of deferred financing costs	544			72	137	3,644(6)	4,397
Loss on early extinguishment of debt	2,086			1,363			3,449
Unrealized gain on derivative instrument	(1,150)						(1,150)
Other (income) loss	(16)	49		(104)	(12)	84(7)	1
Income (loss) from operations before tax	(6,255)	(2,285)	30,240	(7,018)	(555)	(59,947)	(45,820)
Income tax expense (benefit)	(3,769)	(1,042)	12,126		1,161	(23,521)[(1,8)]	(15,045)
Income (loss) from continuing operations	$ (2,486)	$ (1,243)	$ 18,114	$ (7,018)	$ (1,716)	$ (36,426)	$ (30,775)

Adjustments to Unaudited Pro Forma Condensed Consolidated Statement of Operations

(A) GateHouse Media, Inc.

Reflects our historical consolidated statement of operations for year ended December 31, 2006.

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(B) Copley

Reflects historical consolidated statement of operations for the newspapers acquired from the Copley Press Inc. for the period from January 1, 2006 to December 31, 2006.

(C) Gannett

Reflects historical consolidated statement of operations for the newspapers acquired from Gannett Co. Inc. for the period from January 1, 2006 to December 31, 2006.

(D) Enterprise

Reflects historical consolidated statement of operations for the newspapers acquired from Enterprise NewsMedia, LLC. for the period from January 1, 2006 to June 5, 2006.

(E) CNC

Reflects historical consolidated statement of operations for the newspapers acquired from CP Media for the period from January 1, 2006 to June 5, 2006.

(F) 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, 2006
Revenues:		
Advertising	$	15,651
Circulation		4,336
Commercial printing and other		3,560
Operating costs and expenses:		
Operating costs		13,702
Selling, general and administrative		3,798
Depreciation and amortization		567
Income tax expense		2,197
Income from operations	$	3,283

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

		Year ended December 31, 2006
Gannett Pension and postretirement adjustment	$	1,694

(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, 2006	
Copley:		
Pension, postretirement and other retirement plans	$	6,332
Gannett:		
Pension, postretirement and other retirement plans		549
	$	6,881

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(4) **Copley:**

Asset Category	Fair value	Remaining estimated useful life in years	Pro forma expense Year ended December 31, 2006
Buildings	$ 25,691	25	$ 1,028
Machinery & Equipment	35,845	3-10	4,020
Furniture & Fixtures	805	10	81
Auto & Trucks	2,255	5	451
Total pro forma depreciation expense			5,580
Subscriber Relationships	40,083	14	2,863
Advertiser Relationships	95,466	14	6,819
Total pro forma amortization expense			9,682
Total pro forma depreciation and amortization expense			$ 15,262

Gannett:

Asset Category	Fair value	Remaining estimated useful life in years	Pro forma expense Year ended December 31, 2006
Buildings	$ 10,570	25	$ 424
Machinery & Equipment	26,333	3-10	2,653
Furniture & Fixtures	483	10	48
Auto and Trucks	546	5	109
Total pro forma depreciation expense			3,234
Subscriber Relationships	26,964	16	1,685
Advertiser Relationships	96,503	16	6,032
Total pro forma amortization expense			7,717
Total pro forma depreciation and amortization expense			$ 10,951

Enterprise:

Asset Category	Fair value	Remaining estimated useful life in years	Pro forma expense Year ended December 31, 2006
Buildings & Improvements	$ 2,978	6-25	$ 75
Machinery & Equipment	7,384	3-10	632
Furniture & Fixtures	602	10	25

Auto and Trucks	1,296	5	108
Total pro forma depreciation expense			840
Subscriber Relationships	22,339	14-16	658
Advertiser Relationships	52,846	18	1,223
Noncompete	986	2	205
Total pro forma amortization expense			2,086
Total pro forma depreciation and amortization expense			$ 2,926

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CNC:

Asset Category	Fair value	Remaining estimated useful life in years	Pro forma expense Year ended December 31, 2006
Buildings	$ 8,858	6-25	$ 230
Machinery & Equipment	8,147	3-10	487
Furniture & Fixtures	450	10	19
Auto and Trucks	301	5	25
Total pro forma depreciation expense			761
Subscriber Relationships	10,781	18	250
Advertiser Relationships	76,194	15	2,117
Total pro forma amortization expense			2,367
Total pro forma depreciation and amortization expense			$ 3,128

The following tables summarize the pro forma adjustments:

	Copley	Gannett	Enterprise	CNC	Year ended December 31, 2006
Pro forma depreciation expense	$ 5,580	$ 3,234	$ 840	$ 761	$ 10,415
Pro forma amortization expense	9,682	7,717	2,086	2,367	21,852
Less: historical depreciation expense	(10,467)	(3,100)	(723)	(1,105)	(15,395)
Less: historical amortization expense	(616)	(82)	(2,230)	(611)	(3,539)
	$ 4,179	7,769	(27)	1,412	13,333

(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 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, 2006						
	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	$ 45,414		
Delayed Draw Term Loan Facility	4.971%	2.00%	6.971%	250,000	17,428		
Term Loan Facility C	5.156%	2.25%	7.406%	275,000	20,366		
Bridge Facility	5.320%	1.50%	6.820%	300,000	20,460		
Unused commitment fees	0.50%		0.500%	40,000	200		
Letter of credit fees	2.00%		2.000%	3,269	65		

	$ 103,933	$ 42,403	$ 61,530
Historical weighted average debt balance	$ 1,084,582		
Weighted average interest rate	6.65%		

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For the year ended December 31, 2006, 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 $13,061, and interest on preferred stock held by the newspapers acquired from CNC of $2,488.

(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. The table below 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	$ 4,397
Less: historical costs	(753)
Net adjustment	$ 3,644

(7) Reflects the elimination of certain expenses related to liabilities included in the historical statement of operations of Enterprise but not assumed by us. The amount represents net interest income related to the triple net lease agreement which was not assumed as a result of the Enterprise Acquisition. The amount is reflective of the rental income to a third party partially offset by interest expense related to the mortgage of that property.

(8) 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, 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 $30.7 million or 4.7% to $683.1 million from the pro forma year ended December 31, 2007 revenue of $652.4 million. $16.9 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 $30.7 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.

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 $15.4 million during the year ended December 31, 2008.

Operating Costs. Operating costs for the year ended December 31, 2008 increased by $30.2 million, or 8.5%, to $384.6 million from $354.4 million for the year ended December 31, 2007. The increase in operating

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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 $15.5 million, or 9.0%, to $187.8 million from $172.3 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 decreased 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 $70.1 million from $64.8 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 $123.2 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 $491.8 million and $226.0 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 $7.9 million, or 8.2%, to $88.2 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.

Income Tax Benefit. Income tax benefit for the year ended December 31, 2008 was $21.1 million compared to $36.7 million for the year ended December 31, 2007. The change of $15.6 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 $661.9 million. Net loss from continuing operations for the year ended December 31, 2007 was $241.1 million. Our net loss from continuing operations increased due to the factors noted above.

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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 $103.7 million or 17.9% to $683.1 million from the year ended December 31, 2007 revenue of $579.4 million. $67.1 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 $103.7 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.

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 $15.4 million during the year ended December 31, 2008.

Operating Costs. Operating costs for the year ended December 31, 2008 increased by $72.6 million, or 23.2%, to $384.6 million from $312.0 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 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 $31.8 million, or 20.4%, to $187.8 million from $156.0 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 $70.1 million from $57.3 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 $123.2 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.

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Goodwill and Mastheads Impairment. During the years ended December 31, 2008 and December 31, 2007, we recorded an impairment charge of $491.8 million and $226.0 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 $11.5 million, or 15.0%, to $88.2 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 $661.9 million. Net loss from continuing operations for the year ended December 31, 2007 was $234.1 million. Our net loss from continuing operations increased due to the factors noted above.

Pro Forma Year Ended December 31, 2007 Compared to Pro Forma Year Ended December 31, 2006

The discussion of our results of operations that follows is based upon our pro forma results of operations for years ended December 31, 2007 and 2006.

Revenue. Total pro forma revenue for the year ended December 31, 2007 increased by $17.3 million or 2.7% to $652.4 million from the pro forma year ended December 31, 2006 revenue of $635.1 million. $8.9 million of the increase came from advertising revenue and $8.5 million of the increase came from circulation revenue. The increase in total revenues of $17.3 million was driven primarily by revenues from the acquisitions that did not meet the significance test for pro forma treatment (the 2007 acquisitions) of $42.7 million. This 2007 acquisition related revenue increase was partially offset by the loss of a third party printing contract not assumed in the acquisition of The Copley Press, Inc. as well as the sale of a stand alone commercial printing business in October 2006. These two items caused revenues to decline by $6.2 million. Excluding the revenue increases of $42.7 million from the 2007 acquisitions and the other revenue declines of $6.2 million from the asset sales and printing contract not assumed, same store revenues were down $15.9 million or 2.5%. The same store revenue declines were primarily driven by decreases in classified advertising and by a weaker localized Massachusetts economy. Our revenues generated in our Massachusetts region have been negatively impacted by lower classified real estate, help wanted and automotive advertising and additionally by the intentional and careful elimination of seven publications to maximize cash flow in the region.

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 $0.7 million over $18.4 million for the same period in 2006. For the period of February 28, 2007 to December 31, 2007 revenue would have been $16.0 million, up $0.7 million or 4.4% over the same period in 2006.

Revenue from publications subsequently disposed of (included in discontinued operations) was $18.1 million during the year ended December 31, 2007.

Operating Costs. Operating costs for the year ended December 31, 2007 increased by $5.6 million, or 1.6%, to $354.4 million from $348.8 million for the year ended December 31, 2006. The increase in operating costs was primarily due to operating costs of the acquisitions completed in 2007 of $24.9 million. These acquisition related expense increases were partially offset by decreased newsprint, and compensation expenses of $9.8 million and $5.5 million, respectively.

Selling, General and Administrative. Selling, general and administrative expenses for the year ended December 31, 2007 increased by $17.2 million, or 11.1%, to $172.3 million from $155.1 million for the year ended December 31, 2006. The increase in selling, general and administrative expenses was primarily due to selling, general and administrative expenses of the 2007 acquisitions of $11.5 million as well as an increase in non-cash compensation expense related to our RSGs of $3.0 million. Additionally, during the year ended December 31, 2007 we incurred an increase in audit, Sarbanes-Oxley and legal fees of $2.5 million. During the year ended December 31, 2007, we also incurred an increase in pension and postretirement expenses of $0.3 million.

Depreciation and Amortization. Depreciation and amortization expense for the year ended December 31, 2007 increased by $8.9 million to $64.8 million from $55.9 million for the year ended December 31, 2006. The increase was primarily due to depreciation and amortization of the 2007 acquisitions of $6.4 million. Additionally, during the year ended December 31, 2007, we incurred capital expenditures of $8.6 million.

Transaction Costs Related to Merger and Acquisitions. During the year ended December 31, 2006, we incurred approximately $4.4 million in transaction costs primarily related to bonuses at Enterprise NewsMedia, LLC paid by the prior owner.

Impairment of Long-Lived Assets. During the years ended December 31, 2007 and December 31, 2006 we incurred a charge of $1.6 million and $0.9 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, 2007 and December 31, 2006, respectively.

Goodwill and Mastheads Impairment. During the year ended December 31, 2007, we recorded a $226.0 million impairment on our goodwill and mastheads due to our stock price as of the end of the fourth quarter and the related impact on the fair value of our reporting units.

Interest Expense. Total interest expense for the year ended December 31, 2007 decreased by $7.8 million, or 7.5%, to $96.1 million from $103.9 million for the year ended December 31, 2006. The decrease was primarily due to decreases in our total outstanding debt due to the application of equity proceeds.

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.

During the year ended December 31, 2006, we incurred a $2.1 million loss due to the write-off of deferred financing costs associated with the extinguishment of our Term Loan B and second lien credit facility. Additionally, we incurred a $1.4 million loss related to the extinguishment of our debt at Enterprise NewsMedia, LLC.

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Unrealized (Gain) Loss on Derivative Instrument. During the year ended December 31, 2007 we recorded a loss of $2.4 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.

During the year ended December 31, 2006, we recorded a net unrealized gain of $1.2 million related to our $300 million notional amount interest rate swap, which we entered into in June 2005 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, 2007 was $36.7 million compared to $15.0 million for the year ended December 31, 2006. The change of $21.7 million was primarily due to the recognition of an income tax valuation allowance during the year ended December 31, 2007, the impairment of nondeductible goodwill and an increase in book pretax loss during the year ended December 31, 2007.

Net Loss from Continuing Operations. Net loss from continuing operations for the year ended December 31, 2007 was $241.1 million. Net loss from continuing operations for the year ended December 31, 2006 was $30.8 million. Our net loss from continuing operations increased due to the factors noted above.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

The discussion of our results of operations that follows is based upon our historical results of operations for years ended December 31, 2007 and 2006.

Revenue. Total revenue for the year ended December 31, 2007 increased by $273.3 million or 89.3% to $579.5 million from the year ended December 31, 2006 revenue of $306.2 million. $196.4 million of the increase came from advertising revenue and $66.9 million of the increase came from circulation revenue. The increase in total revenues of $273.3 million was driven primarily by revenues from the acquisitions of Copley, Gannett completed in 2007 of $178.4 million and full year 2007 revenues of $180.9 million for the Boston publications acquired in 2006, an increase of $82.0 million over partial year revenues of $98.9 million for 2006. Revenues from the acquisitions that did not meet the significance test for pro forma treatment (the 2007 acquisitions) of $42.7 million also contributed to the increase in revenue. These revenue increases were partially offset by a decline in same store revenues of $15.9 million or 2.5%. The same store revenue declines were primarily driven by decreases in classified advertising and by a weaker localized Massachusetts economy. Our revenues generated in our Massachusetts region have been impacted by lower classified real estate, help wanted and automotive advertising and additionally by the intentional and careful elimination of seven publications to maximize cash flow in the region.

