New Media Investment Group Inc.
Form 10-Q
July 31, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 29, 2014

OR

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

For the transition period from __________ to __________

Commission file number: 001-36097

New Media Investment Group Inc.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of** **incorporation or organization)**	**38-3910250** **(I.R.S. Employer** **Identification No.)**
1345 Avenue of the Americas, **New York, NY** **(Address of principal executive offices)**	**10105** **(Zip Code)**

Telephone: (212) 479-3160

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

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

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 definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x	Smaller reporting company ¨

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

As of July 28, 2014, 30,015,870 shares of the registrant s common stock were outstanding.

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Item 1. Financial Statements

NEW MEDIA INVESTMENT GROUP INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In thousands, except share data)

	June 29, 2014 (unaudited)	December 29, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 31,347	$ 31,811
Restricted cash	6,477	6,477
Accounts receivable, net of allowance for doubtful accounts of $889 and $349 at June 29, 2014 and December 29, 2013, respectively	65,322	71,401
Inventory	7,463	7,697
Prepaid expenses	7,974	7,986
Other current assets	15,057	11,799
Total current assets	133,640	137,171
Property, plant, and equipment, net of accumulated depreciation of $22,241 and $5,539 at June 29, 2014 and December 29, 2013, respectively	258,498	270,187
Goodwill	126,571	125,911
Intangible assets, net of accumulated amortization of $4,265 and $1,049 at June 29, 2014 and December 29, 2013, respectively	144,475	145,401
Deferred financing costs, net	3,543	8,297
Other assets	3,816	2,986
Total assets	$ 670,543	$ 689,953
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term liabilities	$ 646	$ 699
Current portion of long-term debt	1,500	4,312
Accounts payable	5,454	10,973
Accrued expenses	40,853	55,818
Deferred revenue	31,746	30,620
Total current liabilities	80,199	102,422
Long-term liabilities:		
Long-term debt	190,898	177,703
Long-term liabilities, less current portion	4,616	4,405
Pension and other postretirement benefit obligations	9,407	10,061
Total liabilities	285,120	294,591

Stockholders equity:				
Common stock, $0.01 par value, 2,000,000,000 shares authorized at June 29, 2014 and December 29, 2013; 30,015,870 and 30,000,000 issued and 30,015,870 and 30,000,000 outstanding at June 29, 2014 and December 29, 2013, respectively		300		300
Additional paid-in capital		387,419		387,398
Accumulated other comprehensive income		458		458
(Accumulated deficit) retained earnings		(2,754)		7,206
Total stockholders equity		385,423		395,362
Total liabilities and stockholders equity	$	670,543	$	689,953

See accompanying notes to unaudited condensed consolidated financial statements.

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NEW MEDIA INVESTMENT GROUP INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Operations and Comprehensive Loss

(In thousands, except share and per share data)

	Successor Company Three months ended June 29, 2014	Predecessor Company Three months ended June 30, 2013	Successor Company Six months ended June 29, 2014	Predecessor Company Six months ended June 30, 2013
Revenues:				
Advertising	$ 95,837	$ 79,220	$ 178,460	$ 150,559
Circulation	46,102	33,047	90,471	65,513
Commercial printing and other	16,494	7,331	31,535	14,107
Total revenues	158,433	119,598	300,466	230,179
Operating costs and expenses:				
Operating costs	87,615	64,978	172,470	129,998
Selling, general, and administrative	52,235	41,156	102,251	78,722
Depreciation and amortization	10,109	9,791	19,918	19,636
Integration and reorganization costs	412	741	837	958
Loss on sale of assets	688	649	687	1,043
Operating income (loss)	7,374	2,283	4,303	(178)
Interest expense	3,827	14,456	7,632	28,886
Amortization of deferred financing costs	333	261	758	522
Loss on early extinguishment of debt	9,047		9,047	
Loss on derivative instruments	76	5	51	9
Other (income) expense	(159)	737	(158)	1,008
Loss from continuing operations before income taxes	(5,750)	(13,176)	(13,027)	(30,603)
Income tax benefit	(2,481)		(3,067)	
Loss from continuing operations	(3,269)	(13,176)	(9,960)	(30,603)
Loss from discontinued operations, net of income taxes		(946)		(1,034)
Net loss	(3,269)	(14,122)	(9,960)	(31,637)
Loss per share:				
Basic and diluted:				

Loss from continuing operations	$ (0.11)	$ (0.23)	$ (0.33)	$ (0.53)
Loss from discontinued operations, net of income taxes		(0.01)		(0.01)
Net loss	$ (0.11)	$ (0.24)	$ (0.33)	$ (0.54)
Basic weighted average shares outstanding	30,000,000	58,076,193	30,000,000	58,063,901
Diluted weighted average shares outstanding	30,000,000	58,076,193	30,000,000	58,063,901
Comprehensive loss	$ (3,269)	$ (7,126)	$ (9,960)	$ (16,923)

See accompanying notes to unaudited condensed consolidated financial statements.

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NEW MEDIA INVESTMENT GROUP INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Statement of Stockholders Equity

(In thousands, except share data)

	Common stock Shares	Amount	Additional paid-in capital	Accumulated other comprehensive income	(Accumulated deficit) retained earnings	Total
Balance at December 30, 2013	30,000,000	$ 300	$ 387,398	$ 458	$ 7,206	$ 395,362
Net loss					(9,960)	(9,960)
Restricted share grants	15,870					
Non-cash compensation expense			21			21
Balance at June 29, 2014	30,015,870	$ 300	$ 387,419	$ 458	$ (2,754)	$ 385,423

See accompanying notes to unaudited condensed consolidated financial statements.

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NEW MEDIA INVESTMENT GROUP INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Cash Flows

(In thousands)

	Successor Company Six months ended June 29, 2014	Predecessor Company Six months ended June 30, 2013
Cash flows from operating activities:		
Net loss	$ (9,960)	$ (31,637)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	19,918	19,693
Amortization of deferred financing costs	758	522
Loss on derivative instruments, realized and unrealized	(25)	9
Non-cash compensation expense	21	25
Non-cash interest expense	107	
Non-cash loss on early extinguishment of debt	5,949	
Loss on sale of assets	687	2,198
Pension and other postretirement benefit obligations	(669)	(428)
Changes in assets and liabilities:		
Accounts receivable, net	6,783	4,912
Inventory	392	710
Prepaid expenses	234	518
Other assets	(4,046)	194
Accounts payable	(5,667)	(293)
Accrued expenses	(12,106)	2,591
Deferred revenue	594	112
Other long-term liabilities	211	(215)
Net cash provided by (used in) operating activities	3,181	(1,089)
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(1,639)	(2,018)
Proceeds from sale of assets	311	740
Acquisitions, net of cash acquired	(8,028)	
Net cash used in investing activities	(9,356)	(1,278)
Cash flows from financing activities:		
Payment of debt issuance costs	(4,565)	
Borrowings under term loans	193,275	
Borrowings under revolving credit facility	7,068	
Repayments under long-term debt	(157,999)	(6,648)

Repayments under revolving credit facility		(32,068)		
Net cash provided by (used in) financing activities		5,711		(6,648)
Net decrease in cash and cash equivalents		(464)		(9,015)
Cash and cash equivalents at beginning of period		31,811		34,527
Cash and cash equivalents at end of period	$	31,347	$	25,512

See accompanying notes to unaudited condensed consolidated financial statements.

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NEW MEDIA INVESTMENT GROUP INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, except share and per share data)

(1) Unaudited Financial Statements

The accompanying unaudited condensed consolidated financial statements of New Media Investment Group Inc. and its subsidiaries (together, the Company or New Media) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and applicable provisions of Regulation S-X, each as promulgated by the Securities and Exchange Commission (the SEC). Certain information and note disclosures normally included in comprehensive annual financial statements presented in accordance with GAAP have generally been condensed or omitted pursuant to SEC rules and regulations.

Management believes that the accompanying condensed consolidated financial statements contain all adjustments (which include normal recurring adjustments) that, in the opinion of management, are necessary to present fairly the Company s consolidated financial condition, results of operations and cash flows for the periods presented. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the full year. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 29, 2013, included in the Company s Annual Report on Form 10-K.

The preparation of financial statements in conformity with 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.

New Media, formerly known as GateHouse Media, Inc. (GateHouse or Predecessor), was formed as a Delaware corporation on June 18, 2013. New Media was capitalized and issued 1,000 common shares to Newcastle Investment Corp. (Newcastle). Newcastle owned approximately 84.6% of New Media until February 13, 2014, upon which date Newcastle distributed the shares that it held in New Media to its shareholders on a pro rata basis. New Media had no operations until November 26, 2013, when it assumed control of GateHouse and Local Media Group Holdings LLC (Local Media Parent). The Predecessor and certain of its subsidiaries (collectively, the Debtors) filed voluntary petitions under Chapter 11 of title 11 of the U.S. Bankruptcy Code (the Bankruptcy Code), in the U.S. Bankruptcy Court for the District of Delaware (the Bankruptcy Court) on September 27, 2013. On November 6, 2013 (the Confirmation Date), the Bankruptcy Court confirmed the plan of reorganization (the Plan or Plan of Reorganization) and on November 26, 2013 (the Effective Date), the Debtors emerged from Chapter 11.

As discussed in Note 2, upon emerging from Chapter 11 protection, the Debtors adopted fresh start accounting in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), Topic 852, *Reorganizations* (ASC 852). The adoption of fresh start accounting resulted in the Company becoming a new entity for financial reporting purposes as of November 6, 2013. Accordingly, the consolidated financial statements on November 7, 2013 and subsequent periods are not comparable, in various material respects, to the Company s consolidated financial statements prior to that date.

GateHouse was determined to be the predecessor to New Media, as the operations of GateHouse comprise substantially all of the business operations of the combined entities. As such, the consolidated financial statements presented herein for all periods prior to November 6, 2013 reflect the historical consolidated financial statements of the Predecessor and its subsidiaries. Further, the Reorganization Value, as defined below, of the Predecessor at the Confirmation Date, approximated fair value as of November 26, 2013.

The Company, when used in reference to the period subsequent to the application of fresh start accounting on November 6, 2013, refers to the Successor Company, and when used in reference to periods prior to fresh start accounting, refers to the Predecessor Company.

The Company s operating segments (Large Community Newspapers, Small Community Newspapers, Local Media Newspapers and Ventures) are aggregated into one reportable segment.

The newspaper industry and the Predecessor have experienced declining same store revenue and profitability over the past several years. As a result, the Company s Predecessor previously implemented, and the Company continues to implement, plans to reduce costs and preserve cash flow. This includes cost reduction programs and the sale of non-core assets. The Company believes these initiatives will provide it with the financial resources necessary to invest in the business and provide sufficient cash flow to enable the Company to meet its commitments for the next year.

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For the six months ended June 29, 2014 and June 30, 2013 the Company excluded 1,362,479 and 0 common stock warrants and 15,870 and 0 restricted stock grants, respectively, from the computation of diluted income per share because their effect would have been antidilutive.

Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) by component for the six months ended June 29, 2014 are outlined below.

	Gain (loss) on derivative instruments	Net actuarial loss and prior service cost[1]	Total
For the six months ended June 30, 2013, Predecessor Company:			
Balance at December 30, 2012, Predecessor Company	$ (45,651)	$ (6,991)	$ (52,642)
Other comprehensive income before reclassifications	(396)		(396)
Amounts reclassified from accumulated other comprehensive loss	15,076	34	15,110
Net current period other comprehensive income, net of taxes	14,680	34	14,714
Balance at June 30, 2013, Predecessor Company	$ (30,971)	$ (6,957)	$ (37,928)
For the six months ended June 29, 2014, Successor Company:			
Balance at December 29, 2013, Successor Company	$	$ 458	$ 458
Other comprehensive income before reclassifications			
Amounts reclassified from accumulated other comprehensive income			
Net current period other comprehensive income, net of taxes			
Balance at June 29, 2014, Successor Company	$	$ 458	$ 458

(1) This accumulated other comprehensive income (loss) component is included in the computation of net periodic benefit cost and there was no amortization for the Successor Company during the six months ended June 29, 2014 due to the impact of fresh start accounting. See Note 11.

The following table presents reclassifications out of accumulated other comprehensive income (loss) for the Successor Company for the three and six months ended June 29, 2014 and the Predecessor Company for the three and six months ended June 30, 2013.

	Amounts Reclassified from Accumulated Other Comprehensive Loss				
	Successor Company Three months ended June 29, 2014	Predecessor Company Three months ended June 30, 2013	Successor Company Six months ended June 29, 2014	Predecessor Company Six months ended June 30, 2013	Affected Line Item in the Consolidated Statements of Operations and Comprehensive Income (Loss)
Realized gain on interest rate swap agreements, designated as cash flow hedges	$	$ 7,543	$	$ 15,076	Interest expense
Amortization of prior service cost		(114)		(228)	(1)
Amortization of unrecognized loss		131		262	(1)
Amounts reclassified from accumulated other comprehensive loss		7,560		15,110	Loss from continuing operations before income taxes
Income tax expense					Income tax expense
Amounts reclassified from accumulated other comprehensive loss, net of taxes	$	$ 7,560	$	$ 15,110	Net loss

(1) This accumulated other comprehensive income (loss) component is included in the computation of net periodic benefit cost. See Note 11.

Recently Issued Accounting Pronouncements

In July 2013, the FASB issued Accounting Standard Update (ASU) No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists which requires an unrecognized tax benefit to be presented as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward that the entity intends to use as of the reporting date. The Company adopted the provisions of ASU No. 2013-11 in fiscal year 2014. The amendments in ASU No. 2013-11 did not have a material impact on the financial statements.

In April 2014, the FASB issued ASU No. 2014-08, Presentation of Financial Statements and Property, Plant, and Equipment: Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity . ASU 2014-08 changes the criteria for reporting discontinued operations while enhancing disclosures in this area and is effective for annual and interim periods beginning after December 15, 2014. The amendments in ASU No. 2014-08 are not expected to have a material impact on the financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. ASU 2014-09 will replace all current U.S. GAAP guidance on this topic and eliminate all industry-specific guidance. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance will be effective for annual and interim reporting periods beginning after December 15, 2016. The Company is currently reviewing the amendments in ASU No. 2014-09, but does not expect them to have a material impact on the financial statements.

(2) Voluntary Reorganization Under Chapter 11

Predecessor and certain of its subsidiaries commenced voluntary Chapter 11 bankruptcy proceedings in the Bankruptcy Court on September 27, 2013 (the Petition Date). Concurrent with the bankruptcy filing, the Predecessor filed and requested confirmation of the Plan.

The Plan restructured the Predecessor debt as follows:

(a) Each holder of the Predecessor debt (Creditors) received, in full and final satisfaction of its respective claim, at its election (with respect to all or any portion of its claims) to be made in connection with solicitation of the Plan, its pro rata share of either:

i. Cash pursuant to the Cash-Out Offer (the Cash-Out Option). In connection with the Plan, Newcastle (or its designated affiliates) offered to purchase, in cash, an amount equal to 40% of the sum of (a) $1,167,450 of principal of the claims under the 2007 Credit Facility (as defined below), plus (b) accrued and unpaid interest at the applicable contract non-default rate with respect thereto, plus (c) all amounts due under and subject to the terms of the interest rate swaps secured under the 2007 Credit Facility (for the avoidance of doubt, excluding any default interest) on the Effective Date of the Plan; or

ii. (A) Common Stock, par value $0.01 per share, of New Media (New Media Common Stock) (subject to dilution as discussed herein) and (B) the net proceeds, net of certain transaction costs (collectively, the New Media Equity Option). Creditors who elected the New Media Equity Option received in satisfaction of their claims, a pro rata share of New Media Common Stock and the net proceeds from the Successor Company s credit facilities entered into on November 26, 2013, net of certain transaction costs.

(b) Pension, trade and all other unsecured claims were unimpaired by the Plan.

(c) The interest of holders of equity interests in the Predecessor Company, including warrants, rights and options to acquire such equity interests (Former Equity Holders), were cancelled, and Former Equity Holders received 10-year warrants, collectively representing the right to acquire, in the aggregate, equity equal to 5% of the issued and outstanding shares of New Media (the New Media Warrants) (subject to dilution) as of the Effective Date.

Contribution of Local Media Group Holdings LLC

Local Media Parent, a wholly owned subsidiary of Newcastle, acquired Local Media Group, Inc. (Local Media), a publisher of daily and weekly newspaper publications, on September 3, 2013. Subject to the terms of the Plan, Newcastle contributed Local Media Parent and assigned its rights under the related stock purchase agreement to New Media on the Effective Date (the Local Media Contribution) in exchange for shares of New Media Common Stock equal in value to the cost of the Local Media Acquisition (as defined below) (as adjusted pursuant to the Plan) based upon the equity value of New Media as of the Effective Date prior to the contribution.

Fresh Start Accounting

Upon confirmation of the Plan by the Bankruptcy Court on the Effective Date, the Company satisfied the remaining material conditions to complete the implementation of the Plan, and as a result, the Company adopted fresh start accounting as (i) the reorganization value of the assets of the Successor Company immediately before the date of confirmation of the Plan was less than the total of all post-petition liabilities and allowed claims and (ii) the holders of the Predecessor s voting shares immediately before confirmation of the Plan received less than 50% of the voting shares of the emerging entity.

The Bankruptcy Court confirmed the Plan based upon an estimated enterprise value of the Company between $385,000 and $515,000, which was estimated using various valuation methods, including (i) a comparison of the Company and its projected performance to the market values of comparable companies; (ii) a review and analysis of several recent transactions of companies in similar industries to the Company; and (iii) a calculation of the present value of the future cash flows of the Company based on its projections. The Company concluded the enterprise value was $489,931 based upon the Cash-Out Offer and equity distribution plus estimated transaction fees.

The determination of the estimated reorganization value was based on a discounted cash flow analysis. This value was reconciled to the transaction value as outlined within the Plan and was within a reasonable range of comparable market multiples. The assumptions used in the calculations for the discounted cash flow analysis included projected revenue, costs, and cash flows through 2016 and represented the Company s best estimates at the time the analysis was prepared. While the Company considers such estimates and assumptions reasonable, they are inherently subject to significant business, economic and competitive uncertainties, many of which are beyond the Company s control and, therefore, may not be realized.

Upon adoption of fresh start accounting, the recorded amounts of assets and liabilities were adjusted to reflect their estimated fair values (the Reorganization Value). Accordingly, the reported historical financial statements of the Predecessor prior to the adoption of fresh start accounting for periods ended on or prior to November 6, 2013 are not comparable to those of the Successor Company.

In applying fresh start accounting, the Company followed these principles:

The Reorganization Value, which represents the concluded enterprise value plus excess cash and cash equivalents and non-interesting bearing liabilities, of the Predecessor was allocated to the entity s net assets in conformity with FASB ASC Topic 805, *Business Combinations* (ASC 805). The Reorganization Value exceeded the sum of the fair value assigned to assets and liabilities. This excess was recorded as Successor Company goodwill as of November 6, 2013.

Each liability existing as of the fresh start accounting date, other than deferred taxes, has been stated at the fair value, and determined at appropriate risk adjusted interest rates. Deferred taxes were reported in conformity with applicable income tax accounting standards, principally FASB ASC Topic 740, *Income Taxes* (ASC 740).

(3) Business Combinations

Local Media

On September 3, 2013, Local Media Parent, a wholly owned subsidiary of Newcastle, acquired Local Media. GateHouse entered into a management and advisory agreement with Local Media Parent, which was assigned to Local Media, to manage the operations of Local Media, which was terminated effective June 4, 2014. In return, GateHouse received compensation including an annual fee and was eligible to earn an annual incentive pay out equal to 12.5% of the EBITDA of Local Media in excess of budget. Although Newcastle indirectly owned 100% of the equity of Local Media, GateHouse managed the daily operations of Local Media. GateHouse determined that the management and advisory agreement resulted in Local Media being a variable interest entity and GateHouse had the power to direct the activities that most significantly affected the economic performance of the entity. As a result, GateHouse was the primary beneficiary and therefore consolidated Local Media s financial position and results of operations beginning on September 3, 2013. As 100% of Local Media was indirectly owned by Newcastle, the net income (loss) of Local Media was reflected in noncontrolling interest through the Confirmation Date as Newcastle contributed the net assets of Local Media Parent (the direct parent of Local Media) to New Media as part of the Plan.

The Predecessor accounted for the consolidation of Local Media under the purchase method of accounting. Accordingly, the net assets, including noncontrolling interest, were recorded at their fair values. The transaction costs were incurred by Newcastle not GateHouse. The net assets, including goodwill of Local Media were recorded in the consolidated balance sheet at their estimated fair value in accordance with ASC 805. The value allocated in consolidating Local Media, was approximately $83,450 and $2,089 of acquisition related costs were recognized. Local Media Parent contributed a net amount of $53,323 of equity and Local Media entered into a long-term debt agreement for $33,000. Local Media consists of eight daily and fifteen weekly newspapers as well as ten shopper publications, serving areas of New York, Massachusetts, California, Pennsylvania, Oregon and New Hampshire. The results of operations for Local Media were included in the Predecessor s consolidated financial statements from September 3, 2013.

The following table summarizes estimated fair values of the Local Media assets and liabilities as of September 3, 2013:

Current assets	$ 18,349
Property, plant and equipment	73,718
Mastheads	4,100
Goodwill	462
Total assets	96,629
Current liabilities	13,179
Total liabilities	13,179
Net assets	$ 83,450

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The Predecessor obtained third party independent appraisals to assist in the determination of the fair values of property, plant and equipment and intangible assets. The property, plant and equipment appraisal included an analysis of recent comparable sales and offerings of land parcels in each of the subject s markets. The appraised value is supported with consideration and use of standard accepted appraisal practices and valuation procedures. The appraiser used the three basic approaches to value: the cost approach (used for equipment where an active secondary market is not available and building improvements), the direct sales comparison (market) approach (used for land and equipment where an active secondary market is available) and the income approach (used for intangible assets). These approaches used are based on the cost to reproduce assets, market exchanges for comparable assets and the capitalization of income. Useful lives range from 1 to 7 years for personal property and 17 to 38 years for real property.

The appraisal utilized a relief from royalty method, an income approach, to determine the fair value of mastheads. Key assumptions utilized in this valuation include revenue projections, a royalty rate of 1.5%, long term growth rate of 0%, tax rate of 39.2% and discount rate of 25.0%. Based on estimated discount rates, attrition levels and other available data, the advertiser and subscriber relationships were determined to have a fair value of $0.

Trade accounts receivable, having an estimated fair value of $13,427, were included in the acquired assets. The gross contractual amount of these receivables was $14,937 and the contractual cash flows not expected to be collected was estimated at $1,510 as of the acquisition date.

Local Media accounted for inventory using a weighted cost methodology, which was deemed to approximate fair value. The FIFO valuation method is used and is consistent with the Company s inventory valuation. The difference between the weighted average and FIFO methodology does not have a material effect on the results of operations.

For tax purposes, the amount of goodwill that is expected to be deductible is $1,187 as of June 29, 2014. This amount includes goodwill adjustments related to fresh start accounting.

Other Acquisition

During the six months ended June 29, 2014 the Company acquired two daily and three weekly publications in Victorville, CA for an aggregate purchase price, including estimated working capital, of $7,885. 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 accounted for this acquisition under the purchase method of accounting. Accordingly, the assets acquired and liabilities assumed are recorded at their fair values. The net assets, including goodwill have been recorded in the condensed consolidated balance sheet at their estimated fair value in accordance with ASC 805.

The following table summarizes estimated fair values of the assets and liabilities:

Current assets	$ 940
Property, plant and equipment	5,050
Advertiser relationships	980
Subscriber relationships	600
Customer relationships	180
Mastheads	530

Goodwill	660
Total assets	8,940
Current liabilities	1,055
Total liabilities	1,055
Net assets	$ 7,885

The Company obtained third party independent appraisals to assist in the determination of the fair values of property, plant and equipment and intangible assets. The appraisal used the three basic approaches: the Cost Approach (used for equipment where an active secondary market is not available and building improvements), the Direct Sales Comparison (Market) Approach (used for land and equipment where an active secondary market is available) and the Income Approach (used for subscriber relationships, advertiser relationships, customer relationships and mastheads).

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For tax purposes, the amount of goodwill that is expected to be deductible is $660 as of June 29, 2014.

The estimated fair values are preliminary pending the finalization of the valuation.

Pro-Forma Results

The unaudited pro forma condensed consolidated statement of operations information for 2013, set forth below, presents the results of operations as if the consolidation of the newspapers from Local Media had occurred on December 31, 2012. 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.

	Three months ended June 30, 2013	Six months ended June 30, 2013
Revenues	$ 159,306	$ 305,393
Loss from continuing operations	$ (38,334)	$ (55,809)
Loss from continuing operations per common share:		
Basic	$ (0.66)	$ (0.96)
Diluted	$ (0.66)	$ (0.96)

(4) Share-Based Compensation

The Company and Predecessor recognized compensation cost for share-based payments of $18, $1, $21 and $25 during the three and six months ended June 29, 2014 and June 30, 2013, respectively. The total compensation cost not yet recognized related to non-vested awards as of June 29, 2014 was $187, which is expected to be recognized over a weighted average period of 2.71 years through March 2017.

On February 3, 2014, the Board of Directors of New Media adopted the New Media Investment Group Inc. Nonqualified Stock Option and Incentive Award Plan (the Incentive Plan) that authorized up to 15,000,000 shares that can be granted under the Incentive Plan. On the same date, the New Media Board adopted a form of the New Media Investment Group Inc. Non-Officer Director Restricted Stock Grant Agreement (the Form Grant Agreement) to govern the terms of awards of restricted stock (New Media Restricted Stock) granted under the Incentive Plan to directors who are not officers or employees of New Media (the Non-Officer Directors). The Form Grant Agreement provides for the grant of New Media Restricted Stock that vests in equal annual installments on each of the first, second and third anniversaries of the grant date, subject to the Non-Officer Director s continued service as a member of the New Media Board, and immediate vesting in full upon his or her death or disability. If the non-officer director s service terminates for any other reason, all unvested shares of New Media Restricted Stock will be forfeited. Any dividends or other distributions that are declared with respect to the shares of New Media Restricted Stock will be paid to the Non-Officer Director at the time such shares vest. During the period prior to the lapse and removal of the vesting restrictions, a grantee of a Restricted Share Grant (RSG) will have all 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. The value of the Non-Officer Director RSGs on the date of issuance is recognized as selling, general and administrative expense over the vesting period with an increase to additional paid-in-capital. On March 14, 2014, a grant of restricted shares totaling 15,870 shares was made to the Company s Non-Officer Directors.

Under the Predecessor s GateHouse Media, Inc. Omnibus Stock Incentive Plan (the Predecessor RSG Plan), 266,795 RSGs were granted to Company directors, management and employees, 42,535 of which were both granted and forfeited during the year ended December 31, 2008. An additional 100,000 RSGs were granted to Company management during the year ended December 31, 2009. The majority of the RSGs issued under the Predecessor RSG Plan vested in increments of one-third on each of the first, second and third anniversaries of the grant date. All Predecessor RSGs vested prior to the Predecessor filing for bankruptcy.

As of June 29, 2014 and June 30, 2013, there were 15,870 and 0 RSGs, respectively, issued and outstanding with a weighted average grant date fair value of $14.18 and $0.00, respectively. As of June 29, 2014, the aggregate intrinsic value of unvested RSGs was $217. During the six months ended June 29, 2014, the aggregate fair value of vested RSGs was $0.

RSG activity during the six months ended June 29, 2014 was as follows:

	Number of RSGs	**Weighted-Average Grant Date Fair Value**
Unvested at December 29, 2013		$
Granted	15,870	14.18
Unvested at June 29, 2014	15,870	$ 14.18

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FASB ASC Topic 718, *Compensation Stock Compensation*, 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 the Company s historical forfeiture rates. Estimated forfeitures are reassessed periodically and the estimate may change based on new facts and circumstances.

(5) Restructuring

Over the past several years, and in furtherance of the Company s cost reduction and cash flow preservation plans outlined in Note 1, the Company has engaged in a series of individual restructuring programs, designed primarily to right size the Company s employee base, consolidate facilities and improve its operations. These initiatives impact all of the Company s geographic regions and are often influenced by the terms of union contracts within each region. All costs related to these programs, which primarily reflect severance expense, are accrued at the time of announcement.