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 $0.7 million over $18.4 million for the same period in 2006. For the period of February 28, 2007 to December 31, 2007 revenue would have been $16.0 million, up $0.7 million or 4.4% over the same period in 2006.

Revenue from publications subsequently disposed of (included in discontinued operations) was $18.1 million during the year ended December 31, 2007.

Operating Costs. Operating costs for the year ended December 31, 2007 increased by $155.3 million, or 99.1%, to $312.0 million from $156.7 million for the year ended December 31, 2006. The increase in operating costs was primarily due to operating costs of the Copley and Gannett acquisitions completed in 2007 of $95.5 million and full year 2007 operating costs of $100.6 million for the Boston publications acquired in 2006, an increase of $48.0 million over partial year costs of $52.6 million for 2006. Operating costs from the 2007

acquisitions of $24.9 million also contributed to the increase. These acquisition related expense increases were partially offset by decreased newsprint, and compensation expenses of $9.8 million and $5.5 million, respectively.

Selling, General and Administrative. Selling, general and administrative expenses for the year ended December 31, 2007 increased by $67.4 million, or 76.1%, to $156.0 million from $88.6 million for the year ended December 31, 2006. The increase was primarily due to selling, general and administrative costs of the Copley and Gannett acquisitions completed in 2007 of $31.8 million and full year 2007 costs of $45.5 million for the Boston publications acquired in 2006, an increase of $17.1 million over partial year costs of $28.4 million for 2006. Selling, general and administrative costs from the 2007 acquisitions of $11.5 million contributed to the increase as did an increase in non-cash compensation expense related to our RSGs of $3.0 million further contributed to the increase. Additionally, during the year ended December 31, 2007 we incurred an increase in audit, Sarbanes-Oxley and legal fees of $2.5 million. During the year ended December 31, 2007, we also incurred an increase in pension and postretirement expenses of $0.3 million.

Depreciation and Amortization. Depreciation and amortization expense for the year ended December 31, 2007 increased by $33.7 million to $57.3 million from $23.6 million for the year ended December 31, 2006. The increase in depreciation and amortization expense was primarily due to expenses of the Copley and Gannett acquisitions completed in 2007 of $18.9 million and full year 2007 expense of $17.5 million for the Boston publications acquired in 2006, an increase of $8.5 million over partial year expenses of $9.0 million for 2006. Depreciation and amortization from the 2007 acquisitions of $6.4 million also contributed to the increase. Additionally, during the year ended December 31, 2007, we incurred capital expenditures of $8.6 million.

Transaction Costs Related to Merger and Acquisitions. During the year ended December 31, 2006, we incurred approximately $4.4 million in transaction costs primarily related to bonuses at Enterprise NewsMedia, LLC paid by the prior owner.

Impairment of Long-Lived Assets. During the years ended December 31, 2007 and December 31, 2006 we incurred a charge of $1.6 million and $0.9 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, 2007 and December 31, 2006, respectively.

Goodwill and Mastheads Impairment. During the year ended December 31, 2007, we recorded a $226.0 million impairment on our goodwill and mastheads due to our stock price as of the end of the fourth quarter and the related impact on the fair value of our reporting units.

Interest Expense. Total interest expense for the year ended December 31, 2007 increased by $40.7 million, or 113.2%, to $76.7 million from $36.0 million for the year ended December 31, 2006. The increase was primarily due to execution of the 2007 credit facility.

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.

During the year ended December 31, 2006, we incurred a $2.1 million loss due to the write-off of deferred financing costs associated with the extinguishment of our Term Loan B and second lien credit facility. Additionally, we incurred a $1.4 million loss related to the extinguishment of our debt at Enterprise NewsMedia, LLC.

Unrealized (Gain) Loss on Derivative Instrument. During the year ended December 31, 2007 we recorded a loss of $2.4 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.

During the year ended December 31, 2006, we recorded a net unrealized gain of $1.2 million related to our $300 million notional amount interest rate swap, which we entered into in June 2005 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, 2007 was $31.8 million compared to $3.8 million for the year ended December 31, 2006. The change of $28.0 million was primarily due to the recognition of an income tax valuation allowance during the year ended December 31, 2007, the impairment of nondeductible goodwill and an increase in book pretax loss during the year ended December 31, 2007.

Net Loss from Continuing Operations. Net loss from continuing operations for the year ended December 31, 2007 was $234.1 million. Net loss from continuing operations for the year ended December 31, 2006 was $2.5 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. 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.

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% premium if the debt is called within one year and an interest feature that grants the previously outstanding debt an interest rate of .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 41.9% of our outstanding Common Stock.

On February 3, 2009, we 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.

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. The amendment also established an amortization schedule for the outstanding balance due which runs through December 31, 2009.

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, a minimum fixed charge ratio, and restrictions on our ability to incur debt, pay dividends or take certain other corporate actions. We are in compliance with these covenants. 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 are currently in compliance with all of our covenants and obligations under the 2007 Credit Facility and the 2008 Bridge Facility. 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.

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, in the prior periods as well as our ability to address other risks set forth herein and in our Annual Report on Form 10-K for the year ended December 31, 2007 as supplemented and amended by the risk factors that were included in our Quarterly Report for the quarterly period ended June 30, 2008 and in Item IA of this report. 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 economic developments or adverse developments in our business, including declines in advertising revenues, could make it difficult to meet the total leverage ratio test and other financial and operating covenants which may or may not be applicable from time to time. 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.

On October 25, 2006, we completed our IPO of 13,800,000 shares of common stock at a price of $18.0 per share, raising approximately $231.0 million, which is net of the underwriters discount of $17.4 million. We used a portion of the net proceeds to repay in full and terminate our $152.0 million second lien term loan credit facility. In addition, we used a portion of the net proceeds to pay down $12.0 million of the $570.0 million first lien term loan credit facility, reducing the balance and limit to $558.0 million, and to repay in full the outstanding balance of $21.3 million under our $40.0 million revolving credit facility. In connection with the termination of our $152.0 million second lien term loan credit facility and the $12.0 million reduction in borrowing capacity on the first lien term loan credit facility, we wrote off $1.4 million of deferred financing costs in the fourth quarter of 2006.

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On November 3, 2006, the underwriters of our initial public offering exercised their option to purchase an additional 2,070,000 shares of common stock as allowed in the underwriting agreement. The net proceeds before offering expenses of these additional shares were $34.7 million, after deducting the underwriting discount. The total proceeds from the initial public offering of 13,800,000 shares and this additional allotment of 2,070,000 shares before offering expenses was $265.7 million, after deducting the underwriting discount.

On July 23, 2007, we completed our follow-on public offering of 18,700,000 shares of our common stock, including 1,700,000 shares sold pursuant to the exercise by the underwriters of their option, as allowed in the underwriting agreement at a public offering price of $18.45 per share. The total net proceeds from our follow-on public offering were approximately $331.6 million. We used a portion of the proceeds to repay and terminate our $300.0 million Bridge Facility.

Cash Flows

The following table summarizes our historical cash flows.

	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006
		(in thousands)	
Cash provided by (used in) operating activities	$ 25,506	$ 63,733	$ 25,217
Cash provided by (used in) investing activities	11,675	(1,051,168)	(428,838)
Cash provided by (used in) financing activities	(37,533)	909,229	490,860

Cash Flows from Operating Activities. 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.

Net cash provided by operating activities for the year ended December 31, 2006 was $25.2 million. The net cash provided by operating activities resulted from depreciation and amortization of $24.1 million, a loss of $2.1 million on the early extinguishment of debt, non-cash compensation of $1.8 million, an impairment of long-lived assets of $0.9 million, a net increase of $0.5 million in working capital, a loss of $0.7 million on the sale of

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assets, an unrecognized loss of $0.7 million from pension and other postretirement obligations, amortization of deferred financing costs of $0.5 million, partially offset by a decrease of $3.4 million related to deferred income taxes, a net loss of $1.6 million, and an unrealized gain of $1.2 million on derivative instruments. The increase in working capital primarily resulted from an increase in accounts payable and accrued interest and a decrease in prepaid expenses and other assets, partially offset by an increase in accounts receivable from December 31, 2005 to December 31, 2006.

Cash Flows from Investing Activities. 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.

Net cash used in investing activities for the year ended December 31, 2006 was $428.8 million. During the year ended December 31, 2006, we used $424.9 million, net of cash acquired, for acquisitions, and $8.4 million for capital expenditures, which uses were partially offset by proceeds of $4.5 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, 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 Revolver, 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.

Net cash provided by financing activities for the year ended December 31, 2006 was $490.9 million. The net cash provided by financing activities primarily resulted from net borrowings of $549.5 million under the 2006 Credit Facility and the issuance of common stock of $265.9 million, primarily from the IPO, net of underwriters discount, partially offset by the repayment of $304.4 million of borrowings under the 2005 Credit Facility and payment of $9.2 million of dividends, payment of $7.2 million of debt issuance costs in connection with the 2006 Credit Facility and payment of $3.7 million of offering costs.

Changes in Financial Position

The discussion that follows highlights significant changes in our financial position and working capital from December 31, 2007 to December 31, 2008.

Accounts Receivable. Accounts receivable decreased $10.2 million from December 31, 2007 to December 31, 2008, of which $11.2 million relates to the timing of cash collection and lower revenue recognized in 2008 compared to 2007 and $1.5 million from assets sold and held for sale. This decrease was partially offset by $2.5 million acquired from acquisitions consummated during the year ended December 31, 2008.

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Property, Plant, and Equipment. Property, plant, and equipment decreased $15.8 million during the period from December 31, 2007 to December 31, 2008, of which $1.1 million relates to an impairment charge, $7.4 million relates to assets sold and held for sale, and depreciation of $27.9 million. These decreases in property, plant, and equipment were partially offset by $5.7 million in purchase accounting adjustments from acquisitions in 2007, $5.5 million was acquired from acquisitions consummated during the current year, and $9.7 million was used for capital expenditures.

Goodwill. Goodwill decreased $440.5 million from December 31, 2007 to December 31, 2008, of which $429.8 million relates to an impairment charge, $11.1 million from assets sold and held for sale, and $4.7 million is related to purchase accounting adjustments from acquisitions in 2007. These decreases in goodwill were partially offset by $5.1 million acquired from acquisitions consummated during the year ended December 31, 2008.

Intangible Assets. Intangible assets decreased $243.7 million from December 31, 2007 to December 31, 2008, of which $198.4 million relates to an impairment charge, amortization of $43.7 million, and assets held for sale of $18.7 million. These decreases in intangible assets were partially offset by $17.1 million of acquisitions consummated during the current year.

Long-term Assets Held for Sale. Long-term assets held for sale decreased $10.1 million from December 31, 2007 to December 31, 2008 of which $46.7 million came from assets sold during the current year, partially offset by $36.6 million from assets classified as held for sale during the current year. Assets held for sale as of December 31, 2008 consist primarily of real estate for which we have typically have sale agreements in place.

Short-term Debt . Short-term debt increased $17.0 million from December 31, 2007 to December 31, 2008, of which $20.6 million relates to borrowings which were partially offset by $3.6 million of repayments under the Barclays Credit Agreement.

Accounts Payable. Accounts payable increased $7.2 million from December 31, 2007 to December 31, 2008, of which $0.5 million was acquired from acquisitions. The remaining $6.8 million increase in accounts payable working capital primarily resulted from the timing of vendor payments.

Accrued Expenses. Accrued expenses decreased $9.2 million from December 31, 2007 to December 31, 2008, of which $1.8 million relates to purchase accounting adjustments from acquisitions in 2007, a $8.7 million decrease in accrued payroll and decreases in various other accrual balances, including 401K contributions, miscellaneous tax balances and vacation. These decreases in accrued expenses were partially offset by $1.5 million acquired from acquisitions consummated during the current year.

Dividend Payable. Dividend payable decreased $23.1 million from December 31, 2007 to December 31, 2008 from the payment of dividends of $34.7 million, primarily offset by dividends declared of $11.6 million. In 2008, the Board of Directors elected to suspend the payment of all quarterly dividends.

Long-Term Debt. Long-term debt decreased $11.0 million from December 31, 2007 to December 31, 2008 from the repayment of $11.0 million under the Revolver.

Long-Term Liabilities, Less Current Portion. Long-term liabilities, less current portion, increased $12.9 million from December 31, 2007 to December 31, 2008, which resulted primarily from the issuance of preferred stock in a subsidiary in the amount of $11.5 million.

Deferred Income Taxes. Deferred income taxes decreased $25.3 million from December 31, 2007 to December 31, 2008, of which $26.1 million was primarily attributable to the 2008 impairment charges recognized on intangible assets.

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Derivative Instruments. Derivative instruments decreased $9.1 million from December 31, 2007 to December 31, 2008, due to changes in the fair value measurement of our interest rate swaps and the termination of $570 million notional amount of interest rate swaps.

Additional Paid-in Capital. Additional paid-in capital increased $3.6 million from December 31, 2007 to December 31, 2008, which resulted from non-cash compensation of $3.6 million.

Accumulated Deficit. Accumulated deficit increased $684.9 million from December 31, 2007 to December 31, 2008 from declaration of dividends of $11.6 million and a net loss of $673.3 million.

Indebtedness

2007 Credit Facility

GateHouse Media Operating, Inc. (Operating), an indirect wholly owned subsidiary of ours, GateHouse Media Holdco, Inc. (Holdco), a direct wholly owned subsidiary of ours, and certain of their subsidiaries are parties to 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 amended and restated our 2006 Credit Facility.

The 2007 Credit Facility provides for a (i) $670.0 million term loan facility that matures on August 28, 2014, (ii) a delayed draw term loan facility of up to $250.0 million that matures on August 28, 2014, and (iii) a revolving loan 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 finance the acquisition of SureWest, 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 (i) 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, (ii) 65% of the voting stock (and 100% of the nonvoting stock) of all present and future first-tier foreign subsidiaries and (iii) 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, 2008, (i) $670.0 million was outstanding under the term loan facility, (ii) $250.0 million was outstanding under the delayed draw term loan facility and (iii) $0 was outstanding under the revolving credit facility. Borrowings under the 2007 Credit Facility bear interest, at the borrower s option, 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 LIBOR Rate term loans and Alternate Base Rate term loans as amended by the First Amendment 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 loan facility we also pay a quarterly commitment fee on the unused portion of the revolving loan 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.