Information related to restructuring program activity for the Successor Company for the six months ended June 29, 2014 and the two months ended December 29, 2013, and for the Predecessor Company for the ten months ended November 6, 2013 is outlined below.

	Severance and Related Costs	Other Costs(1)	Total
Balance at December 30, 2012, Predecessor Company	$ 684	$ 164	$ 848
Restructuring provision included in integration and reorganization	1,539	38	1,577
Cash payments	(1,738)	(207)	(1,945)
Balance at November 6, 2013, Predecessor Company	$ 485	$ (5)	$ 480
Restructuring provision included in Integration and Reorganization(2)	1,758		1,758
Cash payments	(501)		(501)
Balance at December 29, 2013, Successor Company	$ 1,742	$ (5)	$ 1,737
Restructuring provision included in Integration and Reorganization	1,465		1,465
Reversals of prior accruals included in Integration and Reorganization	(628)		(628)
Cash payments	(1,621)	5	(1,616)
Balance at June 29, 2014, Successor Company	$ 958	$	$ 958

(1) Other costs primarily included costs to consolidate operations.

(2)

Included above are amounts that were initially recognized in integration and reorganization costs and were subsequently reclassified to discontinued operations expense at the time the affected operations ceased.

The restructuring reserve balance, which is included in accrued expenses, as of June 29, 2014, for all programs was $958, which is expected to be paid out over the next twelve months.

The following table summarizes the costs incurred and cash paid in connection with these restructuring programs for the three and six months ended June 29, 2014 and June 30, 2013.

	Successor Company Three Months Ended June 29, 2014	Predecessor Company Three Months Ended June 30, 2013	Successor Company Six Months Ended June 29, 2014	Predecessor Company Six Months Ended June 30, 2013
Severance and related costs	$ 1,040	$ 726	$ 1,465	$ 920
Reversals of prior accruals	(628)		(628)	
Other costs		15		38
Cash payments	(812)	(371)	(1,616)	(1,021)

(6) Goodwill and Intangible Assets

Goodwill and intangible assets consisted of the following:

	June 29, 2014		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Advertiser relationships	$ 59,500	$ 2,487	$ 57,013
Customer relationships	5,870	267	5,603
Subscriber relationships	36,720	1,493	35,227

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	June 29, 2014		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Trade name	270	18	252
Total	$ 102,360	$ 4,265	$ 98,095
Nonamortized intangible assets:			
Goodwill	$ 126,571		
Mastheads	46,380		
Total	$ 172,951		

	December 29, 2013		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:			
Advertiser relationships	$ 58,520	$ 610	$ 57,910
Customer relationships	5,690	59	5,631
Subscriber relationships	36,120	375	35,745
Trade name	270	5	265
Total	$ 100,600	$ 1,049	$ 99,551
Nonamortized intangible assets:			
Goodwill	$ 125,911		
Mastheads	45,850		
Total	$ 171,761		

As of June 29, 2014, the weighted average amortization periods for amortizable intangible assets are 15.9 years for advertiser relationships, 15.9 years for customer relationships, 16.0 years for subscriber relationships and 10.0 years for trade names. The weighted average amortization period in total for all amortizable intangible assets is 15.9 years.

Amortization expense for the Successor Company for the three and six months ended June 29, 2014 and for the Predecessor Company for the three and six months ended June 30, 2013 was $1,623, $5,823, $3,216 and $11,668, respectively. Estimated future amortization expense as of June 29, 2014 is as follows:

For the years ending the Sunday closest to December 31:

2014	$ 3,244
2015	6,457
2016	6,457
2017	6,457
2018	6,457

Thereafter	69,023
Total	$ 98,095

The changes in the carrying amount of goodwill for the period from December 29, 2013 to June 29, 2014 are as follows:

Balance at December 29, 2013	$ 125,911
Goodwill acquired in business combination	660
Balance at June 29, 2014	$ 126,571

The Company s annual impairment assessment is made on the last day of its fiscal second quarter.

As of March 30, 2014 and December 29, 2013, a review of impairment indicators was performed with the Company noting that its financial results and forecast had not changed materially since the fresh start accounting on November 6, 2013 and it was determined that no indicators of impairment were present.

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The carrying value of goodwill and indefinite-lived intangible assets are evaluated for possible impairment on an annual basis or between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit or indefinite-lived intangible asset below its carrying value. We are required to determine goodwill impairment using a two-step process. The first step is used to identify potential impairment by comparing the fair value of a reporting unit with its carrying amount. If the carrying amount of a reporting unit exceeds its fair value, the second step of the impairment test is performed to measure the amount of impairment loss, if any. If the carrying amount of the reporting unit s goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

As part of the annual impairment assessments, as of June 29, 2014 the fair values of the Company s reporting units for goodwill impairment testing, which include Large Daily Newspapers, Metro Newspapers, Small Community Newspapers, Local Media Newspapers, and Ventures, and newspaper mastheads were estimated using the expected present value of future cash flows, recent industry multiples and using estimates, judgments and assumptions that management believes were appropriate in the circumstances. The estimates and judgments used in the assessment included multiples for revenue and EBITDA, the weighted average cost of capital and the terminal growth rate. The Company determined that the future cash flow and industry multiple analyses provided the best estimate of the fair value of its reporting units. As a result of the annual assessments Step 1 analysis that was performed, no impairment of goodwill was identified. The Company uses a relief from royalty approach which utilizes a discounted cash flow model to determine the fair value of each masthead. Additionally, the estimated fair value exceeded carrying value for all mastheads. The total Company s estimate of reporting unit fair value was reconciled to its then market capitalization (based upon the stock market price and fair value of debt) plus an estimated control premium.

Given the recent revaluation of assets related to fresh start accounting, there is a relatively small amount of fair value excess for certain reporting units. Specifically the fair value of the Large Daily Newspapers, Metro Newspapers and Small Community Newspaper reporting units exceeded carrying value by less than 10%. In addition, the masthead fair value for these groups exceeded carrying value by less than 3%. Considering a relatively low headroom for these reporting units and mastheads and declining same store revenue and profitability in the newspaper industry over the past several years, these are considered to be at risk for a future impairment in the event of decline in general economic, market or business conditions or any significant unfavorable changes in the forecasted cash flows, weighted-average cost of capital and/or market transaction multiples.

(7) Indebtedness

Successor Company

GateHouse Credit Facilities

The Revolving Credit, Term Loan and Security Agreement (the First Lien Credit Facility) dated November 26, 2013 by and among GateHouse, GateHouse Media Intermediate Holdco, LLC formerly known as GateHouse Media Intermediate Holdco, Inc. (GMIH), certain wholly-owned subsidiaries of GMIH, all of which are wholly owned subsidiaries of New Media (collectively with GMIH and GateHouse, the Loan Parties), PNC Bank, National Association, as the administrative agent, Crystal Financial LLC, as term loan B agent, and each of the lenders party thereto provided for (i) a term loan A in the aggregate principal amount of $25,000, (ii) a term loan B in the aggregate principal amount of $50,000, (iii) and a revolving credit facility in an aggregate principal amount of up to $40,000.

The Term Loan and Security Agreement (the Second Lien Credit Facility and together with the First Lien Credit Facility, the GateHouse Credit Facilities) dated November 26, 2013 by and among the Loan Parties, Mutual Quest Fund and each of the lenders party thereto provided for a term loan in an aggregate principal amount of $50,000. The

GateHouse Credit Facilities were secured by a first and second priority security interest in substantially all the assets of the Loan Parties.

The GateHouse Credit Facilities imposed upon GateHouse certain financial and operating covenants, including, among others, requirements that GateHouse satisfy certain financial tests, including a minimum fixed charge coverage ratio of not less than 1.0 to 1.0, a maximum leverage ratio of not greater than 3.25 to 1.0, a minimum EBITDA and a limitation on capital expenditures, and restrictions on GateHouse s ability to incur additional debt, incur liens and encumbrances, consolidate, amalgamate or merge with any other person, pay dividends, dispose of assets, make certain restricted payments, engage in transactions with affiliates, materially alter the business it conducts and taking certain other corporate actions.

The GateHouse Credit Facilities were paid in full on June 4, 2014.

Local Media Credit Facility

Certain of Local Media Parent s subsidiaries (together, the Borrowers) and Local Media Parent entered into a Credit Agreement, dated as of September 3, 2013, with a syndicate of financial institutions with Credit Suisse AG, Cayman Islands Branch, as administrative agent (the Local Media Credit Facility).

The Local Media Credit Facility provided for: (a) a $33,000 term loan facility; and (b) a $10,000 revolving credit facility, with a $3,000 sub-facility for letters of credit and a $4,000 sub-facility for swing loans. The Borrowers used the proceeds of the Local Media Credit Facility to (a) fund a portion of the acquisition of Dow Jones Local Media Group, Inc., a Delaware corporation (the Local Media Acquisition), (b) provide for working capital and other general corporate purposes of the Borrowers and (c) fund certain fees, costs and expenses associated with the transactions contemplated by the Local Media Credit Facility and consummation of the Local Media Acquisition. The Local Media Credit Facility was secured by a first priority security interest in substantially all assets of the Borrowers and Local Media Parent. In addition, the loans and other obligations of the Borrowers under the Local Media Credit Facility are guaranteed by Local Media Group Holdings LLC.

The Local Media Credit Facility contained financial covenants that required Local Media Parent and the Borrowers to maintain (a) a Leverage Ratio of not more than 2.5 to 1.0 and a Fixed Charge Coverage Ratio (as defined in the Local Media Credit Facility) of at least 2.0 to 1.0, each measured at the end of each fiscal quarter for the four-quarter period then ended. The Local Media Credit Facility contained affirmative and negative covenants applicable to Local Media and the Borrowers customarily found in loan agreements for similar transactions, including, but not limited to, 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, pay dividends or make other restricted payments. The Local Media Credit Facility contained customary events of default, including, but not limited to, defaults based on a failure to pay principal, interest, fees or other obligations, subject to specified grace periods (other than with respect to principal); any material inaccuracy of representation or warranty; breach of covenants; default in other material indebtedness; a Change of Control (as defined in the Local Media Credit Facility); bankruptcy and insolvency events; material judgments; certain ERISA events; and impairment of collateral. The Local Media Credit Facility was amended on October 17, 2013 and February 28, 2014. The October 17, 2013 amendment corrected a typographical mistake. The February 28, 2014 amendment provided that among other things, sales of real property collateral and reinvestment of the proceeds from such sale could only be made with the consent of the Administrative Agent, modified the properties included in the real property collateral, and set forth in detail the documentary post-closing requirements with respect to the real property collateral.

The Local Media Credit Facility was paid in full on June 4, 2014.

New Media Credit Agreement

On June 4, 2014, New Media Holdings II LLC (the New Media Borrower), a wholly owned subsidiary of New Media, entered into a credit agreement (the New Media Credit Agreement) among the New Media Borrower, New Media Holdings I LLC (Holdings I), the lenders party thereto, RBS Citizens, N.A. and Credit Suisse Securities (USA) LLC as joint lead arrangers and joint bookrunners, Credit Suisse AG, Cayman Islands Branch as syndication agent and Citizens Bank of Pennsylvania as administration agent which provides for (i) a $200,000 senior secured term facility (the Term Loan Facility) and (ii) a $25,000 senior secured revolving credit facility, with a $5,000 sub-facility for letters of credit and a $5,000 sub-facility for swing loans, (the Revolving Credit Facility and together with the Term Loan Facility, the Senior Secured Credit Facilities). In addition, the New Media Borrower may request one or more new commitments for term loans or revolving loans from time to time up to an aggregate total of $75,000 (the Incremental Facility) subject to certain conditions. On June 4, 2014, the New Media Borrower borrowed $200,000 under the Term Loan Facility (the Term Loans). The Term Loans mature on June 4, 2020 and the maturity date for the Revolving Credit Facility is June 4, 2019.

The proceeds of the Term Loans, which included a $6,725 original issue discount, were used to repay in full all amounts outstanding under the GateHouse Credit Facilities, the Local Media Credit Facility and to pay fees associated with the financing, with the balance going to the Company for general corporate purposes.

Borrowings under the Term Loan Facility bear interest, at the New Media Borrower s option, at a rate equal to either (i) the Eurodollar Rate (as defined in the New Media Credit Agreement), plus an applicable margin equal to 6.25% per annum (subject to a Eurodollar Rate floor of 1.00%) or (ii) the Base Rate (as defined in the New Media Credit Agreement), plus an applicable margin equal to 5.25% per annum (subject to a Base Rate floor of 2.00%).

Borrowings under the Revolving Credit Facility bear interest, at the New Media Borrower s option, at a rate equal to either (i) the Eurodollar Rate, plus an applicable margin equal to 5.25% per annum or (ii) the Base Rate, plus an applicable margin equal to 4.25% per annum, with a step down based on achievement of a certain total leverage ratio.

If any borrowings under the Incremental Facility have an all-in yield more than 50 basis points greater than the Term Loans (the Incremental Yield), the all-in yield for the Term Loans shall be adjusted to be 50 basis points less than the Incremental Yield.

The Senior Secured Credit Facilities are unconditionally guaranteed by Holdings I and certain subsidiaries of the New Media Borrower (collectively, the Guarantors) and is required to be guaranteed by all future material wholly-owned domestic subsidiaries, subject to certain exceptions. All obligations under the New Media Credit Agreement are secured, subject to certain exceptions, by substantially all of the New Media Borrower s assets and the assets of the Guarantors, including (a) a pledge of 100% of the equity interests of the New Media Borrower and the Guarantors (other than Holdings I), (b) a mortgage lien on the New Media Borrower s material real property and that of the Guarantors and (c) all proceeds of the foregoing.

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Repayments made under the Term Loans are equal to 1.0% annually of the original principal amount in equal quarterly installments for the life of the Term Loans, with the remainder due at maturity. The New Media Borrower is permitted to make voluntary prepayments at any time without premium or penalty, except in the case of prepayments made in connection with certain repricing transactions with respect to the Term Loans effected within six months of the closing date of the New Media Credit Agreement, to which a 1.00% prepayment premium applies. The New Media Borrower is required to repay borrowings under the Senior Secured Credit Facilities (without payment of a premium) with (i) net cash proceeds of certain debt obligations (except as otherwise permitted under the New Media Credit Agreement), (ii) net cash proceeds from non-ordinary course asset sales (subject to reinvestment rights and other exceptions), and (iii) commencing with the Company s fiscal year started December 30, 2013, 100% of Excess Cash Flow (as defined in the New Media Credit Agreement), subject to step-downs to 50%, 25% and 0% of Excess Cash Flow based on achievement of a total leverage ratio of less than or equal to 3.00 to 1.00 but greater than 2.75 to 1.00; less than or equal to 2.75 to 1.00 but greater than 2.50 to 1.00; and less than or equal to 2.50 to 1.00, respectively.

The New Media Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants applicable to Holdings I, the New Media Borrower and the New Media Borrower s subsidiaries, including, among other things, restrictions on indebtedness, liens, investments, fundamental changes, dispositions, and dividends and other distributions. The New Media Credit Agreement contains a financial covenant that requires Holdings I, the New Media Borrower and the New Media Borrower s subsidiaries to maintain a maximum total leverage ratio of 3.25 to 1.00. The New Media Credit Agreement contains customary events of default. The foregoing descriptions of the Senior Secured Credit Facilities are qualified in their entirety by reference to the Senior Secured Credit Facilities. The New Media Credit Agreement was amended on July 17, 2014 to cure an omission.

One lender under the New Media Credit Agreement was also a lender under the GateHouse Credit Facilities. This portion of the transaction was accounted for as a modification under ASC Subtopic 470-50, *Debt Modifications and Extinguishments* (ASC Subtopic 470-50), as the difference between the present value of the cash flows under the New Media Credit Agreement and the present value of the cash flows under the GateHouse Credit Facilities was less than 10%. The unamortized deferred financing costs and original issuance discount balances as of the refinance date pertaining to this lender s portion of the GateHouse Credit Facilities will be amortized over the terms of the new facility. The remaining portion of the GateHouse Credit Facilities and the Local Media Credit Facility debt refinancing constituted an extinguishment of debt under ASC Subtopic 470-50, and was accounted for accordingly. In connection with this transaction, the Company incurred approximately $10,202 of fees and expenses, of which $6,725 were recognized as original issue discount and $1,700 were capitalized as deferred financing costs. These amounts will be amortized over the term of the new Senior Secured Credit Facilities. Additionally, the Company recorded a loss on early extinguishment of debt of $9,047 associated with this transaction, which consisted of the write-off of unamortized deferred financing costs and other expenses not eligible for capitalization under ASC Subtopic 470-50.

As of June 29, 2014, the Company is in compliance with all of the covenants and obligations under the New Media Credit Agreement.

Fair Value

The fair value of long-term debt under the Senior Secured Credit Facilities was estimated at $200,000 as of June 29, 2014, based on discounted future contractual cash flows and a market interest rate adjusted for necessary risks, including the Company s own credit risk as there are no rates currently observable in publically traded debt markets of risk with similar terms and average maturities. Accordingly, the Company s long-term debt under the Senior Secured Credit Facilities is classified within Level 3 of the fair value hierarchy.

Payment Schedule

As of June 29, 2014, scheduled principal payments of outstanding debt are as follows:

2014	$ 500
2015	2,000
2016	2,000
2017	2,500
2018	1,500
Thereafter	191,500
	$ 200,000
Less: Short-term debt	1,500
Less: Remaining original issue discount	7,602
Long-term debt	$ 190,898

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Predecessor Company

As part of the Restructuring, the Predecessor s previous long term debt was extinguished pursuant to the Support Agreement on the Effective Date of the Plan.

2007 Credit Facility

GateHouse Media Operating, Inc. now known as GateHouse Media Operating, LLC (Operating), an indirect wholly-owned subsidiary of the Company, GateHouse Media Holdco, Inc. now known as GateHouse Media Holdco, LLC (Holdco), an indirect wholly-owned subsidiary of the Company, and certain of their subsidiaries (together, the Borrowers) entered into an Amended and Restated Credit Agreement, dated as of February 27, 2007, with a syndicate of financial institutions with Wells Fargo Bank, N.A., successor-by-merger to Wachovia Bank, National Association (Wells Fargo Bank), as administrative agent (the 2007 Credit Facility).

The 2007 Credit Facility, prior to execution of the Second Amendment (defined below), provided for: (a) a $670,000 term loan facility which would have matured on August 28, 2014; (b) a delayed draw term loan facility of up to $250,000 which would have matured on August 28, 2014, and (c) a revolving credit facility with a $40,000 aggregate loan commitment amount available, including a $15,000 sub-facility for letters of credit and a $10,000 swingline facility, which would have matured on February 28, 2014. The Borrowers used the proceeds of the 2007 Credit Facility to refinance existing indebtedness and for working capital and other general corporate purposes, including, without limitation, financing acquisitions permitted under the 2007 Credit Facility. The 2007 Credit Facility was secured by a first priority security interest in 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 were guaranteed, subject to specified limitations, by Holdco, Operating and their present and future direct and indirect domestic restricted subsidiaries.

The 2007 Credit Facility also contained a financial covenant that required 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 was outstanding under the revolving credit facility and other affirmative and negative covenants applicable to Holdco, Operating and their restricted subsidiaries customarily found in loan agreements for similar transactions. The 2007 Credit Facility contained 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; any material inaccuracy of a representation or warranty; breach of covenant; 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.

First Amendment to 2007 Credit Facility

On May 7, 2007, the Borrowers entered into the First Amendment to the 2007 Credit Facility (the First Amendment). The First Amendment provided, among other things, an incremental term loan facility under the 2007 Credit Facility in the amount of $275,000. As amended by the First Amendment, the 2007 Credit Facility included $1,195,000 of term loan facilities and $40,000 of a revolving credit facility.

Second Amendment to 2007 Credit Facility

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

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

In addition, the Second Amendment provided that Holdco may not incur additional term debt under the 2007 Credit Facility unless the Senior Secured Incurrence Test (as defined in the Second Amendment) was less than 4.00 to 1.00 and the current Incurrence Test (as defined in the Second Amendment) was satisfied.

Agency Amendment to 2007 Credit Facility

On April 1, 2011, the Borrowers entered into an Agency Succession and Amendment Agreement, dated as of March 30, 2011, to the 2007 Credit Facility (the Agency Amendment).

Pursuant to the Agency Amendment, among other things, (a) Wells Fargo Bank resigned as administrative agent and (b) Gleacher Products Corp. was appointed as administrative agent. In addition, the Agency Amendment effected certain amendments to the 2007 Credit Facility that provided that (x) the administrative agent need not be a lender under the 2007 Credit Facility and (y) the lenders

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holding a majority of the outstanding term loans and loan commitments under the 2007 Credit Facility have (i) the right, in their discretion, to remove the administrative agent and (ii) the right to make certain decisions and exercise certain powers under the 2007 Credit Facility that had previously been within the discretion of the administrative agent.

Fourth Amendment to 2007 Credit Facility

On September 4, 2013, the Company entered into the Fourth Amendment to the Credit Facility (the Fourth Amendment). Pursuant to the terms of the Fourth Amendment, the Company obtained the following improvement in terms: a clarified and expanded definition of Eligible Assignee ; an increase in the base amount in the formula used to calculate the Permitted Investments basket from $35,000 to a base of $50,000; the removal of the requirement that the Company s annual financial statements not have a going concern or like qualification to the audit; the removal of a cross default from any Secured Hedging Agreement to the 2007 Credit Facility; the removal of a Bankruptcy Default, as defined therein, arising from actions in furtherance of or indicating consent to the specified actions; and a waiver of any prior Default or Event of Default, as defined therein.

In consideration of the changes described above, the Company agreed to pay each of the lenders party to the Fourth Amendment that timely executed and delivered its signature to the Fourth Amendment and the RSA, an amendment fee equal to 3.5% multiplied by the aggregate outstanding amount of the Loans held (including through trades pending settlement) by such lender, unless waived in writing. Newcastle and certain other lenders elected to waive their amendment fee pursuant to the Fourth Amendment. Newcastle indemnified other Lenders with respect to their entry into the Fourth Amendment, subject to the limitations set forth in the Fourth Amendment for a total amendment fee paid of approximately $6,790.

2007 Credit Facility Excess Cash Flow Payment and Outstanding Balance

As required by the 2007 Credit Facility, as amended, on March 26, 2013 and March 15, 2012, the Company made principal payments of $6,648 and $4,600, respectively, which represented 50% of the Excess Cash Flow related to the fiscal years ended December 30, 2012 and January 1, 2012, respectively. As of December 29, 2013, a total of $0 was outstanding under the 2007 Credit Facility.

(8) Derivative Instruments

The Company is exposed to certain risks relating to its ongoing business operations. The primary risk managed by the Company using derivative instruments is interest rate risk. On February 25, 2014, the Company entered into an interest rate swap with a notional amount of $6,250, which matures in November 2018 to economically hedge the risk of fluctuations in interest payments with respect to the First Lien Credit Facility under the GateHouse Credit Facilities. The interest rate swap agreement was terminated on June 4, 2014 when the GateHouse Credit Facilities were paid in full. Under the swap agreement, the Company received interest equivalent to one-month LIBOR and paid a fixed rate of 1.5%, with settlements occurring monthly. The Company did not designate this swap as a cash flow hedge for accounting purposes. The gains (losses) on the swap were recorded in gain (loss) on derivative instruments on the consolidated statements of operations. The counterparty on the interest rate swap was PNC Bank, N.A.

The Company s derivative instruments are carried at fair value and are generally valued using models with observable market inputs that can be verified and which do not involve significant judgment. The significant observable inputs used in determining the fair value of its Level 2 derivative contracts are contractual cash flows and market based parameters such as interest rates.

The bankruptcy filing on September 27, 2013 was a termination event under the Predecessor s interest rate swap agreements. The Predecessor used certain derivative financial instruments to hedge the aggregate risk of interest rate fluctuations with respect to its borrowings under the 2007 Credit Facility, which required payments based on a variable interest rate index. These risks included: 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 Predecessor primarily used interest rate swap agreements to change floating-rate long-term debt to fixed-rate long-term debt. This type of hedge was intended to qualify as a cash-flow hedge under ASC Topic 815 *Derivatives* (ASC 815). For these instruments, the effective portion of the change in the fair value of the derivative was recorded in accumulated other comprehensive loss in the consolidated statement of stockholders equity (deficit) and recognized in the consolidated statement of operations and comprehensive income (loss) in the same period in which the hedged transaction impacts earnings. The ineffective portion of the change in the fair value of the derivative was immediately recognized in earnings.

The restructuring process resulted in the dedesignation of the hedging relationship as it was not probable that the forecasted transaction would occur according to the original strategy, any related amounts previously recorded in accumulated other comprehensive income (loss), net were recognized into earnings of the Predecessor as of the Petition Date. The derivative liability balances were classified as liabilities subject to compromise at the allowed claim amount. The remaining amount of other comprehensive income totaling $26,313 was recognized through earnings for the Predecessor for the ten months ended November 6, 2013. There are no derivative assets outstanding as of June 29, 2014 and December 29, 2013.

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The Effect of Derivative Instruments on the Statement of Operations and Comprehensive Income (Loss)

for the Successor Company for the Three Months Ended June 29, 2014 and for the

Predecessor Company for the Three Months Ended June 30, 2013

Derivatives in ASC 815 Fair Value Hedging Relationships	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative Successor Company 2014	Predecessor Company 2013
Interest rate swaps	Gain (loss) on derivative instruments	$ (76)	$ (5)

atives in ASC 815 Fair Value Hedging Relationships	Amount of Gain or (Loss) Recognized in Other Comprehensive Income (OCI) on Derivative (Effective Portion) Successor Company 2014	Predecessor Company 2013	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Successor Company 2014	Predecessor Company 2013	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount Gain c (Loss Recogni in Income Derivat (Ineffect Portion Amour Exclud from Effective Testin Successor Company 2014	Pre Co
st rate swaps	$	$ 6,979	Interest income/(expense)	$	$ 7,543	Gain (loss) on derivative instruments	$ (76)	

The Effect of Derivative Instruments on the Statement of Operations and Comprehensive Income (Loss)

for the Successor Company for the Six Months Ended June 29, 2014 and for the

Predecessor Company for the Six Months Ended June 30, 2013

Derivatives in ASC 815 Fair Value Hedging Relationships	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative Successor Company 2014	Amount of Gain or (Loss) Recognized in Income on Derivative Predecessor Company 2013
Interest rate swaps	Gain (loss) on derivative instruments	$ (51)	$ (9)

vatives in ASC 815 Fair Value Hedging Relationships	Amount of Gain or (Loss) Recognized in Other Comprehensive Income (OCI) on Derivative (Effective Portion) Successor Company 2014	Amount of Gain or (Loss) Recognized in Other Comprehensive Income (OCI) on Derivative (Effective Portion) Predecessor Company 2013	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Successor Company 2014	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Predecessor Company 2013	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount Gain or (Loss) Recognized in Income o Derivativ (Ineffecti Portion a Amount Exclude from Effectiven Testing) Successor Company 2014	Pred Com 2
est rate swaps	$	$ 14,680	Interest income/ (expense)	$	$ 15,076	Gain (loss) on derivative instruments	$ (51)	$

In connection with the 2007 Credit Facility, the Predecessor 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 Predecessor Company received interest equivalent to one month LIBOR and pays a fixed rate of 5.14%, with settlements occurring monthly.

In connection with the 2007 Credit Facility, the Predecessor 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 Predecessor Company received interest equivalent to one month LIBOR and pays a fixed rate of 4.971%, with settlements occurring monthly.

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In connection with the First Amendment to the 2007 Credit Facility, the Predecessor 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 Predecessor Company received interest equivalent to one month LIBOR and pays a fixed rate of 5.079% with settlements occurring monthly.

In connection with the First Amendment to the 2007 Credit Facility, the Predecessor 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 Predecessor Company received interest equivalent to one month LIBOR and pays a fixed rate of 4.941% with settlements occurring monthly.

The aggregate amount of unrealized loss related to derivative instruments recognized in other comprehensive loss as of June 29, 2014 and December 29, 2013 was $0 and $0, respectively.