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 Credit Agreement) earned during the previous fiscal year, except that no prepayments are required if the Total Leverage Ratio 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 (i) 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 (ii) 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.

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 we satisfy an incurrence test that requires us 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 (i) 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 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 (ii) 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 acquisition credit facilities of ours). 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, 2008 and, therefore, we are not required to be in compliance with the total leverage ratio covenant. Currently we do not have the ability to draw upon our revolving credit facility which will further limit our immediate and short term access to funds.

Subject to the satisfaction of certain conditions and the willingness of lenders to extend additional credit, the 2007 Credit Facility provides 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, we 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 the proceeds of which were used to finance a portion of the Gannett Acquisition. As amended by the First

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Amendment, the 2007 Credit Facility includes $1.195 billion of term loan facilities and a $40.0 million 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. 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 Investor Service Inc. (Moody s) and Standard & Poor s Rating Services (S&P), 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, 2008, 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 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 we entered into a Second Amendment to Credit Agreement (the Second Amendment). The Second Amendment amends our Amended and Restated Credit Agreement, dated as of February 27, 2007, as amended by the First Amendment to Amended and Restated Credit Agreement, dated as of May 7, 2007 (together, the Credit Agreement), by and among Holdco, GateHouse Media Operating, Inc. (the Subsidiary), GateHouse Media Massachusetts I, Inc., GateHouse Media Massachusetts II, Inc., ENHE Acquisition, LLC, each of those domestic subsidiaries of Holdco identified as a Guarantor on the signature pages of the Credit Agreement, and Wachovia Bank, National Association, as administrative agent for the lenders. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Credit Agreement.

The Second Amendment, among other things, permits the Subsidiary to repurchase term loans outstanding under the Credit Agreement at prices below par through one or more Modified Dutch Auctions through December 31, 2011, provided that: (i) no Default or Event of Default under the Credit Agreement has occurred and is continuing or would result from such repurchases, (ii) the sum of Unrestricted Cash and Accessible Borrowing Availability under the Credit Agreement is greater than or equal to $20,000,000; and (iii) no Extension of Credit is outstanding under the Revolving 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 Amendment and we 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 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.

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In addition, the Second Amendment provides that Holdco may not incur additional term debt under the Credit Agreement unless the Senior Secured Incurrence Test is less then 4.00 to 1 and the current Incurrence Test is satisfied as such terms are defined in the Second Amendment.

We are currently in compliance with all of our covenants and obligations under the 2007 Credit Facility and the 2008 Bridge Facility. 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.

2008 Bridge Facility

On February 15, 2008, GateHouse Media Intermediate Holdco, Inc., a subsidiary of GateHouse Media Holdco II, Inc. (Holdco II) and GateHouse Media (collectively, the Bridge Borrower) entered into the 2008 Bridge Facility with Barclays Capital, as syndication agent, sole arranger and book runner (Barclays).

The 2008 Bridge Facility provided a $20,600 term loan facility subject to extensions through August 15, 2009. The 2008 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 First Pricing Step-Up Date), the applicable margin was 8.00%. After the First Pricing Step-Up Date and until the nine month anniversary of the First Pricing Step-Up Date (February 15, 2009, the Second Pricing Step-Up Date), the applicable margin is 10.00%. After the Second Pricing Step-Up Date and until the maturity date, the applicable margin is 12.00%.

No principal payments are due on the 2008 Bridge Facility until the maturity date. 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.

The 2008 Bridge Facility contains affirmative and negative covenants applicable to Holdco II and, in limited circumstances, the Bridge Borrower and Holdco II s restricted subsidiaries, customarily found in loan agreements for similar transactions, including restrictions on their ability to incur indebtedness, 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. The 2008 Bridge 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 2008 Bridge Facility); events of bankruptcy or insolvency; material judgments; failure to meet certain requirements with respect to ERISA; and impairment of collateral. Certain of the foregoing covenants are only applicable to the extent they do not contravene any provision of or cause a violation of or default under the 2007 Credit Facility.

In connection with the 2008 Bridge Facility, Holdco II entered into a Pledge Agreement in favor of Barclays, pursuant to which Holdco II pledged certain assets for the benefit of the secured parties as collateral security for the payment and performance of its obligations under the Bridge Agreement. The pledged assets

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include, among other things (i) all present and future capital stock or other membership, equity, ownership or profits interest of the Bridge Borrower in all of its direct domestic restricted subsidiaries and (ii) 65% of the voting stock (and 100% of the nonvoting stock) of all of its present and future first-tier foreign subsidiaries.

As of December 31, 2008, a total of $17,000 was outstanding under the 2008 Bridge Facility.

On October 17, 2008, Holdco II entered into the First Waiver to the Bridge Facility. The First Waiver waived compliance by borrower with the Total Leverage Ratio (as defined in the Bridge Agreement) covenant of the Bridge Facility which is required to be greater than 7.25 to 1.00.

On February 12, 2009, Holdco II entered into the Second Waiver and Amendment to the Bridge Facility. The Second Waiver and Amendment waived compliance by Holdco II with the Total Leverage Ratio for the quarter ended December 31, 2008. The Second Waiver and Amendment also set the applicable margin for the Bridge Facility at 12.00% and established an amortization schedule for the outstanding balance due under the Bridge Facility as follows:

Installment	Principal Amount
May 31, 2009	$1,500
June 30, 2009	$1,500
July 31, 2009	$1,500
August 31, 2009	$1,500
September 30, 2009	$5,000
October 31, 2009	$2,000
November 30, 2009	$2,000
Term Loan Maturity Date	Remaining outstanding amounts

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

In connection with the acquisition of 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. As of December 31, 2008, $11,538 was outstanding under this note, which includes a portion of the working capital settlement. In accordance with an additional amendment executed during January 2009, principal payments on the remaining balance will be made evenly from April-November of 2009.

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, 2008:

	2009	2010	2011	2012	2013	Thereafter	Total
				(In Thousands)			
2007 Credit Facility and short-term note payable	$ 101,895	$ 71,366	$ 71,366	$ 71,366	$ 71,366	$ 1,242,578	$ 1,629,937
Noncompete payments	831	739	721	631	311	1,110	4,343
Operating lease obligations	5,266	4,532	2,442	2,109	2,060	3,360	19,769
Letters of credit	5,197						5,197
Total	$ 113,189	$ 76,637	$ 74,529	$ 74,106	$ 73,737	$ 1,247,048	$ 1,659,246

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.

The 2009 payment amount shown above, includes $17 million and $11.5 million related to the 2008 Bridge Facility and a promissory note executed in connection with the Morris Acquisition, respectively.

Recently Issued Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 defines fair value, provides a market-based framework for measuring fair value, and expands disclosure requirements. SFAS No. 157 applies to other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 does not require any new fair value measurements. SFAS No. 157 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 SFAS No. 157 in 2008 was primarily related to the valuation of our derivative instruments. The adoption of SFAS No. 157 decreased the value of the derivative instruments by $3,300 upon adoption and by $64,518 as of December 31, 2008. We do not expect the adoption of SFAS No. 157 to have a material impact on nonfinancial assets and liabilities.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159). SFAS No. 159 permits companies to measure financial instruments and certain other items at fair value. The objective of this statement is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is expected to expand the use of fair value measurement for accounting for financial instruments. SFAS No. 159 is effective for financial statements issued as of the beginning of the first fiscal year that begins after November 15, 2007. The adoption of SFAS No. 159 did not have a material impact on our consolidated financial statements.

In May 2007, the FASB issued Staff Position No. 48-1, *Definition of Settlement in FASB Interpretation No. 48*, (FIN 48-1) which is an amendment to FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*. FIN 48-1 provides guidance on how an enterprise should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. FIN 48-1 became effective during the first quarter of 2007 and did not have a material impact on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (SFAS No. 141(R)), and SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51 (SFAS No. 160).

SFAS No. 141(R) significantly changes the accounting for business combinations. Under SFAS No. 141(R), an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at

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the acquisition-date at fair value with limited exceptions. FAS No. 141(R) 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.

SFAS No. 141(R) includes a substantial number of new disclosure requirements. SFAS No. 141(R) applies prospectively to our business combinations for which the acquisition date is on or after January 1, 2009. The adoption of SFAS No. 141(R) could have a material impact on the consolidated financial statements if significant acquisitions are consummated in the future.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an Amendment of Accounting Research Bulletin No. 51* (SFAS No. 160). SFAS No. 160 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. SFAS No. 160 applies prospectively as of January 1, 2009, except for the presentation on disclosure requirements which will be applied retrospectively for all periods presented. We do not anticipate that SFAS No. 160 will have a material impact on our financial statements.

In March 2008, the FASB issued SFAS No. 161 Disclosures *about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133* (SFAS No. 161). 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. SFAS No. 161 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 will be to require us to expand our disclosures regarding derivative instruments.

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.

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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. It 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.

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

	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)	Year Ended December 31, 2004 (Predecessor)
Income (loss) from continuing operations	$ (661,880)	$ (234,050)	$ (2,486)	$ 9,565	$ (24,831)	$ (30,711)
Income tax expense (benefit)	(21,139)	(31,789)	(3,769)	7,050	(3,027)	1,228
Unrealized (gain) loss on derivative instrument [1]	10,119	2,378	(1,150)	(10,807)		
Loss on early extinguishment of debt [2]		2,240	2,086		5,525	
Amortization of deferred financing costs	1,845	2,101	544	67	643	1,826
Interest expense dividends on mandatorily redeemable preferred stock					13,484	29,019
Interest expense debt	88,206	76,726	35,994	11,760	13,232	32,917
Impairment of long-lived assets	123,717	1,553	917			1,500
Transaction costs related to Merger and Massachusetts Acquisitions				2,850	7,703	
Depreciation and amortization	70,121	57,292	23,610	8,030	5,776	13,374
Goodwill and mastheads impairment	491,830	225,993				
Adjusted EBITDA from continuing operations	$ 102,819(a)	$ 102,444(b)	$ 55,746(c)	$ 28,515(d)	$ 18,505(e)	$ 49,153(f)

(a) Adjusted EBITDA for the year ended December 31, 2008 included net expenses of $24,664 which are one time in nature or non-cash compensation. Included in these net expenses of $24,664 is non-cash compensation and other expenses of $18,198, non-cash portion of post retirement benefits expense of $(1,499) and integration and reorganization costs of $7,627 and $338 loss on the sale of assets. Adjusted EBITDA also does not include $3,894 from our discontinued operations.

(b) 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 $4,398 from our discontinued operations, including Huntington, West Virginia, Yankton, South Dakota and Winter Haven, Florida.

(c) 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 $1,850 from our discontinued operations, including Globe, Arizona, Oswego, New York and Milton and Sayre, Pennsylvania.

(d) 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

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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.

(e) 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.

(f) Adjusted EBITDA for the year ended December 31, 2004 included net expenses of $1,076, which are one-time in nature or non-cash compensation. Included in these net expenses of $1,076 is management fees paid to prior owners of $1,480 and a loss of $30 on the sale of assets, partially offset by $434 of other income.

(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, 2008, 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 $1.7 million, based on average pro forma floating rate debt outstanding during 2008, 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 2008.

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, 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.

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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 $0.8 million based on newsprint usage for the year ended December 31, 2008 of approximately 83,000 metric tons.

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Item 8. Financial Statements and Supplementary Data

GATEHOUSE MEDIA, INC.

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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, 2008 and 2007, and the related consolidated statements of operations, stockholders equity (deficit), and cash flows for the years then ended. Our audits also included the financial statement schedule listed in the Index at Item 15(a) for the years ended December 31, 2008 and 2007. 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 provides 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, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule for the years ended December 31, 2008 and 2007, 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, 2008, 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 13, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Buffalo, New York

March 13, 2009

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

GateHouse Media, Inc.:

We have audited the accompanying consolidated statements of operations, stockholders equity (deficit) and cash flows of GateHouse Media, Inc. and subsidiaries (the Company) for the year ended December 31, 2006. In connection with our audit of the consolidated financial statements, we have also audited the financial statement schedule as listed in the index at Item 15(a). These consolidated financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule 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 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and the cash flows of GateHouse Media, Inc. and subsidiaries for the year ended December 31, 2006 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 consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1(s) to the consolidated financial statements, during 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*.

/s/ KPMG LLP

Chicago, Illinois

March 12, 2007

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GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	December 31, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,744	$ 12,096
Accounts receivable, net of allowance for doubtful accounts of $6,024 and $3,874 at December 31, 2008 and 2007, respectively	75,274	85,474
Inventory	10,790	9,046
Prepaid expenses	4,576	4,514
Deferred income taxes		3,890
Other current assets	3,808	4,208
Assets held for sale		1,540
Total current assets	106,192	120,768
Property, plant, and equipment, net of accumulated depreciation of $57,400 and $30,597 at December 31, 2008 and 2007, respectively	194,401	210,209
Goodwill	261,332	701,852
Intangible assets, net of accumulated amortization of $100,132 and $58,111 at December 31, 2008 and 2007, respectively	565,033	808,794
Deferred financing costs, net	7,055	8,416
Other assets	2,489	1,692
Long-term assets held for sale	13,119	23,264
Total assets	$ 1,149,621	$ 1,874,995
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)		
Current liabilities:		
Current portion of long-term liabilities	$ 1,454	$ 1,047
Short-term notes payable	11,863	10,000
Short-term debt	17,000	
Accounts payable	20,378	13,190
Accrued expenses	31,495	40,672
Accrued interest	7,895	9,947
Deferred revenue	28,444	29,840
Dividend payable		23,126
Liabilities held for sale		623
Total current liabilities	118,529	128,445
Long-term liabilities:		
Long-term debt	1,195,000	1,206,000
Long-term liabilities, less current portion	16,658	3,809
Deferred income taxes		25,327
Derivative instruments	34,957	44,101
Pension and other postretirement benefit obligations	13,555	13,325
Total liabilities	1,378,699	1,421,007
Stockholders equity (deficit):		

Preferred stock, $0.01 par value, 50,000,000 shares authorized at December 31, 2008; none issued and outstanding at December 31, 2008 and December 31, 2007		
Common stock, $0.01 par value, 150,000,000 shares authorized at December 31, 2008; 58,213,868 and 57,947,073 shares issued, and 58,020,693 and 57,891,295 outstanding at December 31, 2008 and December 31, 2007, respectively	568	568
Additional paid-in capital	825,580	822,025
Accumulated other comprehensive loss	(51,604)	(49,962)
Accumulated deficit	(1,003,319)	(318,407)
Treasury stock, at cost, 193,175 and 55,778 shares at December 31, 2008, and December 31, 2007, respectively	(303)	(236)
Total stockholders equity (deficit)	(229,078)	453,988
Total liabilities and stockholders equity (deficit)	$ 1,149,621	$ 1,874,995

See accompanying notes to consolidated financial statements.