(9) Related Party Transactions

As of December 29, 2013, Newcastle (an affiliate of FIG LLC (Fortress)) beneficially owned approximately 84.6% of the Company s outstanding common stock. On February 13, 2014, Newcastle completed the spin-off of the Company. On February 14, 2014 New Media became a separate, publicly traded company trading on the NYSE under the ticker symbol NEWM . As a result of the spin-off, the fees included in the Management Agreement with the Company s Manager became effective. As of June 29, 2014, Fortress and its affiliates owned approximately 1.5% of the Company s outstanding stock and approximately 39.6% of the Company s outstanding warrants.

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

The Company s Chief Operating Officer owns an interest in a company that the Successor Company and the Predecessor Company received $100, $0, $178 and $0 during the three and six months ended June 29, 2014 and June 30, 2013, respectively, for commercial printing services which is included in commercial printing and other on the consolidated statement of operations and comprehensive income (loss).

The Company s Chief Executive Officer and Chief Financial Officer are employees of Fortress and their salaries are paid by Fortress.

Management Agreement

On the Effective Date, the Company entered into a management agreement with FIG LLC (the Manager) (as amended and restated, the Management Agreement). The Management Agreement requires the Manager to manage the Company s business affairs subject to the supervision of the Company s Board of Directors.

The Management Agreement has an initial three-year term and will be automatically renewed for one-year terms thereafter unless terminated either by the Company or the Manager. From the commencement date of the Company s Common Stock trading on the regular way market on a major U.S. national securities exchange (the Listing), the Manager is (a) entitled to receive from the Company a management fee, (b) eligible to receive incentive compensation that is based on the Company s performance and (c) eligible to receive options to purchase New Media Common Stock upon the successful completion of an offering of shares of the Company s Common Stock or any shares of preferred stock with an exercise price equal to the price per share paid by the public or other ultimate purchaser in the offering. In addition, the Company is obligated to reimburse certain expenses incurred by the Manager. The Manager is also entitled to receive a termination fee from the Company under certain circumstances.

The Company recognized $1,464 and $2,229 for management fees and $0 and $0 for incentive compensation within selling, general and administrative expense and $1,741 and $1,741 was paid to Fortress during the three and six months ended June 29, 2014, respectively. No management fees or incentive compensation were incurred during the three and six months ended June 30, 2013.

GateHouse Management and Advisory Agreement

On November 26, 2013, New Media entered into the GateHouse Management and Advisory Agreement (the GateHouse Management Agreement) with GateHouse, pursuant to which New Media will manage the assets and the day-to-day operations of GateHouse. New Media was responsible for, among other things (i) the purchase and sale of GateHouse s investments (ii) the financing of GateHouse s investments and (iii) investment advisory services. Such services were permitted to be performed by the Manager.

Commencing from the Listing, New Media was (a) entitled to receive a management fee equal to 1.50% per annum of GateHouse s Total Equity (as defined in the GateHouse Management Agreement) and (b) eligible to receive incentive compensation that was based on GateHouse s performance. In addition, GateHouse was obligated to reimburse certain expenses incurred by New Media in connection with the performance of its duties under the agreement. These fees eliminated in consolidation.

The GateHouse Management Agreement was terminated effective June 4, 2014.

Local Media Management and Advisory Agreement

On August 27, 2013, GateHouse entered into the Local Media Management Agreement with Local Media Parent, which was substantially assigned to Local Media, to manage the operations of Local Media. Local Media Parent was a subsidiary of Newcastle (an affiliate of Fortress) prior to the Effective Date.

While the agreement was in effect, GateHouse received an annual management fee of $1,100, subject to adjustments (up to a maximum annual management fee of $1,200), and an annual incentive compensation fee based on exceeding EBITDA targets of Local Media. These fees eliminate in consolidation.

The Local Media Management Agreement was terminated effective June 4, 2014.

Holdings I Management Agreement

On June 4, 2014, the Company entered into a management agreement with Holdings I (as amended and restated, the Holdings I Management Agreement). The Holdings I Management Agreement requires the Company to manage the business affairs of Holdings I subject to the supervision of the Board of Directors of Holdings I.

The Holdings I Management Agreement has an initial three-year term and will be automatically renewed for one-year terms thereafter unless terminated by the Holdings I. The Company is (a) entitled to receive from the Holdings I a management fee and (b) eligible to receive incentive compensation that is based on the performance of Holdings I. In addition, Holdings I is obligated to reimburse certain expenses incurred by the Company. The Company is also entitled to receive a termination fee from Holdings I under certain circumstances. These fees eliminate in consolidation.

Registration Rights Agreement with Omega

The Company entered into a registration rights agreement with Omega Advisors, Inc. and its affiliates (collectively, Omega). Under the terms of the registration rights agreement, subject to customary exceptions and limitations, New Media is required to use commercially reasonable efforts to file a registration statement (the Registration Statement) providing for the registration and sale by Omega of its New Media Common Stock acquired pursuant to the Plan (the Registrable Securities) as soon as reasonably practicable, but not prior to the earlier of (i) 120 days following the Effective Date and (ii) 14 days after the required financials are completed in the ordinary course of business. During the first 12 months following the Listing, subject to customary exceptions and limitations, Omega may request one demand right with respect to some or all of the Registrable Securities under the Registration Statement (the Demand Registration).

Once the Company is eligible to use Form S-3, New Media will be required to use commercially reasonable efforts to file a resale shelf registration statement providing for the registration and sale on a continuous or delayed basis by Omega of its Registrable Securities (the Shelf Registration), subject to customary exceptions and limitations. Omega is entitled to initiate up to three offerings or sales with respect to some or all of the Registrable Securities pursuant to the Shelf Registration.

Omega may only exercise its right to request the Demand Registration and any Shelf Registrations if the Registrable Securities eligible to be sold pursuant to such Registration Statement or Shelf Registration are at least 3% of the then-outstanding New Media Common Stock.

(10) Income Taxes

The Company performs a quarterly assessment of its deferred tax assets and liabilities. ASC 740 limits the ability to use future taxable income to support the realization of deferred tax assets when a company has experienced a history of losses even if future taxable income is supported by detailed forecasts and projections.

In assessing the realizability of deferred tax assets, which is included in other assets, the Company 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. The Company considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The Company concluded that during the six months ended June 29, 2014, a net increase to the valuation allowance of $2,515 would be necessary to offset additional deferred tax assets. Of this amount, a $2,515 increase was recognized through the Condensed Consolidated Statement of Operations and Comprehensive Income (Loss).

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

The computation of the annual expected effective tax rate at each interim period requires certain estimates and assumptions including, but not limited to, the expected operating income (loss) for the year, projections of the proportion of income (or loss), permanent and temporary differences, including the likelihood of recovering deferred tax assets generated in the current year. The accounting estimates used to compute the provision for income taxes may change as new events occur, more experience is acquired, or as additional information is obtained. To the extent that the estimated annual effective tax rate changes during a quarter, the effect of the change on prior quarters is included in tax expense for the current quarter.

For the six months ended June 29, 2014, the expected federal tax benefit at 34% is $4,429. The difference between the expected tax and the effective tax benefit of $3,067 is primarily attributable to the tax effect of the federal valuation allowance of $2,184, the tax benefit related to non-deductible expenses of $319, deferred tax benefits that expired of $100, and state tax benefit of $403.

The Company and its subsidiaries file a U.S. federal consolidated income tax return. The U.S. federal and state statute of limitations generally remains open for the 2010 tax year and beyond.

In accordance with ASC 740, the Company recognizes penalties and interest relating to uncertain tax positions in the provision for income taxes. As of June 29, 2014 and December 29, 2013, the Company had unrecognized tax benefits of approximately $1,109 and $1,109, respectively. The Company did not record significant amounts of interest and penalties related to unrecognized tax benefits for the periods ending June 29, 2014 and December 29, 2013. The Company does not expect significant changes in unrecognized tax benefits within the next 12 months.

(11) Pension and Postretirement Benefits

The Company maintains a pension plan and several 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 following provides information on the pension plan and postretirement medical and life insurance plans for the three and six months ended June 29, 2014 and June 30, 2013.

	Successor Company Three Months Ended June 29, 2014		Predecessor Company Three Months Ended June 30, 2013		Successor Company Six Months Ended June 29, 2014		Predecessor Company Six Months Ended June 30, 2013	
	Pension	Postretirement	Pension	Postretirement	Pension	Postretirement	Pension	Postretirement
Components of net periodic benefit costs:								
Service cost	$ 75	$ 9	$ 75	$ 10	$ 150	$ 17	$ 150	$ 20
Interest cost	295	63	271	57	590	127	542	115

Expected return on plan assets	(406)		(340)		(812)		(680)	
Amortization of prior service cost				(114)				(228)
Amortization of unrecognized loss			131				262	
Total	$ (36)	$ 72	$ 137	$ (47)	$ (72)	$ 144	$ 274	$ (93)

For the Successor Company for the three and six months ended June 29, 2014 and for the Predecessor Company for the three and six months ended June 30, 2013, the Company recognized a total of $36, $90, $72, and $181 in pension and postretirement benefit expense, respectively.

The following assumptions were used in connection with the Company s actuarial valuation of its defined benefit pension and postretirement plans for the six months ended June 29, 2014:

	Pension	**Postretirement**
Weighted average discount rate	5.0%	4.47%
Rate of increase in future compensation levels		
Expected return on assets	8.0%	
Current year trend		7.75%
Ultimate year trend		4.75%
Year of ultimate trend		2025

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(12) Fair Value Measurement

Fair value measurements and disclosures require the use of valuation techniques to measure fair value that maximize the use of observable inputs and minimize the use of 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.

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

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

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

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

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

The following table presents financial assets and liabilities measured or disclosed at fair value on a recurring basis for the periods presented:

	Fair Value Measurements at Reporting Date Using				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Fair Value Measurements**	**Valuation Technique**
As of December 29, 2013					
Assets					
Cash and cash equivalents	$ 31,811	$	$	$ 31,811	Income
Restricted cash	6,477			6,477	Income
As of June 29, 2014					

Assets					
Cash and cash equivalents	$ 31,347	$	$	$ 31,347	Income
Restricted cash	6,477			6,477	Income

Certain assets are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment).

During the quarter ended September 29, 2013, the Company consolidated the assets and liabilities of Local Media under the purchase method of accounting. Accordingly, the assets acquired and liabilities assumed were recorded at their fair value. Property plant and equipment was valued using Level 2 inputs and mastheads and goodwill were valued using Level 3 inputs. Refer to Note 3 for discussion of the valuation techniques and significant inputs and assumptions utilized and the fair value recognized.

During the quarter ended December 29, 2013, the Company applied fresh start accounting which resulted in its assets and liabilities being recorded at their fair values utilizing Level 3 inputs as of November 6, 2013.

During the quarter ended March 30, 2014, the Company consolidated the assets and liabilities of the other acquisition under the purchase method of accounting. Accordingly, the assets acquired and liabilities assumed were recorded at their fair value. Property plant and equipment was valued using Level 2 inputs and mastheads and goodwill were valued using Level 3 inputs.

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(13) Commitments and Contingencies

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

Restricted cash at June 29, 2014 and December 29, 2013, in the aggregate amount of $6,477 for both periods, is used to collateralize standby letters of credit in the name of the Company s insurers in accordance with certain insurance policies and as cash collateral for certain business operations.

(14) Discontinued Operations

For the Successor Company for the six months ended June 29, 2014, no publications were discontinued. The net revenue for the Predecessor Company for the three and six months ended June 30, 2013 for previously discontinued operations was $63 and $394, respectively. Loss, net of income taxes of $0, for the Predecessor Company for the three and six months ended June 30, 2013 for previously discontinued operations was $946 and $1,034, respectively.

(15) Subsequent Events

On June 30, 2014, the Company completed two acquisitions of 20 publications with a total purchase price of $15,849, which includes estimated working capital. The acquisitions include six daily, ten weekly publications, and four shoppers serving areas of Texas, Oklahoma, Kansas and Virginia with an aggregate circulation of approximately 54. The acquisitions were funded with $9,849 of cash and $6,000 from the Revolving Credit Facility.

On July 22, 2014, the Company entered into a definitive asset purchase agreement to purchase *The Providence Journal* with a total purchase price of $46,000. The acquisition will include one daily and two weekly publications serving areas of Rhode Island with a daily circulation of approximately 72 and 96 on Sunday and is anticipated to close before the end of the third quarter of 2014.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Note Regarding Forward Looking Information

The following discussion of New Media Investment Group Inc. s and its subsidiaries (New Media, we, us or our) financial condition and results of operations should be read in conjunction with our historical condensed consolidated financial statements and notes to those statements appearing in this report. The discussion and analysis below includes certain 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, our ability to maintain debt covenants, our ability to successfully implement cost reduction and cash preservation plans, 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 , aim , would , seek similar expressions are intended to identify such 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 actual results to be 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, uncertainties and other factors identified by us under the heading Risk Factors and elsewhere in our Annual Report on Form 10-K for the year ended December 29, 2013. 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.

Comparability of Information

As a result of the restructuring of GateHouse Media, LLC (formerly known as GateHouse Media, Inc.) (GateHouse or Predecessor) (the Restructuring), all GateHouse debt, including derivative liabilities and deferred financing assets, was eliminated on November 6, 2013, the confirmation date (the Confirmation Date) of the pre-packaged plan under Chapter 11 of title 11 of the United States Bankruptcy Code (the Plan). Fresh start accounting also led to changes in the basis of our assets and liabilities including property, plant and equipment and intangible assets that will impact future depreciation and amortization expense levels. As a result of the adoption of fresh start accounting, New Media s reorganized company post-emergence financial statements will generally not be comparable with the financial statements of GateHouse prior to emergence, including historical financial information in this Quarterly Report on Form 10-Q.

Overview

New Media is a newly listed company that owns, operates and invests in high quality local media assets. We have a particular focus on owning and acquiring strong local media assets in small to mid-size markets. With our collection of assets, we focus on two large business categories; consumers and small to medium size businesses (SMBs).

Our portfolio of media assets spans across 357 markets and 24 states. Our products include 425 community print publications, 357 websites, 345 mobile sites, six yellow page directories and a digital marketing services business (Propel). We reach over 12 million people per week and serve over 130,000 business customers.