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GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006
Revenues:			
Advertising	$ 495,667	$ 428,531	$ 232,130
Circulation	146,340	117,782	50,868
Commercial printing and other	41,092	33,147	23,193
Total revenues	683,099	579,460	306,191
Operating costs and expenses:			
Operating costs	384,594	311,999	156,697
Selling, general, and administrative	187,781	156,016	88,578
Depreciation and amortization	70,121	57,292	23,610
Integration and reorganization costs	7,627	7,490	4,486
Impairment of long-lived assets	123,717	1,553	917
Loss on sale of assets	337	1,495	700
Goodwill and mastheads impairment	491,830	225,993	
Operating income (loss)	(582,908)	(182,378)	31,203
Interest expense	88,206	76,726	35,994
Amortization of deferred financing costs	1,845	2,101	544
Loss on early extinguishment of debt		2,240	2,086
Unrealized loss (gain) on derivative instrument	10,119	2,378	(1,150)
Other (income) expense	(59)	16	(16)
Loss from continuing operations before income taxes	(683,019)	(265,839)	(6,255)
Income tax benefit	(21,139)	(31,789)	(3,769)
Loss from continuing operations	(661,880)	(234,050)	(2,486)
Income (loss) from discontinued operations, net of income taxes	(11,426)	2,626	912
Net loss	$ (673,306)	$ (231,424)	$ (1,574)
Loss per share:			
Basic and diluted:			
Loss from continuing operations	$ (11.60)	$ (5.04)	$ (0.10)
Net loss	$ (11.80)	$ (4.99)	$ (0.06)
Dividends declared per share	$ 0.20	$ 1.57	$ 0.64

See accompanying notes to consolidated financial statements.

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GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT)

(In thousands, except share data)

	Common Stock						Treasury Stock		
	Shares	Amount	Additional Paid-In Capital	Deferred Compensation	Accumulated Other Comprehensive Loss	Retained Earnings (Accumulated Deficit)	Shares	Amount	Total
Balance at December 31, 2005	22,640,000	$ 222	$ 226,178	$ (3,909)	$	$ 9,565		$	$ 232,056
Comprehensive loss:									
Net loss						(1,574)			(1,574)
Unrealized loss on derivative instrument, net of income taxes of $1,560					(2,351)				(2,351)
Comprehensive loss									(3,925)
Adjustment to initially apply FASB Statement 158, net of income taxes of $197					(293)				(293)
Reclassification of deferred compensation			(3,909)	3,909					
Restricted share grants	618,680		1,936						1,936
Restricted share forfeitures	(6,417)		(15)						(15)
Issuance of common stock	25,000		375						375
Issuance of common stock from initial public offering, net of issuance costs	15,870,000	159	261,446						261,605
Purchase of treasury stock							6,000	(60)	(60)
Common stock cash dividends						(18,595)			(18,595)
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

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GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT) (Continued)

(In thousands, except share data)

	Common Stock		Additional		Accumulated Other	Retained Earnings	Treasury Stock		
	Shares	Amount	Paid-In Capital	Deferred Compensation	Comprehensive Loss	(Accumulated Deficit)	Shares	Amount	Total
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 tax 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)

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GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In thousands)

	Year ended December 31, 2008	Year ended December 31, 2007	Year ended December 31, 2006
Cash flows from operating activities:			
Net loss	$ (673,306)	$ (231,424)	$ (1,574)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	71,573	57,750	24,051
Amortization of deferred financing costs	1,845	2,101	544
Unrealized loss (gain) on derivative instrument	10,119	2,378	(1,150)
Non-cash compensation expense	3,555	4,687	1,846
Deferred income taxes	(21,348)	(32,154)	(3,448)
Loss on sale of assets	337	1,495	700
Loss on early extinguishment of debt		2,240	2,086
Pension and other postretirement benefit obligations	(1,499)	800	748
Non-cash interest expense	618		
Impairment of long-lived assets	132,856	1,553	917
Goodwill and mastheads impairment	496,309	225,993	
Changes in assets and liabilities, net of acquisitions:			
Accounts receivable, net	11,197	5,153	(1,701)
Inventory	(1,697)	2,138	(23)
Prepaid expenses	274	1,143	610
Other assets	(790)	(2,685)	161
Accounts payable	6,663	5,021	1,614
Accrued expenses and other current liabilities	(7,033)	10,548	(829)
Accrued interest	(2,052)	7,589	1,025
Deferred revenue	(1,349)	(398)	(668)
Long-term liabilities	(766)	(195)	308
Net cash provided by operating activities	25,506	63,733	25,217
Cash flows from investing activities:			
Purchases of property, plant, and equipment	(9,704)	(8,602)	(8,396)
Proceeds from sale of publications and other assets	48,938	79,658	4,494
Acquisition of CP Media, net of cash acquired			(231,735)
Acquisition of Enterprise NewsMedia, LLC, net of cash acquired		(154)	(181,393)
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	(27,548)	(317,738)	(11,808)
Net cash provided by (used) in investing activities	11,675	(1,051,168)	(428,838)
Cash flows from financing activities:			
Payment of debt issuance costs	(7)	(7,460)	(7,166)
Borrowings under term loans	19,505	1,534,757	570,000
Repayments under short term debt and notes payable	(22,547)	(897,757)	(12,000)
Net borrowings (repayments) under revolving credit facility	(11,000)	11,000	(8,500)
Extinguishment of credit facility, net of fees			(304,426)
Payment of offering costs		(1,374)	(3,701)
Issuance of common stock, net of underwriter's discount		332,939	265,914
Purchase of treasury stock	(67)	(176)	(60)
Payment of dividends	(34,731)	(62,700)	(9,201)
Issuance of subsidiary preferred stock	11,500		
Payment of subsidiary preferred stock issuance costs	(186)		

Net cash provided by (used in) financing activities	(37,533)	909,229	490,860
Net increase (decrease) in cash and cash equivalents	(352)	(78,206)	87,239
Cash and cash equivalents at beginning of period	12,096	90,302	3,063
Cash and cash equivalents at end of period	$ 11,744	$ 12,096	$ 90,302
Supplemental disclosures on cash flow information:			
Cash interest paid	$ 89,677	$ 74,910	$ 38,459
Cash income taxes paid	115	131	
Note payable issued related to the acquisition of Morris Publishing Group		10,000	

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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, 2008, the Company (as defined below) owned and operated 506 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 traded on the Over-the-Counter Bulletin Board System 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 two years. This has led to increased losses, reduced cash flow from operations and the need to record impairment

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 implement 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, the planned continued implementation of cost reduction programs, and the potential sale of non-core assets. 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 2009.

Effective October 24, 2008, the New York Stock Exchange delisted the Company s common stock. The Company s common stock is currently quoted in the Over-the-Counter Bulletin Board System under the trading symbol GHSE .

(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, 2008. 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 28 in 2008.

(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.

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GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

(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.

For tax purposes, the amount of goodwill that is expected to be deductible is 608,722 as of December 31, 2008.

Goodwill and mastheads are not amortized pursuant to SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142). Mastheads are not amortized because it has been determined that the useful lives of such mastheads are indefinite.

In accordance with SFAS No. 142, 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 SFAS No. 142, 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.

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.

The fair values of the Company s reporting units for goodwill impairment testing and 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 and that hypothetical marketplace participants would use.

As a result of the 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.

No goodwill or masthead impairment charges were recorded during the year ended December 31, 2006.

Refer to Note 5 for additional information on the impairment testing of goodwill and indefinite lived intangible assets.

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

The Company accounts for long-lived assets in accordance with the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS No. 144). 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 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 Emerging Issues Task Force (EITF) Issue No. 93-7, *Uncertainties Related to Income Taxes in a Purchase Business Combination*. 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 applied to increase or decrease the remaining balance of goodwill attributable to that acquisition. If goodwill is reduced to zero, the remaining amount of those adjustments should be applied initially to reduce to zero other noncurrent intangible assets related to that acquisition, and any remaining amount 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.

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

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. 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. The Company recognizes interest and penalties related to unrealized tax benefits in income tax expense. As of December 31, 2008 and 2007, the Company had unrecognized tax benefits of approximately $4,726 and $4,518, respectively. The Company did not record significant amounts of interest and penalties related to unrecognized tax benefits.

(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 accounts for derivative instruments in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133), as amended by SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities an amendment of FASB Statement No. 133,* SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* and SFAS No. 157 *Fair Value Measurements* (SFAS No. 157). 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 $4,951, $4,444 and $1,787 during the years ended December 31, 2008, 2007, and 2006, 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 SFAS No. 123 (revised 2004), *Share-Based Payment* (SFAS No. 123R). SFAS No. 123R supersedes SFAS No. 123 and APB No. 25 and requires that all share-based

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

payments to employees, including grants of employee stock options, be recognized in the consolidated financial statements on a straight line basis over the service period (generally the vesting period) based on fair values measured on grant dates. The Company adopted SFAS No. 123R 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 SFAS No. 123R has been recorded beginning January 1, 2006. In addition, the Company eliminated the December 31, 2005 balance of deferred compensation of $3,909 by reducing additional paid-in capital.

(t) Pension and Postretirement Liabilities

SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans* (SFAS No. 158), became effective for the Company during the year ended December 31, 2006, and requires recognition of an asset or liability in the 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. SFAS No. 158 did not change the existing criteria for measurement of periodic benefit costs, plan assets or benefit obligations. During the years ended December 31, 2008, 2007 and 2006 a total of $(1,218), $1,446 and $(293) net of taxes of $0, $930 and $197 respectively, was recognized in other comprehensive income (see Note 13).

(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) Correction of Immaterial Error

The Company revised its consolidated financial statements for the year ended December 31, 2006 due to corrections of immaterial prior years errors identified in 2007 (Purchase accounting tax adjustment). The Company overstated both its deferred tax liability and goodwill balances as of December 31, 2006 primarily related to deferred taxes being calculated on tax deductible goodwill as part of the Merger. The result was a decrease of previously reported deferred tax liabilities and goodwill of approximately $36,226 as of December 31, 2006. This adjustment relates entirely to acquisition deferred taxes and, as such, there is no impact on previously reported income tax expense or net income.

Upon adoption of SFAS No. 158 *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans* (SFAS No. 158) in 2006, the Company recognized a comprehensive loss of $293 (net of income taxes) to record the unfunded portion of its defined benefit and other postretirement benefit plan liabilities. This adjustment was disclosed in the notes to the December 31, 2006 consolidated financial statements. However, SFAS No. 158 requires that this adjustment not affect comprehensive income, but rather be reflected as an adjustment directly to stockholders equity. The reported net loss, the loss from continuing operations, the cumulative pension adjustment and total stockholders equity were not affected by this misstatement, however, as a result of this error, which has now been corrected, the reported comprehensive loss had been overstated by $293.

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

(w) Reclassifications

Certain amounts in the prior periods consolidated financial statements have been reclassified to conform to the 2008 presentation.

(x) Recently Issued Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157. SFAS No. 157 defines fair value, provides a market-based framework for measuring fair value, and expands disclosure requirements. SFAS No. 157 applies to other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 does not require any new fair value measurements. SFAS No. 157 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, the Company s adoption of SFAS No. 157 in 2008 was primarily related to the valuation of its derivative instruments. The adoption of SFAS No. 157 decreased the value of the derivative instruments by $3,300 upon adoption and by $64,698 as of December 31, 2008. The adoption of SFAS No. 157 is not expected to have a material impact on nonfinancial assets and liabilities.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159). SFAS No. 159 permits companies to measure financial instruments and certain other items at fair value. The objective of this statement is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is expected to expand the use of fair value measurement for accounting for financial instruments. SFAS No. 159 is effective for financial statements issued as of the beginning of the first fiscal year that begins after November 15, 2007. The adoption of SFAS No. 159 did not have a material impact on the Company s consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS No. 141(R)), and SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51* (SFAS 160).

SFAS No. 141(R) significantly changes the accounting for business combinations. Under SFAS No. 141(R), 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. SFAS No. 141(R) 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.

SFAS No. 141(R) includes a substantial number of new disclosure requirements. SFAS No. 141(R) applies prospectively to the Company s business combinations for which the acquisition date is on or after January 1,

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

2009. The adoption of SFAS No. 141(R) could have a material impact on the consolidated financial statements if significant acquisitions are consummated in the future.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an Amendment of Accounting Research Bulletin No. 51* (SFAS No. 160). SFAS No. 160 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. SFAS No. 160 applies prospectively as of January 1, 2009, except for the presentation on disclosure requirements which will be applied retrospectively for all periods presented. The Company does not anticipate that SFAS No. 160 will have a material impact on its financial statements.

In March 2008, the FASB issued SFAS No. 161 Disclosures *about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133* (SFAS No. 161). 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. SFAS No. 161 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 will be to require the Company to expand its disclosures regarding derivative instruments.