We are focused on growing our consumer revenues primarily through our penetration into the local consumer market that values comprehensive local news and receives their news primarily from our products. We believe our rich local content, our strong media brands, and multiple platforms for delivering content will impact our reach into the local consumers leading to growth in subscription income. We also believe our local consumer penetration will lead to transaction revenues as we link consumers with local businesses. For our SMB business category, we focus on leveraging our strong local media brands, our in-market sales force and our high consumer penetration rates with a variety of products and services that we believe will help SMBs expand their marketing, advertising and other digital lead generation platforms.

Our business strategy is to be the preeminent provider of local news, information, advertising and digital services in the markets we operate in today. We aim to grow our business organically through what we believe are both our consumer and SMB strategies. We also plan to pursue strategic acquisitions of high quality local media assets at attractive valuation levels. Finally, we intend to periodically distribute a substantial portion of our free cash flow as a dividend to stockholders, subject to satisfactory financial performance and approval by our Board of Directors and dividend restrictions in the New Media Credit Agreement (as defined below). The Board of Directors determinations regarding dividends will depend on a variety of factors, including the Company s U.S. generally accepted accounting principles (GAAP) net income, free cash flow generated from operations or other sources, liquidity position and potential alternative uses of cash, such as acquisitions, as well as economic conditions and expected future financial results. The availability of free cash flow for the payment of dividends is also subject to restrictions in the New Media Credit Agreement (as defined below).

Our focus on owning and operating dominant local content oriented media properties in small to mid-size markets, we believe, puts us in a position to better execute on our strategy. We believe that being the dominant provider of local news and information in the markets in which we operate, and distributing that content across multiple print and digital platforms, gives us an opportunity to grow our audiences and reach. Further, we believe our strong local media brands and our in-markets presence gives us the opportunity to expand our advertising and lead generation products with local business customers.

Central to our business strategy is Propel. We launched the business in 2012 and have seen rapid growth since then. We believe Propel and its digital marketing service products will be a key component to our overall organic growth strategy.

The opportunity Propel looks to seize upon is as follows:

There are approximately 27 million SMBs in the U.S. Of these, approximately 26.7 million have 20 employees or less.

Many of the owners and managers of these SMBs do not have the bandwidth, expertise or resource to navigate the fast evolving digital marketing sector, but they increasingly know they have to be present there to stay connected with current and future customers. Propel is designed to offer a complete set of digital marketing services to SMBs that are turn-key with results that are transparent to the business owners. Propel provides four broad categories of digital services: building businesses a presence, helping businesses to be located by consumers online, engaging with consumers, and growing their customer base.

We believe our local media properties are uniquely positioned to sell these digital marketing services to local business owners. Our strong and trusted local brands, combined with our in-market sales presence give us a distinct advantage to sell these services, which are new and can be complicated to local business owners.

Our core products include:

87 daily newspapers with total paid circulation of approximately 712,000;

- 243 weekly newspapers (published up to three times per week) with total paid circulation of approximately 303,000 and total free circulation of approximately 719,000;

- 95 shoppers (generally advertising-only publications) with total circulation of approximately 1.9 million;

- 357 locally focused websites and 345 mobile sites, which extend our businesses onto the internet and mobile devices with approximately 118 million page views per month;

- six yellow page directories, with a distribution of approximately 432,000, that covers a population of approximately 1.1 million people; and

- Propel digital marketing services.

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.

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 Predecessor has experienced on-going declines in print advertising revenue streams and increased volatility of operating performance, despite our geographic diversity, well-balanced portfolio of products, broad customer base and reliance on smaller markets. We may experience additional declines and volatility in the future. These declines in print advertising revenue have come with the shift from traditional media to the internet for consumers and businesses. 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. We are making investments in digital platforms, such as Propel, as well as online, and mobile applications, to support our print publications in order to capture this shift as witnessed by our Predecessor s digital advertising revenue growth, which doubled between 2009 and 2012.

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

Compensation represents just over 50% of our operating expenses. Over the last few years, we have worked to drive efficiencies and centralization of work throughout our Company. 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.

The Company s operating segments (Large Community Newspapers, Small Community Newspapers, Local Media Newspapers and Ventures) are aggregated into one reportable segment.

Recent Developments

Restructuring

On September 4, 2013, our Predecessor, GateHouse, and its affiliated debtors (the Debtors) announced that our Predecessor, the Administrative Agent (as defined below), Newcastle Investment Corp. (Newcastle) and other lenders (the Participating Lenders) under the Amended and Restated Credit Agreement by and among certain affiliates of our Predecessor, the lenders from time to time party thereto and Cortland Products Corp., as administrative agent (the Administrative Agent), dated February 27, 2007 (the 2007 Credit Facility) entered into the Restructuring Support Agreement, effective September 3, 2013 (the Support Agreement), in which the parties agreed to support, subject to the terms and conditions of the Support Agreement, the Restructuring pursuant to the consummation of the Plan. The Support Agreement relates to the Restructuring of our Predecessor s obligations under the 2007 Credit Facility and certain interest rate swaps secured thereunder (collectively, the Outstanding Debt) and our Predecessor s equity pursuant to the Plan.

On September 20, 2013, our Predecessor commenced a pre-packaged solicitation of the Plan (the Solicitation). Under the Support Agreement, which terminated on the Effective Date (as defined below), each of the Participating Lenders agreed to (a) support and take any reasonable action in furtherance of the Restructuring, (b) timely vote their Outstanding Debt to accept the Plan and not change or withdraw such vote, (c) support approval of the Disclosure Statement (defined below) and confirmation of the Plan, as well as certain relief to be requested by Debtors from the Bankruptcy Court, (d) refrain from taking any action inconsistent with the confirmation or consummation of the Plan, and (e) not propose, support, solicit or participate in the formulation of any plan other than the Plan. Holders of Outstanding Debt sufficient to meet the requisite threshold of 67% in amount and majority in number (calculated without including any insider) necessary for acceptance of the Plan under the Bankruptcy Code voted to accept the Plan in the Solicitation. 100% of the holders of the Outstanding Debt voted to accept the Plan under the terms of the Support Agreement. On

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September 27, 2013, our Predecessor filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code, case number 13-12503. As a result, Debtors commenced Chapter 11 cases and sought approval of the disclosure statement for the Plan (the Disclosure Statement) and confirmation of the Plan therein. The Plan was confirmed by the Bankruptcy Court on November 6, 2013 and our Predecessor effected the transactions contemplated by the Plan to emerge from bankruptcy protection on November 26, 2013 (the Effective Date). On the Effective Date, Newcastle owned 84.6% of New Media s total equity.

The Plan discharged claims and interests against our Predecessor primarily through the (a) issuance of shares of common stock in a new holding company, New Media (New Media Common Stock or our Common Stock) and/or payment of cash to holders of claims in connection with the 2007 Credit Facility and related interest rate swaps, (b) reinstatement of certain claims, (c) entry into the Management Agreement (as defined below), (d) issuance of warrants by New Media to former equity holders of our Predecessor and (e) entry into the GateHouse Credit Facilities (as defined below) the net proceeds of which were distributed to holders that elected to receive New Media Common Stock. See Note 2 to the condensed consolidated financial statements, Voluntary Reorganization Under Chapter 11.

Pursuant to the Restructuring, Newcastle purchased the Outstanding Debt claims in cash and at 40% of (i) $1,167 million of principal of claims under the 2007 Credit Facility, plus (ii) accrued and unpaid interest at the applicable contract non-default rate with respect thereto, plus (iii) all amounts, excluding any default interest, arising from transactions in connection with interest rate swaps secured under the 2007 Credit Facility (the Cash-Out Offer) on the Effective Date. The holders of the Outstanding Debt had the option of receiving, in satisfaction of their Outstanding Debt, their pro rata share of the (i) Cash-Out Offer and/or (ii) New Media Common Stock and the net proceeds of the GateHouse Credit Facilities (as defined below). Newcastle received its pro rata share of New Media Common Stock and the $149 million in net proceeds of the GateHouse Credit Facilities (as defined below) for all Outstanding Debt it holds, including Outstanding Debt purchased in the Cash-Out Offer. All pensions, trade and all other unsecured claims will be paid in the ordinary course.

On the Effective Date, New Media entered into a management agreement with FIG LLC (the Manager), as amended and restated, (the Management Agreement) pursuant to which the Manager will manage the operations of New Media. The annual management fee will be 1.50% of New Media s Total Equity (as defined in the Management Agreement) and is eligible to receive incentive compensation.

On August 27, 2013, our Predecessor entered into a management agreement (the Local Media Management Agreement) with and among Local Media Group Holdings LLC (Local Media Parent) to manage the operations of its direct subsidiary Local Media Group Inc. (Local Media). The Company has determined that the Local Media Management Agreement resulted in Local Media being a variable interest entity (VIE) and has consolidated Local Media s financial position and results of operations from September 3, 2013. On September 3, 2013, Local Media Parent completed its acquisition of thirty three publications from News Corp Inc. Local Media was not part of the bankruptcy filing. However, as part of the Plan, Newcastle agreed to contribute 100% of the stock of Local Media Parent to New Media as of the Effective Date. The contribution was made to New Media to assign Newcastle s rights under the stock purchase agreement to which it acquired Local Media as of the Effective Date. Consideration received by Newcastle was the New Media Common Stock collectively equal to the cost of the acquisition of Local Media by Newcastle (as adjusted pursuant to the Plan) upon emergence from Chapter 11 on the Effective Date. The Company accounted for the consolidation of Local Media under the purchase method of accounting in accordance with Accounting Standards Codification (ASC) Topic 805, Business Combinations , as New Media received a controlling financial interest in Local Media as of the Effective Date. The Local Media Management Agreement was terminated effective June 4, 2014.

Upon GateHouse s emergence from Chapter 11, New Media adopted fresh start reporting in accordance with ASC Topic 852, *Reorganizations* (ASC 852). Under fresh start accounting, a new entity is deemed to have been created on the Effective Date for financial reporting purposes and our Predecessor s recorded amounts of assets and liabilities will be adjusted to reflect their estimated fair values. As a result of the adoption of fresh start accounting, New Media s reorganized company post-emergence financial statements will generally not be comparable with the financial statements of our Predecessor prior to emergence, including the historical financial information in this report. See Notes 2 to the condensed consolidated financial statements.

Spin-off from Newcastle

On February 13, 2014, Newcastle completed the spin-off of the Company. Each share of Newcastle common stock outstanding as of 5:00 PM, Eastern Time, on February 6, 2014, the Record Date, entitled the holder thereof to receive 0.07219481485 shares of New Media Common Stock (the Distribution or the spin-off). On February 14, 2014 New Media became a separate, publicly traded company trading on the NYSE under the ticker symbol NEWM . As a result of the spin-off, the fees included in the Management Agreement with the Manager became effective.

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Industry

The newspaper industry and our Predecessor have experienced declining same store revenue and profitability over the past several years. As a result, we previously implemented plans to reduce costs and preserve cash flow. We have also invested in potential growth opportunities, primarily in the digital space. We believe the cost reductions and the new digital initiatives, together with the Restructuring, will provide the appropriate capital structure and financial resources necessary to invest in the business and ensure our future success and provide sufficient cash flow to enable us to meet our commitments for the next year.

General economic conditions, including declines in consumer confidence, continued high unemployment levels, declines in real estate values, and other trends, have also impacted the markets in which we operate. Additionally, media companies continue to be impacted by the migration of consumers and businesses to an internet and mobile-based, digital medium. These conditions may continue to negatively impact print advertising and other revenue sources as well as increase operating costs in the future, even after an economic recovery. We expect that we will 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 periodically perform testing for impairment of goodwill and newspaper mastheads in which 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 decline, and 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.

Critical Accounting Policy Disclosure

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make decisions based on estimates, assumptions and factors it considers relevant to the circumstances. Such decisions include the selection of applicable principles and the use of judgment in their application, the results of which could differ from those anticipated.

A summary of our significant accounting policies are described in Note 1 of our consolidated financial statements for the year ended December 29, 2013, included in our Annual Report on Form 10-K.

There have been no changes in critical accounting policies in the current year from those described in our Annual Report on Form 10-K for the year ended December 29, 2013.

Results of Operations

The following table summarizes our historical results of operations for New Media, otherwise known as the Successor Company, for the three and six months ended June 29, 2014 and the Predecessor Company for the three and six months ended June 30, 2013. References to same store results below take into account material acquisitions and divestitures of the Company by adjusting prior year performance to include or exclude financial results as if the Company had owned or divested a business for the comparable period. The Victorville acquisition was not considered material.

NEW MEDIA INVESTMENT GROUP INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Operations

(In thousands, except share and per share data)

	Successor Company Three months ended June 29, 2014	Predecessor Company Three months ended June 30, 2013	Successor Company Six months ended June 29, 2014	Predecessor Company Six months ended June 30, 2013
Revenues:				
Advertising	$ 95,837	$ 79,220	$ 178,460	$ 150,559
Circulation	46,102	33,047	90,471	65,513
Commercial printing and other	16,494	7,331	31,535	14,107
Total revenues	158,433	119,598	300,466	230,179
Operating costs and expenses:				
Operating costs	87,615	64,978	172,470	129,998
Selling, general, and administrative	52,235	41,156	102,251	78,722
Depreciation and amortization	10,109	9,791	19,918	19,636
Integration and reorganization costs	412	741	837	958
Loss on sale of assets	688	649	687	1,043
Operating income (loss)	7,374	2,283	4,303	(178)

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	Successor Company Three months ended June 29, 2014	Predecessor Company Three months ended June 30, 2013	Successor Company Six months ended June 29, 2014	Predecessor Company Six months ended June 30, 2013
Interest expense	3,827	14,456	7,632	28,886
Amortization of deferred financing costs	333	261	758	522
Loss on early extinguishment of debt	9,047		9,047	
Loss on derivative instruments	76	5	51	9
Other (income) expense	(159)	737	(158)	1,008
Loss from continuing operations before income taxes	(5,750)	(13,176)	(13,027)	(30,603)
Income tax benefit	(2,481)		(3,067)	
Loss from continuing operations	(3,269)	(13,176)	(9,960)	(30,603)

Three Months Ended June 29, 2014 Compared To Three Months Ended June 30, 2013

Revenue. Total revenue for the Successor Company for the three months ended June 29, 2014 increased by $38.8 million, or 32.5%, to $158.4 million from $119.6 million for the Predecessor Company for the three months ended June 30, 2013. The increase in total revenue was comprised of a $16.6 million, or 21.0%, increase in advertising revenue and a $13.0 million, or 39.5%, increase in circulation revenue, and a $9.2 million, or 125.0%, increase in commercial printing and other revenue. The increase in revenue of $38.8 includes revenues from acquisitions of $42.8 million; $21.7 million from advertising, $13.8 million from circulation, and $7.3 million from commercial printing and other. Same store revenue for the Successor Company for the three months ended June 29, 2014 decreased by $0.9 million, or 0.5%, to $158.4 million. The decrease in same store revenue was comprised of a $3.9 million, or 3.9%, decrease in advertising revenue, which was partially offset by a $0.3 million, or 0.8%, increase in circulation revenue and a $2.7 million, or 19.3%, increase in commercial printing and other revenue. Same store advertising revenue declines were primarily driven by declines on the print side of our business in the local retail category. The local retail print declines reflect both secular pressures and a continuing uncertain economic environment. These secular trends and economic conditions have also led to a decline in our print circulation volumes which have been offset by price increases in select locations. The $2.7 million increase in commercial printing and other revenue is primarily the result of the growth in Propel, our small business marketing service business within GateHouse Ventures.