(2) Share-Based Compensation

The Company recognized compensation cost for share-based payments of $3,555, $4,687 and $1,846, during the years ended December 31, 2008, 2007 and 2006, respectively. The total compensation cost not yet recognized related to non-vested awards as of December 31, 2008 was $5,327, which is expected to be recognized over a weighted-average period of 2 years through April 2013.

Total share-based compensation expense during the year ended December 31, 2006 of $1,846 is comprised of $125 related to the purchase of common stock at a discount, as discussed below, and $1,721 related to share-based compensation expense for Restricted Share Grants (RSGs), which is net of estimated forfeitures.

(a) Restricted Share Grants

Prior to the IPO, the Company had issued 792,500 RSGs to certain management investors pursuant to each investor s management stockholder agreement (the Management Stockholder Agreements). 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. 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. 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

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GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

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, 2008, 2007 and 2006 the Company recognized $3,555, $4,687 and $1,721 respectively in share-based compensation expense related to RSGs.

As of December 31, 2008 and 2007, there were 868,492 and 1,035,480 RSGs, respectively, issued and outstanding with a weighted average grant date fair value of $12.54 and $13.87, respectively. As of December 31, 2008, the aggregate intrinsic value of unvested RSGs was $43. As of December 31, 2008, the aggregate fair value of vested RSGs was $11.

RSG activity was as follows:

	Year Ended December 31, 2008		Year Ended December 31, 2007		Year Ended December 31, 2006	
	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	1,035,480	$ 13.87	1,051,763	$ 14.33	442,500	$ 10.00
Granted	266,795	7.45	198,846	11.69	618,680	17.36
Vested	(317,767)	13.27	(80,624)	19.78	(3,000)	10.00
Forfeited	(116,016)	14.60	(134,505)	10.72	(6,417)	10.73
Unvested at end of year	868,492	$ 12.54	1,035,480	$ 13.87	1,051,763	$ 14.33

SFAS No. 123R 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) Other Awards

In January 2006, a management investor purchased 25,000 shares of common stock at a discount of $5.01 per share, or $125, pursuant to the investor s Management Stockholder Agreement. The purchase was determined to be compensatory in accordance with SFAS No. 123R. The Company recognized $125 in employee compensation expense related to this purchase during the year ended December 31, 2006. The fair value of the common stock was determined to be $15.01 per share as of January 2006.

(c) Valuation of Equity Securities Issued as Compensation

In determining the fair value of the Company s common stock at the dates of grant prior to the IPO on October 25, 2006, GateHouse s stock was not 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 prepared this valuation using an estimated revenue

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

growth rate based upon advertising rate increases considering the consumer price index (CPI), implementation of additional on-line content and products and introduction of additional niche products. Additionally, the Company used an estimated annual EBITDA, (adjusted to exclude certain non-cash and non-recurring items), growth rate based upon increases in revenues, cost reductions from the integration of acquisitions and improvements in cost from clustering and centralized services.

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.

In preparing a discounted cash flow analysis, certain significant assumptions were made including:

- the rate of revenue growth, which is a function of, among other things, anticipated increases in advertising rates (CPI based), impacts of on-line strategy and the introduction of niche products;

- the rate of the Company s Adjusted EBITDA growth, which is a function of, among other things, anticipated revenues, cost reductions and synergies from the integration of CP Media and Enterprise NewsMedia, LLC (see note 3(g)) and ongoing cost savings resulting from a clustering strategy;

- estimated capital expenditures;

- the discount rate of 7.8%, based on the Company s capital structure as of July 2006, the cost of equity, based on a risk free rate of 5.0% and a market risk of premium of 7.0% and the Company s cost of debt; and

- a terminal multiple of between 9 and 10 times unlevered cash flow, based upon the Company s anticipated growth prospects and private and public market valuations of comparable companies. The Company defines unlevered cash flow as Adjusted EBITDA less interest expense, cash taxes and capital expenditures.

The Company also considered the cash flow based trading multiples of comparable companies, including competitors and other similar publicly traded companies and sales transactions for comparable companies in its industry. Additionally, it considered the results of operations, market conditions, competitive position and the stock performance of these companies, as well as its financial forecasts, as updated, to develop its valuation. The Company determined the valuation performed by management to be the best available tool for projections of the final price range for purposes of valuing its stock-based compensation. The Company did not obtain contemporaneous valuations by unrelated valuation specialists at times other than the Merger valuation because: (i) the Company s efforts were focused on, among other things, potential acquisitions and refinancing the Company and (ii) the Company did not consider it to be economic to incur costs for such valuations given the number of shares issued. The Company considered that it met its internal financial performance objectives as reflected in its valuation.

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 consolidated financial statements reflect this valuation for grants made prior to the Company s IPO.

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(3) Acquisitions

(a) Acquisitions 2008

During the twelve months ended December 31, 2008, the Company acquired 25 publications for an aggregate purchase price of approximately $25,470. 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	5,123
Total assets	31,050
Current liabilities	3,279
Long-term liabilities	2,301
Total liabilities	5,580
Net assets acquired	$ 25,470

The Company continues to refine the fair value estimates in accordance with SFAS No. 141. As additional information becomes available and as actual values vary from these estimates, the underlying assets and liabilities may need to be adjusted, thereby impacting asset estimates, as well as goodwill.

For tax purposes, the amount of goodwill that is expected to be deductible is $5,123 for the newspapers acquired during the twelve months ended December 31, 2008.

(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.

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(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, 2008:

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, 2008.

(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

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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, 2008:

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, 2008.

(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

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these acquisitions under the purchase method of accounting. Accordingly, the cost of the acquisition has been 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, 2008:

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, 2008.

(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

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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 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, 2008:

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, 2008.

(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

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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.

The following table summarizes the fair values of the assets acquired and liabilities assumed as of the acquisition date adjusted through December 31, 2008:

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, 2008.

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(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) CP Media and Enterprise NewsMedia, LLC Acquisitions 2006

On June 6, 2006, the Company acquired substantially all of the assets, and assumed certain liabilities of CP Media for $232,024 and acquired all of the equity interests of Enterprise NewsMedia, LLC for $194,083 (the Massachusetts Acquisitions). CP Media and Enterprise NewsMedia, LLC are two leading publishers of daily and weekly newspapers in eastern Massachusetts. The rationale for the Massachusetts Acquisitions was primarily due to the attractive community newspaper assets with stable cash flows, the combination of the two companies that creates operational upside and cost savings and economies of scale for advertising, sales, operating costs and existing infrastructure leverage. The Company has accounted for these acquisitions under the purchase method of accounting. Accordingly, the cost of each acquisition has been allocated to the assets and liabilities assumed based upon their respective fair values. The results of operations for CP Media and Enterprise NewsMedia, LLC have been included in the Company s consolidated financial statements since the date they were acquired.

Upon the acquisition of Enterprise NewsMedia, LLC, the Company recorded deferred taxes based upon its best estimate of the tax basis of assets and liabilities acquired. During the year ended December 31, 2006, the Company updated its forecasted schedule of future reversals of taxable temporary differences, an adjustment was applied as an increase to the balance of goodwill attributable to the acquisition.

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The following table summarizes the fair values of the assets acquired and liabilities assumed as of the acquisition date adjusted through December 31, 2008:

	CP Media	Enterprise NewsMedia, LLC
Current assets	$ 12,469	$ 24,127
Other assets		107
Property, plant and equipment	19,055	22,435
Advertising relationships	76,194	52,846
Noncompete agreements		986
Subscriber relationships	10,781	22,339
Mastheads	13,214	10,146
Goodwill	111,243	117,342
Total assets	242,956	250,328
Current liabilities	10,421	7,656
Other long-term liabilities	511	13,671
Deferred income taxes		34,918
Total liabilities	10,932	56,245
Net assets acquired	$ 232,024	$ 194,083

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 CP Media and Enterprise NewsMedia, LLC acquisitions. 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 10% and 6.0% for advertiser relationships and 4.0% and 6.0% to 8.0% for subscriber relationships for CP Media and Enterprise NewsMedia, LLC, respectively. Growth rates were estimated to be 0% and 0.5% and the discount rate was estimated to be 8.5% and 9.0% for subscriber relationships for CP Media and Enterprise NewsMedia, LLC, respectively. Growth rates were estimated to be 2.5% and 3.0% and the discount rate was estimated to be 8.5% and 9.0% for advertiser relationships for CP Media and Enterprise NewsMedia, LLC, respectively.

Estimated cash flows extend up to periods of approximately 32 years which considers that a majority of the acquired newspapers have been in existence over 50 years with many having histories over 100 years for both CP Media and Enterprise NewsMedia, LLC. 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 18 and 15 years and 14 to 16 and 18 years for CP Media and Enterprise NewsMedia, LLC, respectively, on a straight-line basis as no other discernable pattern of usage was more readily determinable.

The fair value of non-compete agreements was determined using the damages method under the income approach method of valuation. Non-compete agreements in the Enterprise NewsMedia, LLC acquisition were valued at $986 and are being amortized over two years on a straight-line basis. There were no non-compete agreements in the CP Media acquisition.

For tax purposes, the amount of goodwill that is expected to be deductible is $111,243 for CP Media as of December 31, 2008.

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(i) Other Acquisitions 2006

During the year ended December 31, 2006, the Company acquired nine publications (excluding the Acquisitions discussed above) for an aggregate purchase price of $11,752. The purchase price allocation for these acquisitions is as follows:

Net tangible assets acquired	$ 734
Property, plant and equipment	2,856
Noncompete agreements	368
Advertising relationships	1,857
Subscriber relationships	232
Mastheads	549
Customer lists	2,064
Goodwill	3,092
Purchase price	$ 11,752

(j) Restructuring

As of December 31, 2008, the accrued restructuring balance was $53, which relates to on-going obligations for employee termination agreements in connection with the acquisition of the Morris Publishing Group newspapers. During the year ended December 31, 2008, the Company made payments of $826 in connection with obligations for employee termination agreements from the acquisitions of the Morris Publishing Group newspapers, The Copley Press, Inc. newspapers, as well as the acquisitions of Messenger Post and Enterprise NewsMedia, LLC.

During the year ended December 31, 2008, restructuring related expense, which is included in integration and reorganization costs on the accompanying statement of operations was $2,706. This amount relates to severance expense incurred in connection with the closing printing facilities and general labor reductions. During the year ended December 31, 2008, the Company made payments of $2,824 connection with these obligations.

(k) 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

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(In thousands, except share data)

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	$ 652,398
Net loss from continuing operations	$ (241,108)
Net loss	$ (231,424)
Net loss per common share	
Basic	$ (4.99)
Diluted	$ (4.99)

(4) Property, Plant, and Equipment

Property, plant, and equipment consisted of the following:

	December 31,	
	2008	2007
Land	$ 20,203	$ 20,917
Buildings and improvements	89,128	89,887
Machinery and equipment	123,704	114,529
Furniture, fixtures, and computer software	16,654	13,738
Construction in progress	2,112	1,735
	251,801	240,806
Less: accumulated depreciation and amortization	(57,400)	(30,597)
Total	$ 194,401	$ 210,209

Depreciation expense during the years ended December 31, 2008, 2007, and 2006 was $27,241, $19,686 and $8,566, respectively.

(5) Goodwill and Other Intangible Assets

Goodwill and intangible assets consisted of the following:

	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		

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

	December 31, 2007		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:			
Noncompete agreements	$ 3,172	$ 1,295	$ 1,877
Advertiser relationships	565,663	45,097	520,566
Customer relationships	6,689	383	6,306
Subscriber relationships	146,751	10,859	135,892
Trade name	5,493	458	5,035
Publication rights	345	19	326
Total	$ 728,113	$ 58,111	$ 670,002
Nonamortized intangible assets:			
Goodwill	$ 701,852		
Mastheads	138,792		
Total	$ 840,644		

The weighted average amortization periods for amortizable intangible assets are 4.4 years for noncompete agreements, 15.9 years for advertiser relationships, 13.8 years for customer relationships, 16.3 years for subscriber relationships, 10 years for trade names and 15 years for publication rights.

Amortization expense for the years ended December 31, 2008, 2007, and 2006 was $42,880, $37,606 and $15,044, respectively. Estimated future amortization expense as of December 31, 2008, is as follows:

For the year ending December 31:	
2009	$ 37,066
2010	37,031
2011	36,910
2012	36,597
2013	36,315
Thereafter	314,718
Total	$ 498,637

The changes in the carrying amount of goodwill for the years ended December 31, 2008 and 2007 are as follows:

Balance at January 1, 2007	$ 480,430
Goodwill from acquisitions	422,901
Goodwill impairment	(201,479)

Balance at December 31, 2007	701,852
Goodwill from acquisitions, net	571
Goodwill from divestitures	(16,044)
Goodwill impairment	(425,047)
Balance at December 31, 2008	$ 261,332

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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.

Goodwill from acquisitions during the year ended December 31, 2007 relates primarily to the newspapers acquired from Morris Publishing Group, the Copley Press, Inc. and Gannett Co. Inc., the acquisition of SureWest Directories and the newspapers acquired from the Journal Register Company.

As of December 31, 2008 and 2007, goodwill in the amount of $608,722 and $622,913, respectively was deductible for income tax purposes.

The Company revised its consolidated financial statements for the year ended December 31, 2006 due to a purchase accounting tax adjustment identified in the prior year. The Company overstated both its deferred tax liability and goodwill balances as of December 31, 2006 primarily related to deferred taxes being calculated on tax deductible goodwill as part of the Merger. The result was a decrease of previously reported deferred tax liabilities and goodwill of approximately $36,226 as of December 31, 2006. This adjustment relates entirely to acquisition deferred taxes and, as such, there is no impact on previously reported income tax expense or net income.

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 and June 30, 2006, respectively. 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 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.

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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 SFAS No. 144, 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 SFAS No. 142 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 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 SFAS No. 144 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.

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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.

(6) Accrued Expenses

Accrued expenses consisted of the following:

	December 31, 2008	December 31, 2007
Accrued payroll	$ 4,906	$ 8,638
Accrued bonus	2,281	2,697
Accrued vacation	4,146	4,373
Accrued insurance	4,687	3,411
Accrued newsprint	945	1,497
Accrued other	14,530	20,056
	$ 31,495	$ 40,672

(7) Lease Commitments

The future minimum lease payments related to the Company s non-cancelable operating lease commitments as of December 31, 2008 are as follows:

For the year ending December 31:	
2009	$ 5,266
2010	4,532
2011	2,442
2012	2,109
2013	2,060
Thereafter	3,360
Total minimum lease payments	$ 19,769

Future minimum operating lease payments have not been reduced by future minimum sublease income of $1,167.

Rental expense under operating leases for the years ended December 31, 2008, 2007 and 2006 was $5,434, $4,888 and $2,855, respectively.

(8) Long-Term Debt and Short-Term Note Payable

On February 28, 2005, the Company entered into a Credit Agreement with a syndicate of financial institutions led by Wells Fargo Bank, National Association (the 2005 Credit Facility). The 2005 Credit Facility provided for a $280,000 principal amount term loan facility that matured in February 2012 and a $50,000 revolving credit facility with a $10,000 sub-facility for letters of credit that matured in February 2011.

The 2005 Credit Facility was secured by a first-priority security interest in substantially all of the tangible and intangible assets of the Company and its subsidiaries.

All amounts outstanding under the 2005 Credit Facility were repaid with borrowings under the 2006 Credit Facility, as described below. In connection with the termination of the 2005 Credit Facility, the Company wrote off $702 of deferred financing costs.

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In connection with the Company s acquisitions of CP Media and Enterprise NewsMedia, LLC, on June 6, 2006 GateHouse Media Holdco, Inc., a subsidiary of the Company (Holdco), GateHouse Media Operating, Inc., a subsidiary of Holdco (Operating) and certain of the Company s other direct and indirect subsidiaries (together, the Borrower) entered into a financial arrangement with Wachovia Bank, National Association (the 2006 Credit Facility). The 2006 Credit Facility consisted of a First Lien Credit Agreement (the First Lien Facility) and a Secured Bridge Credit Agreement (the Second Lien Facility). The First Lien Facility, which was amended on each of June 21, 2006 and October 11, 2006, provided for a $570,000 term loan facility which matured on December 6, 2013 and a $40,000 revolving credit facility including a $15,000 sub-facility for letters of credit, that matured on June 6, 2013. The Second Lien Facility provided for a $152,000 term loan facility that matured on June 6, 2014. The 2006 Credit Facility was secured by a first priority security interest in (i) all of the equity ownership or profits interest of Operating and its direct and indirect subsidiaries and (ii) substantially all of the tangible and intangible assets of Holdco, Operating and their respective direct and indirect subsidiaries. The obligations of the Borrower under the 2006 Credit Facility were guaranteed by Holdco, Operating and their respective direct and indirect subsidiaries.

Borrowings under the First Lien Facility bore interest, at the Borrower s option, at a rate equal either to the LIBOR Rate or the Alternate Base Rate (each as defined in the First Lien Facility), in each case plus an applicable margin. The applicable margin for LIBOR Rate term loans and Alternate Base Rate term loans was fixed at 2.25% and 1.25%, respectively. The applicable margin for revolving loans was adjusted quarterly based upon Holdco s Total Leverage Ratio (as defined in the First Lien Facility) and ranged from 1.5% to 2.0% in the case of LIBOR Rate loans and 0.5% to 1.0% in the case of Alternate Base Rate loans. A quarterly commitment fee ranging from 0.25% to 0.5% on unused revolving credit availability based on the ratio of Consolidated Indebtedness to Consolidated EBITDA (each as defined in the First Lien Facility), and a quarterly fee equal to the applicable margin for LIBOR Rate loans on the aggregate amount of outstanding letters of credit were also payable under the First Lien Facility.

Borrowings under the Second Lien Facility bore interest, at the Borrower s option, at a rate equal to the LIBOR Rate or the Alternate Base Rate, in each case plus an applicable margin. The applicable margin for LIBOR Rate term loans and Alternate Base Rate term loans under the Second Lien Facility was fixed at 1.5% and 0.5%, respectively.

No principal payments were due on the term loan or the revolving credit portions of the 2006 Credit Facility until the applicable maturity date. However, the Borrower was required to prepay borrowings under the term loan facility in an amount equal to 50% of Holdco s Excess Cash Flow (as defined in the First Lien Facility), except that no prepayments were required if Holdco s Total Leverage Ratio (as defined in the First Lien Facility) was less than or equal to 6.0 to 1.0 at the end of any fiscal year. In addition, the Borrower was required to prepay borrowings under the term loan portion of the 2006 Credit Facility with certain asset disposition proceeds, cash insurance proceeds and condemnation or expropriation awards. The Borrower was also required to prepay borrowings with 50% of the net proceeds of certain equity issuances or 100% of the proceeds of certain debt issuances, except that no prepayment was required if Holdco s Total Leverage Ratio was less than 6.0 to 1.0. The 2006 Credit Facility also contained financial covenants that required Holdco to satisfy specified quarterly financial tests and which also contained customary covenants and events of default.

In October 2006, using a portion of the proceeds from the Company s IPO, the Borrower repaid in full and terminated the $152,000 Second Lien Facility. In addition, a portion of the net proceeds of the Company s IPO was used to pay down $12,000 of the $570,000 then outstanding under the First Lien Facility, and to repay in full the outstanding balance of $21,300 under the $40,000 revolving credit portion of the First Lien Facility.

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In connection with the termination of the $152,000 Second Lien Facility and the $12,000 reduction in borrowing capacity on the First Lien Facility, the Company wrote off $1,384 of deferred financing costs.

On February 27, 2007, the Borrower amended and restated the 2006 Credit Agreement (as amended, the 2007 Credit Facility). The 2007 Credit Facility provides for a $670,000 term loan facility which matures in August 2014 and a $40,000 revolving credit facility including a $15,000 sub-facility for letters of credit and a $10,000 swingline facility which matures in February 2014. Under the 2007 Credit Facility, up to an additional $250,000 was available until August 2007 for borrowing under a delayed draw term loan.

The 2007 Credit Facility is secured by a first priority security interest in (i) all of the present and future equity ownership or profits interest of Operating and its direct and indirect subsidiaries, (ii) 66% of the voting stock (and 100% of the nonvoting stock) of certain present and future foreign subsidiaries and (iii) substantially all of the tangible and intangible assets of Holdco, Operating and their respective present and future subsidiaries. In addition, the loans and other obligations of the Borrower under the 2007 Credit Facility are guaranteed by Holdco, Operating and their present and future direct and indirect subsidiaries.

No principal payments are due on the term or the revolving credit portions of the 2007 Credit Facility until the applicable maturity date. However, the Borrower is required to make prepayments under the term loan facility, and/or to collateralize letter of credit obligations, under specified conditions, from excess cash flow and from the proceeds of asset dispositions, issuances of debt and equity and insurance and condemnation awards.

Borrowings under the 2007 Credit Facility bear interest, at the Borrower s option, at a rate equal to the LIBOR Rate or the Alternate Base Rate (each as defined in the 2007 Credit Facility), plus an applicable margin. The applicable margin for revolving loans under the 2007 Credit Facility is adjusted quarterly based upon Holdco s Total Leverage Ratio (as defined in the 2007 Credit Facility). The applicable margin for revolving loans 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. Prior to the consummation of the First Amendment, as discussed below, the applicable margin for LIBOR Rate term loans and Alternate Base Rate term loans was 1.75% and 0.75%, respectively, if credit ratings for the 2007 Credit Facility from Moody s Investors Service Inc. and Standard & Poor s Ratings Services were at least B1 and B+, respectively, and otherwise was 2.00% and 1.00%, respectively. A quarterly commitment fee ranging from 0.25% and 0.5% of the unused portion of the revolving loan facility based on the ratio of Consolidated Indebtedness to Consolidated EBITDA (each as defined in the 2007 Credit Facility), and a quarterly fee equal to the applicable margin for LIBOR Rate loans on the aggregate amount of outstanding letters of credit are also payable under the 2007 Credit Facility.

The 2007 Credit Facility contains a financial covenant which 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 portion of the facility. The 2007 Credit Facility also contains covenants customarily found in loan agreements for similar transactions, including restrictions on the Borrower s ability to incur indebtedness (which is generally permitted so long as Holdco maintains 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 (i) make restricted payments (including quarterly dividends) so long as, after giving effect to any such restricted payment, Holdco s Fixed Charge Coverage Ratio (as defined in the 2007 Credit Facility) is equal to or greater than 1.0 to 1.0 and it would be permitted under the 2007 Credit Facility to incur an additional $1.00 of debt) and (ii) make restricted payments of proceeds of asset dispositions to the Company to the extent such

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

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proceeds are not required to prepay borrowings under the 2007 Credit Facility and/or cash collateralize letter of credit obligations, provided that such proceeds are used to prepay borrowings under the Company s credit facilities used to finance acquisitions). The Borrower, in certain limited circumstances, may also 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. There were no extensions of credit outstanding under the revolving credit portion of the facility at December 31, 2008, and, therefore, we were not required to be in compliance with the Total Leverage Ratio covenant of the 2007 Credit Facility.

On April 11, 2007, the Company entered into a Bridge Facility with Wachovia Investment Holdings, LLC acting as administrative agent (the Bridge Facility). The Bridge Facility, which was repaid by the Company in full in July 2007, provided for a $300,000 term loan facility that matured on April 11, 2015. Borrowings under the Bridge Facility bore interest, at the Company s option, at a floating rate equal to the LIBOR Rate or the Base Rate (each as defined in the Bridge Facility), plus an applicable margin. The applicable margin for LIBOR Rate term loans and Base Rate term loans was 1.50% and 0.50%, respectively. The Bridge Facility was secured by a first priority interest in all of the capital stock of Holdco owned by the Company and contained customary covenants and events or default. In connection with its repayment of the Bridge Facility, the Company wrote off $2,240 of deferred financing costs.

On May 7, 2007, the Borrower amended the 2007 Credit Facility pursuant to a First Amendment (the First Amendment). The First Amendment provided for a $275,000 incremental increase in the term loan available under the 2007 Credit Facility pursuant to an Incemental Term Facility. The $275,000 incremental term loan facility matures in August 2014. Pursuant to the First Amendment, the applicable margin for the initial $670,000 term loan facility under the 2007 Credit Facility was increased to 2.00% for LIBOR Rate term loans and 1.00% for Alternate Base Rate term loans, which margin is not adjustable based upon Borrower s credit rating. Interest on the incremental term loan portion of the 2007 Credit Facility accrues, at the option of the Borrower, at a rate equal to the LIBOR Rate or the Alternate Base Rate, plus an applicable margin. The applicable margin for LIBOR Rate incremental term loans and Alternate Base Rate incremental term loans is (i) 2.00% and 1.00%, respectively, if the corporate family ratings and corporate credit ratings of Operating by Moody s Investor 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% and 1.75% otherwise as was the case as of December 31, 2008. The First Amendment also provides that term loans under the 2007 Credit Facility are also subject to a most favored nation interest provision that (i) increases the interest rate margin to a rate that is 0.25% less than the highest margin of any future incremental term loan borrowings under the 2007 Credit Facility and (ii) provides that after any such increase, no reductions in the margin based on credit ratings will be permitted. 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 are subject to a 1.00% prepayment premium.

As of December 31, 2008, a total of $670,000, $250,000, $275,000 and $0 was outstanding under the term loan facility, the delayed draw term loan, the incremental term loan facility and the revolving credit facility portions of the 2007 Credit Facility, respectively.

In connection with the acquisition of Morris Publishing Group, the Company commited 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. As of December 31, 2008, $11,538 was outstanding under this note, which includes a portion of the working capital settlement. In accordance with an additional amendment executed during January 2009, principal payments on the remaining balance will be made evenly from April-November of 2009.

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On February 15, 2008, GateHouse Media Intermediate Holdco, Inc., a subsidiary of GateHouse Media Holdco II, Inc. (Holdco II) and GateHouse Media (collectively, the Bridge Borrower) entered into a Bridge Credit Agreement (the 2008 Bridge Facility) with Barclays Capital, as syndication agent, sole arranger and book runner (Barclays).

The 2008 Bridge Facility provided a $20,600 term loan facility subject to extensions through August 15, 2009. The 2008 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 First Pricing Step-Up Date), the applicable margin was 8.00%. After the First Pricing Step-Up Date and until the nine month anniversary of the First Pricing Step-Up Date (February 15, 2009, the Second Pricing Step-Up Date), the applicable margin is 10.00%. After the Second Pricing Step-Up Date and until the maturity date, the applicable margin is 12.00%.

No principal payments are due on the 2008 Bridge Facility until the maturity date. 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.

The 2008 Bridge Facility contains affirmative and negative covenants applicable to Holdco II and, in limited circumstances, Bridge Borrower and Holdco II s restricted subsidiaries, customarily found in loan agreements for similar transactions, including restrictions on their ability to incur indebtedness, 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. The 2008 Bridge 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 2008 Bridge Facility); events of bankruptcy or insolvency; material judgments; failure to meet certain requirements with respect to ERISA; and impairment of collateral. Certain of the foregoing covenants are only applicable to the extent they do not contravene any provision of or cause a violation of or default under the 2007 Credit Facility.

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

As of December 31, 2008, a total of $17,000 was outstanding under the 2008 Bridge Facility.

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On October 17, 2008, Holdco II entered into the First Waiver to the Bridge Facility. The First Waiver waived compliance by Holdco II with the Total Leverage Ratio (as defined in the Bridge Agreement) covenant of the Bridge Facility which is required to be greater than 7.25 to 1.00.