Operating Costs. Operating costs for the Successor Company for the three months ended June 29, 2014 increased by $22.6 million, or 34.8%, to $87.6 million from $65.0 million for the Predecessor Company for the three months ended June 30, 2013. The increase in operating costs of $22.6 million includes operating costs from acquisitions of $24.2 million, which were partially offset by a $1.6 million decrease in legacy operating costs. This decline in legacy operating costs was primarily due to a decrease in compensation expenses, newsprint expenses, and hauling and delivery expenses of $0.6 million, $0.5 million, and $0.4 million, respectively. On a same store basis, operating costs for the Successor Company for the three months ended June 29, 2014 decreased by $2.1 million, or 2.4%, to $87.6 million. These decreases are the result of permanent cost reductions as we continue to work to consolidate operations and improve the productivity of our labor force.

Selling, General and Administrative. Selling, general and administrative expenses for the Successor Company for the three months ended June 29, 2014 increased by $11.1 million, or 26.9%, to $52.2 million from $41.1 million for the Predecessor Company for the three months ended June 30, 2013. The increase in selling, general and administrative expenses of $11.1 million includes selling, general and administrative expenses from acquisitions of $10.3 million. The additional $0.8 million increase in selling, general and administrative expenses was primarily due to an increase in professional and consulting fees of $1.8 million, which was partially offset by a decrease in compensation expenses, outside services, and postage expenses of $0.5 million, $0.3 million, and $0.3 million, respectively. On a same store basis, selling, general and administrative expenses for the Successor Company for the three months ended June 29, 2014 increased by $1.9 million, or 3.8%, to $52.2 million related to $1.8 million of debt refinancing fees that did not meet capitalization requirements.

Integration and Reorganization Costs. During the three months ended June 29, 2014 and June 30, 2013, we recorded integration and reorganization costs of $0.4 million and $0.7 million, respectively, primarily resulting from severance costs related to the continued consolidation of our operations resulting from our ongoing implementation of our plans to reduce costs and preserve cash flow.

Interest Expense. Interest expense for the three months ended June 29, 2014 decreased by $10.6 million to $3.8 million from $14.4 million for the three months ended June 30, 2013. The decrease in interest expense was primarily due to the decrease in our total outstanding debt as a result of our restructuring during 2013.

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Loss on Early Extinguishment of Debt. During the three months ended June 29, 2014 we recorded a loss of $9.0 million due to the early extinguishment of long-term debt.

Income Tax Benefit. During the three months ended June 29, 2014, we recorded an income tax benefit of $2.5 million due to the interim period treatment driven by the annualized effective rate excess of the deferred tax liability related to indefinite lived assets.

Loss from Continuing Operations. Loss from continuing operations for the three months ended June 29, 2014 and June 30, 2013 was $3.3 million and $13.2 million, respectively. Our net loss from continuing operations decreased due to the factors noted above.

Six months Ended June 29, 2014 Compared To Six months Ended June 30, 2013

Revenue. Total revenue for the Successor Company for the six months ended June 29, 2014 increased by $70.3 million, or 30.5%, to $300.5 million from $230.2 million for the Predecessor Company for the six months ended June 30, 2013. The increase in total revenue was comprised of a $27.9 million, or 18.5%, increase in advertising revenue and a $25.0 million, or 38.1%, increase in circulation revenue, and a $17.4 million, or 123.5%, increase in commercial printing and other revenue. The increase in revenue of $70.3 includes revenues from acquisitions of $79.0 million; $39.2 million from advertising, $26.2 million from circulation, and $13.6 million from commercial printing and other. Same store revenue for the Successor Company for the six months ended June 29, 2014 decreased by $4.9 million, or 1.6%, to $300.5 million. The decrease in same store revenue was comprised of a $10.6 million, or 5.6%, decrease in advertising revenue, which was partially offset by a $0.1 million, or 0.1%, increase in circulation revenue and a $5.6 million, or 21.6%, increase in commercial printing and other revenue. Same store advertising revenue declines were primarily driven by declines on the print side of our business in the local retail and classified categories. The local retail print declines reflect both secular pressures and a continuing uncertain economic environment. These secular trends and economic conditions have also led to a decline in our print circulation volumes, which have been offset by price increases in select locations. The $5.6 million increase in commercial printing and other revenue is primarily the result of the growth in Propel, our small business marketing service business within GateHouse Ventures.

Operating Costs. Operating costs for the Successor Company for the six months ended June 29, 2014 increased by $42.5 million, or 32.7%, to $172.5 million from $130.0 million for the Predecessor Company for the six months ended June 30, 2013. The increase in operating costs of $42.5 million includes operating costs from acquisitions of $46.7 million which were partially offset by a $4.2 million decrease in legacy operating costs. This decline in legacy operating costs was primarily due to a decrease in compensation expenses, newsprint expenses, hauling and delivery, and professional and consulting fees of $1.8 million, $1.2 million, $0.9 million, and $0.2 million, respectively. On a same store basis, operating costs for the Successor Company for the six months ended June 29, 2014 decreased by $5.1 million, or 2.8%, to $172.5 million. These decreases are the result of permanent cost reductions as we continue to work to consolidate operations and improve the productivity of our labor force.

Selling, General and Administrative. Selling, general and administrative expenses for the Successor Company for the six months ended June 29, 2014 increased by $23.5 million, or 29.9%, to $102.2 million from $78.7 million for the Predecessor Company for the six months ended June 30, 2013. The increase in selling, general and administrative expenses of $23.5 million includes selling, general and administrative expenses from acquisitions of $20.8 million. The additional $2.7 million increase in selling, general and administrative expenses was primarily due to an increase in professional and consulting fees of $2.7 million. On a same store basis, selling, general and administrative expenses for the Successor Company for the six months ended June 29, 2014 increased by $3.7 million, or 3.7%, to $102.2 million, which includes $1.8 million of debt refinancing fees that did not meet capitalization requirements.

Integration and Reorganization Costs. During the six months ended June 29, 2014 and June 30, 2013, we recorded integration and reorganization costs of $0.8 million and $1.0 million, respectively, primarily resulting from severance costs related to the continued consolidation of our operations resulting from our ongoing implementation of our plans to reduce costs and preserve cash flow.

Interest Expense. Interest expense for the six months ended June 29, 2014 decreased by $21.3 million to $7.6 million from $28.9 million for the six months ended June 30, 2013. The decrease in interest expense was primarily due to the decrease in our total outstanding debt as a result of our restructuring during 2013.

Loss on Early Extinguishment of Debt. During the six months ended June 29, 2014 we recorded a loss of $9.0 million due to the early extinguishment of long-term debt.

Income Tax Benefit. During the six months ended June 29, 2014, we recorded an income tax benefit of $3.1 million due to the interim period treatment driven by the annualized effective rate excess of the deferred tax liability related to indefinite lived assets.

Loss from Continuing Operations. Loss from continuing operations for the six months ended June 29, 2014 and June 30, 2013 was $10.0 million and $30.6 million, respectively. Our net loss from continuing operations decreased 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. We expect our 2014 capital expenditure to total approximately between $5.5 million and $6.5 million. Our long term debt and debt service obligations were significantly reduced following the Restructuring. For more information on our long term debt and debt service obligations, see Note 7 of condensed consolidated financial statements. Our principal sources of funds have historically been, and are expected to continue to be, cash provided by operating activities.

New Media Investment Group Inc., as a holding company, has no operations of its own and accordingly it has no independent means of generating revenue, and its internal sources of funds to meet its cash needs, including payment of expenses, are dividends and other permitted payments from our subsidiaries. The subsidiaries of New Media Investment Group Inc. have the operations that generate our revenue.

In the future, we expect to fund our operations through cash provided by operating activities, the incurrence of debt or the issuance of additional equity securities. The Company expects that it will have adequate capital resources and liquidity to meet its 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 restricts our operating flexibility. The level of our indebtedness and our on-going cash flow requirements may expose us to a risk that a substantial decrease in operating cash flows due to, among other things, continued or additional adverse economic developments or adverse developments in our business, could make it difficult for us to meet the financial and operating covenants contained in our credit facilities. In addition, our leverage may limit cash flow available for general corporate purposes such as capital expenditures and our flexibility to react to competitive, technological and other changes in our industry and economic conditions generally.

GateHouse Credit Facilities

The Revolving Credit, Term Loan and Security Agreement (the First Lien Credit Facility) dated November 26, 2013 by and among GateHouse, GateHouse Media Intermediate Holdco, LLC formerly known as GateHouse Media Intermediate Holdco, Inc. (GMIH), certain wholly-owned subsidiaries of GMIH, all of which are wholly owned subsidiaries of New Media (collectively with GMIH and GateHouse, the Loan Parties), PNC Bank, National Association, as the administrative agent, Crystal Financial LLC, as term loan B agent, and each of the lenders party thereto provided for (i) a term loan A in the aggregate principal amount of $25 million, (ii) a term loan B in the aggregate principal amount of $50 million, and (iii) a revolving credit facility in an aggregate principal amount of up to $40 million. The Term Loan and Security Agreement (the Second Lien Credit Facility and together with the First Lien Credit Facility, the GateHouse Credit Facilities) dated November 26, 2013 by and among the Loan Parties, Mutual Quest Fund and each of the lenders party thereto provided for a term loan in an aggregate principal amount of $50 million. The GateHouse Credit Facilities were secured by a first and second priority security interest in substantially all the assets of the Loan Parties.

The GateHouse Credit Facilities imposed upon GateHouse certain financial and operating covenants, including, among others, requirements that GateHouse satisfy certain financial tests, including a minimum fixed charge coverage ratio of not less than 1.0 to 1.0, a maximum leverage ratio of not greater than 3.25 to 1.0, a minimum EBITDA and a limitation on capital expenditures, and restrictions on GateHouse s ability to incur additional debt, incur liens and encumbrances, consolidate, amalgamate or merge with any other person, pay dividends, dispose of assets, make certain restricted payments, engage in transactions with affiliates, materially alter the business it conducts and taking certain other corporate actions.

The GateHouse Credit Facilities were paid in full on June 4, 2014.

Local Media Credit Facility

Certain of Local Media Parents s subsidiaries (together, the Borrowers) and Local Media Parent entered into a Credit Agreement, dated as of September 3, 2013, with a syndicate of financial institutions with Credit Suisse AG, Cayman Islands Branch, as administrative agent (the Local Media Credit Facility). The Local Media Credit Facility provided for: (a) a $33 million term loan facility; and (b) a $10 million revolving credit facility, with a $3 million sub-facility for letters of credit and a $4 million sub-facility for swing loans. On October 25, 2013, CS assigned the revolving loan commitment to Capital One Business Corp and the revolving credit facility was activated.

The Local Media Credit Facility contained financial covenants that required Local Media Parent and the Borrowers to maintain (a) a Leverage Ratio of not more than 2.5 to 1.0 and a Fixed Charge Coverage Ratio (as defined in the Local Media Credit Facility) of at least 2.0 to 1.0, each measured at the end of each fiscal quarter for the four-quarter period then ended. The Local Media Credit Facility contained affirmative and negative covenants applicable to Local Media and the Borrowers customarily found in loan agreements for similar transactions, including, but not limited to, 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, pay dividends or make other restricted payments. The Local Media Credit Facility contained customary events of default, including, but not limited to, defaults based on a failure to pay principal, interest, fees or other obligations, subject to specified grace periods (other than with respect to principal); any material inaccuracy of representation or warranty; breach of covenants; default in other material indebtedness; a Change of Control (as defined in the Local Media Credit Facility); bankruptcy and insolvency events; material judgments; certain ERISA events; and impairment of collateral. The Local Media Credit Facility was amended on October 17, 2013 and on February 28, 2014. The October 17, 2013 amendment corrected a typographical mistake. The February 28, 2014 amendment provided that among other things, sales of real property collateral and reinvestment of the proceeds from such sales could only be made with the consent of the Administrative Agent, modified the properties included in the real property collateral, and set forth in detail the documentary post-closing requirements with respect to the real property collateral.

The Local Media Credit Facility was paid in full on June 4, 2014.

New Media Credit Agreement

On June 4, 2014, New Media Holdings II LLC (the New Media Borrower), a wholly owned subsidiary of New Media, entered into a credit agreement (the New Media Credit Agreement) among the New Media Borrower, New Media Holdings I LLC (Holdings), the lenders party thereto, RBS Citizens, N.A. and Credit Suisse Securities (USA) LLC as joint lead arrangers and joint bookrunners, Credit Suisse AG, Cayman Islands Branch as syndication agent and Citizens Bank of Pennsylvania as administration agent which provides for (i) a $200 million senior secured term facility (the Term Loan Facility) and (ii) a $25 million senior secured revolving credit facility, with a $5 million sub-facility for letters of credit and a $5 million sub-facility for swing loans, (the Revolving Credit Facility and together with the Term Loan Facility, the Senior Secured Credit Facilities). In addition, the New Media Borrower may request one or more new commitments for term loans or revolving loans from time to time up to an aggregate total of $75 million (the Incremental Facility) subject to certain conditions. On June 4, 2014, the New Media Borrower borrowed $200 million under the Term Loan Facility (the Term Loans). The Term Loans mature on June 4, 2020 and the maturity date for the Revolving Credit Facility is June 4, 2019. The proceeds of the Term Loans, which included a $6.7 million original issue discount, were used to repay in full all amounts outstanding under the GateHouse Credit Facilities, the Local Media Credit Facility and to pay fees associated with the financing, with the balance going to the Company for general corporate purposes.