On February 12, 2009, Holdco II entered into the Second Waiver and Amendment to the Bridge Facility. The Second Waiver and Amendment waived compliance by Holdco II with the Total Leverage Ratio for the quarter ended December 31, 2008. The Second Waiver and Amendment also set the applicable margin for the Bridge Facility at 12.00% and established an amortization schedule for the outstanding balance due under the Bridge Facility as follows:

Installment	Principal Amount
May 31, 2009	$1,500
June 30, 2009	$1,500
July 31, 2009	$1,500
August 31, 2009	$1,500
September 30, 2009	$5,000
October 31, 2009	$2,000
November 30, 2009	$2,000
Term Loan Maturity Date	Remaining outstanding amounts

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

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 long-term liabilities, net of current portion, and dividends of $425 are accrued as of December 31, 2008. FIF III is an affiliate of Fortress Investment Group, LLC, the owner of approximately 41.9% of the Company s outstanding Common Stock.

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

The Second Amendment, among other things, permits the Subsidiary to repurchase term loans outstanding under the 2007 Credit Agreement at prices below par through one or more Modified Dutch Auctions (as described in the Second Amendment) through December 31, 2011, provided that: (i) no Default or Event of Default under the 2007 Credit Agreement has occurred and is continuing or would result from such repurchases, (ii) the sum of Unrestricted Cash and Accessible Borrowing Availability each as defined in the 2007 the Credit Agreement is greater than or equal to $20,000,000; and (iii) no Extension of Credit is outstanding under the Revolving 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.

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The Second Amendment also reduces the aggregate principal 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.

In addition, the Second Amendment provides that Holdco may not incur additional term debt under the 2007 Credit Agreement unless the Senior Secured Incurrence Test is less then 4.00 to 1 and the current Incurrence Test is satisfied, as such terms are defined in the Second Amendment.

We are currently in compliance with all of our covenants and obligations under the 2007 Credit Facility and the 2008 Bridge Facility. 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.

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, totaled approximately $361,000 at December 31, 2008.

(9) 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 SFAS No. 133. 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 Statement of Stockholders Equity (Deficit) and recognized in the Statement of Operations in the same period in which the hedged transaction impacts earnings. The ineffective portion of the change in the fair value of the derivative is immediately recognized in earnings.

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 will be 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

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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, 2008, $2,422 net of taxes of $1,558 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 $8,256.

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, 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, 2008, $1,854 net of taxes of $1,193 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 $5,413.

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, 2008, the fair value of the swap decreased by $596, net, of which $44 was recognized through earnings and a $336 decrease in fair value net of income taxes of $216, 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, 2008, the fair value of the swap decreased by $3,180, net, of which $369 was recognized through earnings and a $1,710 decrease in fair value, net of income taxes of $1,101 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, 2008, the fair value of the swap decreased by $1,680, net, of which $278 was recognized through earnings and a $853 decrease in fair value, net of income taxes of $549 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

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monthly. During the year ended December 31, 2008, the fair value of the swap decreased by $1,064, net, of which $18 was recognized through earnings and a $636 decrease in fair value, net of income taxes of $410 was recognized through accumulated other comprehensive income.

A valuation allowance was reversed during the year ended December 31, 2008 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 $557 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, 2008 was $51,486.

(10) Income Taxes

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

	Current	Deferred	Total
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	$	$ (26,476)	$ (26,476)
State and local	962	(6,275)	(5,313)
	$ 962	$ (32,751)	$ (31,789)
Year ended December 31, 2006:			
U.S. Federal	$	$ (1,991)	$ (1,991)
State and local	175	(1,953)	(1,778)
	$ 175	$ (3,944)	$ (3,769)

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, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006
Computed expected tax expense (benefit)	$ (232,227)	$ (90,411)	$ (2,144)
Increase (decrease) in income taxes resulting from:			
State and local income taxes, net of federal benefit	(2,772)	(5,425)	(141)
Change in effective state tax rate			(1,556)

Nondeductible meals and entertainment	142	92	72
Return to provision adjustment	21	(1,399)	
Impairment of Non-Deductible Goodwill	61,114	24,676	
Change in valuation allowance	151,745	39,775	
Increase to provision for unrecognized tax benefits	209	897	
Other	629	6	
	$ (21,139)	$ (31,789)	$ (3,769)

During the year ended December 31, 2008, income tax expense, net of income tax valuation allowance related to discontinued operations, was $0.

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The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of December 31, 2008 and 2007 are presented below:

	December 31,	
	2008	2007
Deferred tax assets:		
Accounts receivable, principally due to allowance for doubtful accounts	$ 2,358	$ 1,517
Accrued expenses	9,211	9,854
Derivative instrument	13,659	17,926
Pension and other postretirement benefit obligation	5,602	4,426
Long-lived and intangible assets, principally due to differences in depreciation and amortization	92,751	
Net operating losses	119,873	76,827
Gross deferred tax assets	243,454	110,549
Less valuation allowance	(243,454)	(65,421)
Net deferred tax assets		45,128
Deferred tax liabilities:		
Long-lived and intangible assets, principally due to differences in depreciation and amortization		66,565
Gross deferred tax liabilities		66,565
Net deferred tax liability	$	$ 21,437

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 period from June 6, 2005 to December 31, 2005, the valuation allowance increased by $32,180, of which $280 was charged to earnings and $31,900 was recorded as an increase to goodwill, related to the Merger. During the year ended December 31, 2006, the valuation allowance of $32,430 was reduced to $1,100 with a corresponding adjustment to goodwill, primarily as a result of the Enterprise NewsMedia, LLC acquisition. 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.

At December 31, 2008, the Company has net operating loss carryforwards for Federal and state income tax purposes of approximately $310,170, 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 2028. 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.

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The Company revised its consolidated financial statements for the year ended December 31, 2006 due to a purchase accounting tax adjustment identified in the current year. The Company overstated both its deferred tax liability and goodwill balances as of December 31, 2006 primarily related to deferred taxes being calculated on tax deductible goodwill as part of the Merger. The result was a decrease of previously reported deferred tax liabilities and goodwill of approximately $36,226 as of December 31, 2006. This adjustment relates entirely to acquisition deferred taxes and, as such, there is no impact on previously reported income tax expense or net income.

As discussed in Note 1, the Company adopted the provisions of FIN 48 as of January 1, 2007. 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, 2008, the Company had unrecognized tax benefits of $4,726 of which $1,105, if recognized, would impact the effective tax rate. The remaining amount of $3,621 would impact goodwill from previous acquisitions. The Company did not record significant amounts of interest and penalties related to unrecognized tax benefits in 2008.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

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

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, we do not have any returns under examination.

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(11) Earnings (Loss) Per Share

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

	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006
Numerator for earnings per share calculation:			
Loss from continuing operations	$ (661,880)	$ (234,050)	$ (2,486)
Income (loss) from discontinued operations, net of income taxes	(11,426)	2,626	912
Net loss	$ (673,306)	$ (231,424)	$ (1,574)
Denominator for earnings per share calculation:			
Basic weighted average shares outstanding	57,058,454	46,403,965	25,087,535
Dilutive securities, including restricted share grants			
Diluted weighted average shares outstanding	57,058,454	46,403,965	25,087,535
Loss per share basic:			
Loss from continuing operations	$ (11.60)	$ (5.04)	$ (0.10)
Income (loss) from discontinued operations, net of taxes	(0.20)	0.05	0.04
Net loss	$ (11.80)	$ (4.99)	$ (0.06)
Income (loss) per share diluted:			
Loss from continuing operations	$ (11.60)	$ (5.04)	$ (0.10)
Income (loss) from discontinued operations, net of taxes	(0.20)	0.05	0.04
Net loss	$ (11.80)	$ (4.99)	$ (0.06)

During the years ended December 31, 2008 and 2007, 868,492 and 1,035,480 RSG s, respectively, were excluded from the computation of diluted loss per share because their effect would have been antidilutive.

(12) 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 Defined Plan. The Defined 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 matched 50% of a specified portion of employee contributions, which specified portion ranges from 1% to 6% of eligible gross wages. During the years ended December 31, 2008, 2007 and 2006, the Company s matching contributions to the plan were $3,060, $1,264 and $176, respectively.

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

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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, 2008, 2007 and 2006, 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, 2008, 2007 and 2006, 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.

(13) 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. 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 $2,434 was recognized related to the postretirement medical and life insurance plan during the year ended December 31, 2008.

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The following provides information on the pension plan and postretirement medical and life insurance plan as of December 31, 2008 and 2007, for the years ended December 31, 2008 and 2007.

	Pension Year Ended December 31, 2008	Postretirement Year Ended December 31, 2008	Pension Year Ended December 31, 2007	Postretirement Year Ended December 31, 2007
Change in projected benefit obligation:				
Benefit obligation at beginning of period	$ 20,754	$ 11,304	$ 21,102	$ 9,697
Service cost	431	301	548	371
Interest cost	1,291	739	1,286	570
Actuarial (gain) loss	560	864	(786)	(1,291)
Benefits and expenses paid	(1,568)	(385)	(1,396)	(260)
Participant contributions		25		
Plan change		(3,242)		
Curtailments	(789)	(2,901)		
Projected benefit obligation at end of period	$ 20,679	$ 6,705	$ 20,754	$ 9,087
Change in plan assets:				
Fair value of plan assets at beginning of period	$ 17,429	$	$ 16,723	$
Actual return on plan assets	(3,556)		1,449	
Employer contributions	1,763	360	653	260
Participant contributions		25		
Benefits paid	(1,372)	(385)	(1,202)	(260)
Expenses paid	(198)		(194)	
Fair value of plan assets at end of period	$ 14,066	$	$ 17,429	$
Reconciliation of funded status:				
Benefit obligation at end of period	$ (20,679)	$ (6,705)	$ (20,754)	$ (9,087)
Fair value of assets at end of period	14,066		17,429	
Funded status	(6,613)	(6,705)	(3,325)	(9,087)
Unrecognized prior service cost		(3,243)		
Unrecognized actuarial (gain) loss	3,329	32	(1,443)	(441)
Net accrued benefit cost	$ (3,284)	$ (9,916)	$ (4,768)	$ (9,528)
Balance sheet presentation:				
Accrued liabilities	$	$ 509	$	$ 405
Pension and other postretirement benefit obligations	6,613	6,196	3,325	8,682
Accumulated other comprehensive income	(3,329)	3,211	875	276
Deferred taxes			568	165
Net accrued benefit cost	$ 3,284	$ 9,916	$ 4,768	$ 9,528

Components of net periodic benefit cost:				
Service cost	$ 431	$ 301	$ 548	$ 371
Interest cost	1,291	739	1,286	570
Expected return on plan assets	(1,487)		(1,438)	
Amortization of prior service cost				
Amortization of unrecognized loss				
Special termination benefits	42		288	
Net periodic benefit cost	$ 277	$ 1,040	$ 684	$ 941
Comparison of obligations to plan assets:				
Projected benefit obligation	$ 20,679	$ 6,705	$ 20,754	$ 9,087
Accumulated benefit obligation	20,612	6,705	19,964	9,087
Fair value of plan assets	14,066		17,429	

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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, 2008	Postretirement Year Ended December 31, 2008	Pension Year Ended December 31, 2007	Postretirement Year Ended December 31, 2007
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	8.5%		8.5%	
Current year trend		8.8%		8.5%
Ultimate year trend		5.3%		5.5%
Year of ultimate trend		2017		2012

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, 2008	Postretirement Year Ended December 31, 2008	Pension Year Ended December 31, 2007	Postretirement Year Ended December 31, 2007
Weighted average discount rate	6.4%	6.5%	6.04%	6.0%
Rate of increase in future compensation levels	3.0%		3.5%	
Expected return on assets	8.5%		8.5%	
Current year trend		9.0%		8.5%
Ultimate year trend		5.3%		5.5%
Year of ultimate trend		2018		2011

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, 2008
Effect of 1% increase in health care cost trend rates	
APBO	$ 7,241

Dollar change	$	535
Percent change		7.4 %
Effect of 1% decrease in health care cost trend rates		
APBO	$	6,267
Dollar change	$	(439)
Percent change		(7.0)%

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

	Pension December 31, 2008	Pension December 31, 2007
Equity funds	60%	66%
Debt funds	20%	30%
Other	20%	4%
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
2009	$ 1,328	$ 510
2010	1,315	484
2011	1,322	484
2012	1,381	457
2013	1,435	460
2014-2018	7,469	2,155
Employer contribution expected to be paid during the year ending December 31, 2009	$ 812	$ 510

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, 2008 was $118.

(14) 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.

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,

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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. When Section 162(m) of the Internal Revenue Code (the Code) becomes applicable, the maximum aggregate number of shares that will be subject to stock options or stock appreciation rights that may be granted to any individual during any fiscal year will be 400,000 and the maximum aggregate number of shares that will be 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 will be 400,000.

The Plan was initially 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. On October 5, 2006, the Company s board of directors authorized the Compensation Committee of the board of directors to administer the Plan.

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. Unless the board of directors determines otherwise, stockholder approval of any such action will be obtained if required to comply with applicable law. The Plan will terminate on October 5, 2016.

As of December 31, 2008 and 2007, a total of 343,492 and 281,980 RSGs were outstanding under the Plan, respectively.

Stock Option Plan

In February 1999, the Company adopted the Option Plan under which certain employees may be granted the right to purchase shares of common stock. Pursuant to the Option Plan, GateHouse granted incentive stock options and two types of nonqualified stock options, one type for publishers and the other type for corporate employees. Stock options may be exercised only to the extent they have vested in accordance with the provisions described in the individual option award agreements. Generally, options vest under the incentive stock option awards on the first anniversary of the grant date. Generally, under the nonqualified stock option awards for publishers, options vest with respect to 50% of the shares on the third anniversary of the grant date and with respect to the remaining 50% on the eighth anniversary of the grant date. However, the vesting period for the remaining 50% may be accelerated if certain financial targets are met. Generally, options vest under the nonqualified stock option awards for corporate employees on the third anniversary of the grant date. In conjunction with the Merger, each outstanding option under the Option Plan was cancelled for cash consideration per share equal to the difference between the conversion amount of $0.10 per share or an aggregate amount of $93. In June 2006, the Option Plan was terminated.

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(15) Assets Held for Sale

As of December 31, 2008 and 2007, the Company intended to dispose of various assets which are classified as held for sale on the consolidated balance sheet in accordance with SFAS No. 144. The following table summarizes the major classes of assets and liabilities held for sale at December 31, 2008 and 2007:

	December 31, 2008	December 31, 2007
Assets held for sale:		
Accounts receivable, net	$	$ 1,314
Inventory		152
Prepaid expenses and other current assets		74
Total assets held for sale	$	$ 1,540
Long-term assets held for sale:		
Property, plant and equipment, net	$ 13,119	$ 15,842
Intangible assets		7,422
Total long-term assets held for sale	$ 13,119	$ 23,264
Liabilities held for sale	$	$ 623

During the years ended December 31, 2008 and 2007, the Company recorded a charge to operations of $9,706 and $1,553, respectively, 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 2007, or disposed of during the years ended December 31, 2008 or 2007, respectively.

(16) 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. SFAS No. 157 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).

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

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)	December 31, 2008
Liabilities				
Derivatives (1)			$ 34,957	$ 34,957

(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. The credit value adjustment was calculated as the difference between the swap yield curve and the yield curve corresponding to the Company s credit rating. When the Company s credit rating was downgraded, this methodology could no longer be applied as the yield curve corresponding to the new credit rating is not available.

Beginning in the third quarter of 2008, the Company began calculating the credit value adjustment based on the credit default swap spread of companies having a similar credit rating. The Company also considers it necessary to apply a floor to the credit adjustment based on the estimated recovery rate of the unadjusted value of the derivative instruments.

The following tables reflect the activity of our assets and liabilities measured at fair value using level 3 inputs for the year ended December 31, 2008:

Year Ended December 31, 2008	**Derivative Liabilities**
Balance as of June 30, 2008	$ 36,891
Settlements	(18,947)
Total gains/(losses), net:	
Included in earnings (or changes in net assets)	1,906
Included in other comprehensive income	15,107
Balance as of December 31, 2008	$ 34,957

Certain assets and liabilities are measured at fair value on a non-recurring basis and are not currently required to be presented on an interim basis. The FASB deferred implementation of SFAS No. 157 for certain non-financial assets and liabilities until 2009.

(17) 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

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

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 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 consolidated results of operations, financial condition or cash flow.

Included in cash and cash equivalents at December 31, 2008 are certificates of deposits, having maturities of less than three months, in the aggregate amount of $5,197. 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.

(18) Related-Party Transactions

As of December 31, 2008, Fortress Investment Group LLC and its affiliates (Fortress) beneficially owned approximately 41.9% of the Company s outstanding common stock.

In addition, the Company s Chairman, Wesley Edens, is also the Chief Executive Officer and 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, 2008. These amounts were purchased on arms length terms in secondary market transactions.

Affiliates of Fortress Investment Group LLC own $8,500 of the $17,000 2008 Bridge Facility as of December 31, 2008. These amounts were purchased directly from Barclays.

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. 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. FIF III is an affiliate of Parent.

On October 24, 2006, the Company entered into an Investor Rights Agreement with Parent, an affiliate of Fortress, our principal and controlling stockholder. The Investor Rights Agreement provides Parent 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 Investment Group LLC.

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 Investment Group LLC (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

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

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 Parent, 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 Parent at any time after six months following the consummation of its IPO to request that the Company register under the Securities Act of 1933, as amended, an amount equal to or greater than a Registrable Amount. Parent is entitled to an aggregate of four demand registrations. 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 six 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.

For as long as Parent and its permitted transferees beneficially own an amount of the Company s common stock at least equal to 1% of the Company s common stock issued and outstanding immediately after the consummation of its IPO, Parent also has piggyback registration rights that allow Parent to include the shares of common stock that Parent 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 Parent are subject to proportional cutbacks based on the manner of the offering and the identity of the party initiating such offering.

The Company has granted Parent 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 Parent 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 Parent and its permitted transferees sells shares of the Company s common stock, unless such liability arose from Parent s 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.

(19) Discontinued Operations

On September 14, 2007, the Company completed its sale of *The Herald Dispatch* and related publications (initially acquired in the Gannett Co., Inc. acquisition) which are located in Huntington, West Virginia for a purchase price of approximately $77,000.

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GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

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.

The net revenue during the years ended December 31, 2008 and 2007 for the aforementioned discontinued operations was $15,376 and $18,142, respectively. Income (loss) before income taxes during the years ended December 30, 2008 and 2007 for the aforementioned discontinued operations was $(11,426) and $4,073, respectively. During the year ended December 31, 2008, the Company recorded a charge to operations of $9,114 related to certain publications which were sold during the period.

(20) 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, 2008				
Revenues	$ 163,950	$ 179,139	$ 171,516	$ 168,494
Impairment loss		(439,205)		(176,342)
Operating income (loss)	179	(426,413)	9,787	(166,461)
Loss before income taxes	(25,553)	(451,270)	(15,738)	(190,458)
Net loss	(28,790)	(443,251)	(18,507)	(182,758)
Basic loss per share	$ (0.51)	$ (7.77)	$ (0.32)	$ (3.20)
Diluted loss per share	$ (0.51)	$ (7.77)	$ (0.32)	$ (3.20)

	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, 2007				
Revenues	$ 92,895	$ 156,388	$ 161,186	$ 168,991
Impairment loss				(227,546)
Operating income	1,829	18,075	12,116	(214,398)
Loss before income taxes	(8,789)	(4,523)	(15,281)	(237,246)
Net loss	(6,079)	(1,964)	(8,754)	(214,627)
Basic loss per share	$ (0.16)	$ (0.05)	$ (0.17)	$ (3.78)
Diluted loss per share	$ (0.16)	$ (0.05)	$ (0.17)	$ (3.78)

(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 19 to the consolidated Financial Statements.
(b) Impairment charges recorded in the second and fourth quarters of 2008 and the fourth quarter of 2007 are included above due to their size and unusual nature.

(21) Subsequent Events

On February 3, 2009, the Company and certain its subsidiaries and affiliates entered into a Second Amendment to the 2007 Credit Agreement. The Amendment permits the subsidiary to repurchase term loans outstanding under the 2007 Credit Agreement at prices below par through one or more Modified Dutch Auctions through December 31, 2011, subject to certain provisions. The Amendment also reduces the aggregate

principal amounts available under the 2007 Credit Agreement. Refer to Note 8 for additional discussion of the Amendment.

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GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share data)

On February 12, 2009, Holdco II entered into the Second Waiver and Amendment to the Bridge Facility. The Second Waiver and Amendment waived compliance by Holdco II with the Total Leverage Ratio for the quarter ended December 31, 2008. The Second Waiver and Amendment also set the applicable margin for the Bridge Facility at 12.00% and established an amortization schedule for the outstanding balance due under the Bridge Facility as follows:

Installment	Principal Amount
May 31, 2009	$1,500
June 30, 2009	$1,500
July 31, 2009	$1,500
August 31, 2009	$1,500
September 30, 2009	$5,000
October 31, 2009	$2,000
November 30, 2009	$2,000
Term Loan Maturity Date	Remaining outstanding amounts

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

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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, 2008, 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, 2008, we maintained effective internal control over financial reporting.

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The effectiveness of our internal control over financial reporting as of December 31, 2008, has been audited by Ernst & Young LLP, an independent registered public accounting firm. Ernst & Young LLP s attestation report is included below.

Attestation Report of the Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of GateHouse Media, Inc.

We have audited GateHouse Media Inc. s internal control over financial reporting as of December 31, 2008, 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, 2008, 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, 2008 and 2007, and the related consolidated statements of operations, stockholders equity (deficit), and cash flows for the years then ended and our report dated March 13, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Buffalo, New York

March 13, 2009

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Item 9B. Other Information

On March 12, 2009, 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 2009.

Executive Officer	Cash Bonus
Michael R. Reed Chief Executive Officer	$ 50,000
Gene A. Hall Executive Vice President	$ 50,000
Scott T. Champion Regional Manager	$ 50,000
Polly Grunfeld Sack Senior Vice President, Secretary and General Counsel	$ 75,000
Kirk A. Davis President and Chief Operating Officer	$ 50,000
Mark Maring Treasurer and Vice President of Investor Relations and Strategic Development	$ 70,000

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 2009 Annual Meeting of Stockholders under the headings Election of Directors, Executive Officers, Corporate Governance and Section 16(a) Beneficial Ownership Reporting Compliance, which proxy statement will be filed within 120 days after the year ended December 31, 2008.

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. 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.

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 2009 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, 2008.

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 2009 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, 2008.

Securities Authorized for Issuance Under Equity Compensation Plans as of December 31, 2008

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

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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 2009 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, 2008.

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 2009 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, 2008.

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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, 2008	$ 3,874	$ 5,462	$ 2,302(1)	$ (5,614)(4)	$ 6,024
Year ended December 31, 2007	$ 2,332	$ 2,996	$ 1,675(2)	$ (3,129)(4)	$ 3,874
Year ended December 31, 2006	$ 1,509	$ 2,249	$ 2,188(3)	$ (3,614)(4)	$ 2,332
Deferred tax valuation allowance					
Year ended December 31, 2008	65,421	177,732	638(5)		243,791
Year ended December 31, 2007	$ 1,100	$ 45,800	$ 18,521(5)		$ 65,421
Year ended December 31, 2006	$ 32,430			$ (31,330)(6)	$ 1,100

(1) Amount is primarily related to fully reserved accounts receivable balances recorded during the year.
(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) Amount is primarily related to the acquisitions of CP Media and Enterprise NewsMedia, LLC.
(4) Amounts are primarily related to the write off of fully reserved accounts receivable.
(5) Amount is primarily related to the change in derivative value and is recorded in accumulated other comprehensive income.
(6) Amount of decrease is primarily related to the Enterprise NewsMedia, LLC acquisition with a corresponding reduction to goodwill.

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.

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(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	Asset Purchase Agreement, dated as of November 30, 2006, among Northeast Publishing Company, Inc., Journal Company, Inc., and Taunton Acquisition, LLC, as Sellers, and Enterprise Publishing Company, LLC, as Purchaser		8-K/A	2.1	May 4, 2007
2.2	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
2.3	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
2.4	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
2.5	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
2.6	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
2.7	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

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Exhibit No.	Description of Exhibit	Included Herewith	Incorporated by Reference Herein Form	Exhibit	Filing Date
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
*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 April 19, 2006, by and among GateHouse Media, Inc., GateHouse Media Operating, Inc. and Mark R. Thompson		S-1	10.11	July 21, 2006
*10.10	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
*10.11	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
*10.12	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
*10.13	Management Stockholder Agreement, dated as of May 17, 2006, by and between GateHouse Media, Inc., FIF III Liberty Holdings LLC and Mark R. Thompson		S-1	10.21	July 21, 2006

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Exhibit No.	Description of Exhibit	Included Herewith	Incorporated by Reference Herein Form	Exhibit	Filing Date
*10.14	Memo of Understanding dated as of December 20, 2006, by and among GateHouse Media, Inc., f/k/a Liberty Group Publishing, Inc., a Delaware corporation, GateHouse Media Operating, Inc., f/k/a Liberty Group Operating, Inc., a Delaware corporation, and Mark Thompson		10-Q	10.1	May 16, 2007
10.15	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
10.16	License Agreement, dated as of February 28, 2007, by and between SureWest Communications and GateHouse Media, Inc.		8-K	10.1	March 1, 2007
10.17	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
10.18	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

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Exhibit No.	Description of Exhibit	Included Herewith	Incorporated by Reference Herein		
			Form	Exhibit	Filing Date
10.19	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
10.20	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
10.21	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
10.22	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
10.23	Offer letter dated December 23, 2008, between GateHouse Media, Inc., and Melinda A. Janik	X			
10.24	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
10.25	Offer letter dated February 4, 2008, between GateHouse Media, Inc., and Mark Maring.		10-Q	10.1	November 7, 2008

Exhibit No.	Description of Exhibit	Included Herewith	Incorporated by Reference Herein		
			Form	Exhibit	Filing Date
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			
23.1	Consent of Ernst & Young LLP	X			
23.2	Consent of KPMG 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			

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.

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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 13, 2009

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 **Wesley R. Edens**	Chairman of the Board	March 13, 2009
/s/ MICHAEL E. REED **Michael E. Reed**	Chief Executive Officer and Director (Principal Executive Officer)	March 13, 2009
/s/ MELINDA A. JANIK **Melinda A. Janik**	Chief Financial Officer (Principal Financial Officer)	March 13, 2009
/s/ LINDA A. HILL **Linda A. Hill**	Corporate Controller (Principal Accounting Officer)	March 13, 2009
/s/ RICHARD FRIEDMAN **Richard Friedman**	Director	March 13, 2009
/s/ BURL OSBORNE **Burl Osborne**	Director	March 13, 2009
/s/ KEVIN M. SHEEHAN **Kevin M. Sheehan**	Director	March 13, 2009

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The following graph compares the cumulative total return for our common stock (stock price change plus reinvested dividends) with the comparable return of two indices: the Russell 2000 Index and the Peer Group. Representative companies in the Peer Group include Gannett Co., Inc., Journal Register Company, Lee Enterprises, Incorporated, The McClatchy Company, The New York Times Company, The E.W. Scripps Company, Media General, Inc. and Journal Communications, Inc. The graph assumes an investment of $100 in the Company s common stock and in each of the indices on October 25, 2006, when our common stock first traded on the New York Stock Exchange, and that all dividends were reinvested. The closing price of our stock on October 25, 2006, as reflected in the below graph, was $21.17 per share. The past performance of our common stock is not an indication of future performance.

COMPARISON OF 26 MONTH CUMULATIVE TOTAL RETURN*

Among GateHouse Media, Inc., The Russell 2000 Index

And A Peer Group

* $100 invested on 10/25/06 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

	10/25/06	**12/31/06**	**6/30/07**	**12/31/07**	**6/30/08**	**12/31/08**
GateHouse Media, Inc.	100.00	88.80	92.29	47.07	13.60	0.22
Russell 2000	100.00	102.96	109.60	101.35	109.60	101.35
Peer Group	100.00	104.37	93.72	71.60	50.60	16.92