The New Media Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants applicable to Holdings, the New Media Borrower and the New Media Borrower s subsidiaries, including, among other things, restrictions on indebtedness, liens, investments, fundamental changes, dispositions, and dividends and other distributions. The New Media Credit Agreement contains a financial covenant that requires Holdings I, the New Media Borrower and the New Media Borrower s subsidiaries to maintain a maximum total leverage ratio of 3.25:1.00. The New Media Credit Agreement contains customary events of default. The foregoing descriptions of the Senior Secured Credit Facilities are qualified in their entirety by reference to the Senior Secured Credit Facilities. The New Media Credit Agreement was amended on July 17, 2014 to cure an omission.

One lender under the New Media Credit Agreement was also a lender under the GateHouse Credit Facilities. This portion of the transaction was accounted for as a modification under ASC Subtopic 470-50, *Debt Modifications and Extinguishments* (ASC Subtopic 470-50), as the difference between the present value of the cash flows under the New Media Credit Agreement and the present value of the cash flows under the GateHouse Credit Facilities was less than 10%. The unamortized deferred financing costs and original issuance discount balances as of the refinance date pertaining to this lender s portion of the GateHouse Credit Facilities will be amortized over the terms of the new facility. The remaining portion of the GateHouse Credit Facilities and the Local Media Credit Facility debt refinancing constituted an extinguishment of debt under ASC Subtopic 470-50, and was accounted for accordingly. In connection with this transaction, the Company incurred approximately $10.2 million of fees and expenses, of which $6.7 million were recognized as original issue discount and $1.7 million were capitalized as deferred financing costs. These amounts will be amortized over the term of the new Senior Secured Credit Facilities. Additionally, The Company recorded a loss on early extinguishment of debt of $9.0 million associated with this transaction, which consisted of the write-off of unamortized deferred financing costs and other expenses not eligible for capitalization under ASC Subtopic 470-50.

As of June 29, 2014, the Company is in compliance with all of the covenants and obligations under the New Media Credit Agreement.

Refer to Note 7 of the condensed consolidated financial statements for further discussion of the New Media Credit Agreement.

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Cash Flows

The following table summarizes our historical cash flows.

	Successor Company Six months ended June 29, 2014	Predecessor Company Six months ended June 30, 2013
Cash provided by (used in) operating activities	$ 3,181	$ (1,089)
Cash used in investing activities	(9,356)	(1,278)
Cash provided by (used in) financing activities	5,711	(6,648)

The discussion of our cash flows that follows is based on our historical cash flows for the Successor Company for the six months ended June 29, 2014 and for the Predecessor Company for the six months ended June 30, 2013.

Cash Flows from Operating Activities. Net cash provided by operating activities for the Successor Company for the six months ended June 29, 2014 was $3.2 million, an increase of $4.3 million when compared to $1.1 million of cash used in operating activities for the Predecessor Company for the six months ended June 30, 2013. This $4.3 million increase was the result of a decrease in net loss of $21.7 million and an increase in non-cash charges of $4.7, which was offset by a decrease in cash provided by working capital of $22.1 million.

The $22.1 million decrease in cash provided by working capital for the Successor Company for the six months ended June 29, 2014 when compared to the Predecessor Company for the six months ended June 30, 2013 is primarily attributable to a decrease in accrued expenses and accounts payable and an increase in other assets.

The $4.7 million increase in non-cash charges primarily consisted of an increase in non-cash loss on early extinguishment of debt of $5.9 million, an increase in depreciation and amortization of $0.2 million, and increase in amortization of deferred financing costs of $0.2 million, and an increase in non-cash interest expense of $0.1 million. These increases were offset by a decrease in loss on the sale of assets of $1.5 million and an increase in pension and other postretirement benefit obligations of $0.2 million.

Cash Flows from Investing Activities. Net cash used in investing activities for the Successor Company for the six months ended June 29, 2014 was $9.4 million. During the six months ended June 29, 2014, we used $8.0 million, net of cash acquired, for acquisitions and $1.6 million for capital expenditures, which was offset by $0.3 million we received from the sale of publications and other assets.

Net cash used in investing activities for the Predecessor Company for the six months ended June 30, 2013 was $1.3 million. During the six months ended June 30, 2013, the Predecessor used $2.0 million for capital expenditures, which was offset by $0.7 million we received from the sale of publications and other assets.

Cash Flows from Financing Activities. Net cash provided by financing activities for the Successor Company for the six months ended June 29, 2014 was $5.7 million due to borrowings under term loans of $193.3 million and borrowings under the revolving credit facility of $7.1 million, which were offset by repayments under long-term debt of $158.0 million, repayments under the revolving credit facility of $32.1 million, and the payment of debt issuance costs of $4.6 million.

Net cash used in financing activities for the Predecessor Company for the six months ended June 30, 2013 was $6.6 million due to a repayment under the 2007 Credit Facility, as amended.

Changes in Financial Position

The discussion that follows highlights significant changes in our financial position and working capital from December 29, 2013 to June 29, 2014.

Accounts Receivable. Accounts receivable decreased $6.1 million from December 29, 2013 to June 29, 2014, which relates to the timing of cash collections and lower same store revenue recognized in the 2014 six month period compared to 2013, which was partially offset by $0.7 million of assets acquired in the six month period ending June 29, 2014.

Other Current Assets. Other current assets increased $3.3 million from December 29, 2013 to June 29, 2014, which primarily relates to an increase in deferred income taxes.

Property, Plant, and Equipment. Property, plant, and equipment decreased $11.7 million during the period from December 29, 2013 to June 29, 2014, of which $16.7 million relates to depreciation and $1.1 million relates to assets sold or classified as held for sale, which was partially offset by $5.1 million of assets acquired and $1.6 million that was used for capital expenditures.

Deferred Financing Costs, Net. Deferred financing costs, net decreased $4.8 million during the period from December 29, 2013 to June 29, 2014, of which $5.9 million relates to the non-cash loss on early extinguishment of debt and $0.8 million relates to amortization of deferred financing costs, which was offset by $1.7 million of new debt issuance costs that were capitalized related to the New Media Credit Agreement.

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Current Portion of Long-term Debt. Current portion of long-term debt decreased $2.8 million from December 29, 2013 to June 29, 2014, due to the amortization terms within the New Media Credit Agreement (1% annually) compared to the GateHouse Credit Facilities and Local Media Credit Facility.

Accounts Payable. Accounts payable decreased $5.5 million from December 29, 2013 to June 29, 2014, which primarily relates to the timing of vendor payments. This decrease was partially offset by $0.1 million of liabilities acquired in the first three months of 2014.

Accrued Expenses. Accrued expenses decreased $15.0 million from December 29, 2013 to June 29, 2014, due to the payment of legal fees of $6.7 million, a $4.6 payment of a pension liability made by Local Media on behalf of the seller (an affiliate of Dow Jones & Company, Inc.) which was accrued for at December 29, 2013, the payment of debt issuance costs of $2.7 million which were accrued at December 29, 2013, and $1.0 million of accrued bonuses at December 29, 2013 which were paid in the first six months of 2014. These decreases in accrued expenses were partially offset by $0.4 million which was acquired in the first three months of 2014.

Long-term Debt. Long-term debt increased $13.2 million from December 29, 2013 to June 29, 2014, due to borrowings under term loans of $191.8 million, which includes a $6.7 million original issue discount, borrowings under the revolving credit facility of $7.1 million, and $0.1 million non-cash interest expense. These increases were offset by repayments under long-term debt of $152.9 million, repayments under the revolving credit facility of $32.1 million, an $0.8 million reclassification from long-term debt to current portion of long-term debt.

(Accumulated Deficit) Retained Earnings. Retained earnings decreased $10.0 million from December 29, 2013 to June 29, 2014, due to a net loss of $10.0 million.

Contractual Commitments

No material changes were made to our contractual commitments during the period from December 29, 2013 to June 29, 2014.

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. 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.

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, non-cash impairments 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 we use to review the financial performance of our business on a monthly basis.

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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.

A reader of our financial statements 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.

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

	Successor Company Three months ended June 29, 2014	Predecessor Company Three months ended June 30, 2013	Successor Company Six months ended June 29, 2014	Predecessor Company Six months ended June 30, 2013

	(in thousands)			
Loss from continuing operations	$ (3,269)	$ (13,176)	$ (9,960)	$ (30,603)
Income tax benefit	(2,481)		(3,067)	
Loss on derivative instruments	76	5	51	9
Loss on early extinguishment of debt	9,047		9,047	
Amortization of deferred financing costs	333	261	758	522
Interest expense	3,827	14,456	7,632	28,886
Depreciation and amortization	10,109	9,791	19,918	19,636
Adjusted EBITDA from continuing operations	$ 17,642[(a)]	$ 11,337[(b)]	$ 24,379[(c)]	$ 18,450[(b)]

(a) Adjusted EBITDA for the three months ended June 29, 2014 included net expenses of $6,622, which are one-time in nature or non-cash compensation. Included in these net expenses of $6,622 is non-cash compensation and other expense of $5,522, integration and reorganization costs of $412 and a $688 loss on the sale of assets.

(b) Adjusted EBITDA for the three months ended June 30, 2013 included net expenses of $6,280, which are one-time in nature or non-cash compensation. Included in these net expenses of $6,280 is non-cash compensation and other expense of $5,103, non-cash portion of postretirement benefits expense of $(213), integration and reorganization costs of $741 and a $649 loss on the sale of assets.

Adjusted EBITDA also does not include $275 from our discontinued operations.

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(c) Adjusted EBITDA for the six months ended June 29, 2014 included net expenses of $8,985, which are one-time in nature or non-cash compensation. Included in these net expenses of $8,985 is non-cash compensation and other expense of $7,461, integration and reorganization costs of $837 and a $687 loss on the sale of assets.

(d) Adjusted EBITDA for the six months ended June 30, 2013 included net expenses of $7,949, which are one-time in nature or non-cash compensation. Included in these net expenses of $7,949 is non-cash compensation and other expense of $6,376, non-cash portion of postretirement benefits expense of $(428), integration and reorganization costs of $958 and a $1,043 loss on the sale of assets.

Adjusted EBITDA also does not include $123 from our discontinued operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

During the six month period ended June 29, 2014, there were no material changes to the quantitative and qualitative disclosures about market risk that were presented in Item 7A of our annual report on Form 10-K for the year ended December 29, 2013.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), has evaluated the effectiveness of our disclosure controls and procedures (as is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934, as amended), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control

There has not been any change in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter to which this Quarterly Report on Form 10-Q relates that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

There have been no material changes to the legal proceedings previously disclosed under Legal Proceedings included in our Annual Report on Form 10-K filed with the SEC on March 19, 2014.

Item 1A. Risk Factors

There have been no material changes or additions to the risk factors previously disclosed under Risk Factors included in our Annual Report on Form 10-K filed with the SEC on March 19, 2014.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

Not applicable

Item 6. Exhibits

See Index to Exhibits on page 39 of this Quarterly Report on Form 10-Q.

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SIGNATURES

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

NEW MEDIA INVESTMENT GROUP INC.

Date: July 31, 2014

/s/ Gregory W. Freiberg
Gregory W. Freiberg
Chief Financial Officer and Chief Accounting Officer
(Principal Financial and Accounting Officer)

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Index to Exhibits

Exhibit No.	Description of Exhibit	Included Herewith	Incorporated by Reference Herein Form	Exhibit	Filing Date
10.40	Credit Agreement, dated as of June 4, 2014 among New Media Holdings I LLC, New Media Holdings II LLC, the several banks and other financial institutions or entities from time to time parties to this Agreement, as the Lenders, RBS Citizens, N.A. and Credit Suisse Securities (USA) LLC, as Joint Lead Arrangers and Joint Bookrunners, Credit Suisse AG, Cayman Islands Branch, as Syndication Agent, and Citizens Bank of Pennsylvania, together with any successor appointed in accordance with Section 8.9 of the Credit Agreement, as Administrative Agent.	x			
10.41	Pledge Agreement, dated as of June 4, 2014 among New Media Holdings II LLC, New Media Holdings I LLC, each of the subsidiary guarantors from time to time party thereto and Citizens Bank of Pennsylvania, in its capacity as Administrative Agent.	x			
10.42	Guarantee Agreement, dated as of June 4, 2014 made by New Media Holdings I LLC, each of the other guarantors party thereto in favor of Citizens Bank of Pennsylvania, as Administrative Agent.	x			
10.43	Security Agreement, dated as of June 4, 2014 among New Media Holdings I LLC, New Media Holdings II LLC, each of the subsidiary guarantors from time to time party thereto and Citizens Bank of Pennsylvania, in its capacity as Administrative Agent.	x			
10.44	Amendment to Credit Agreement, dated as of July 17, 2014 between Citizens Bank of Pennsylvania, New Media Holdings II LLC and New Media Holdings I LLC	x			
31.1	Rule 13a-14(a)/15d-14(a) Certification of the Principal Executive Officer.	x			
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Principal Financial Officer.	x			
32.1	Section 1350 Certifications	x			
* 101.INS	XBRL Instance Document				
* 101.SCH	XBRL Taxonomy Extension Schema				

* 101.CAL	XBRL Taxonomy Extension Calculation Linkbase
* 101.DEF	XBRL Taxonomy Extension Definition Linkbase
* 101.LAB	XBRL Taxonomy Extension Label Linkbase
* 101.PRE	XBRL Taxonomy Extension Presentation Linkbase

* Pursuant to Rule 406T of Regulation S-T, the information in this exhibit shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement, prospectus or other document filed under the Securities Act of 1933, or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference in such filings.