GateHouse Media, Inc.
Form 10-Q
August 03, 2010
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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 30, 2010

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: 001-33091

GATEHOUSE MEDIA, INC.

(Exact name of registrant as specified in its charter)

Delaware	**36-4197635**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

350 WillowBrook Office Park, Fairport, New York 14450

(Address of principal executive offices)

Telephone: (585) 598-0030

(Registrant s telephone number, including area code)

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

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

Indicate by check mark 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 29, 2010, 58,081,291 shares of the registrant s common stock were outstanding.

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Item 1. Financial Statements

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In thousands, except share data)

	June 30, 2010 (unaudited)	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 28,100	$ 10,999
Accounts receivable, net of allowance for doubtful accounts of $3,508 and $4,569 at June 30, 2010 and December 31, 2009, respectively	59,803	67,669
Inventory	7,205	7,049
Prepaid expenses	5,256	5,128
Other current assets	7,277	6,873
Total current assets	107,641	97,718
Property, plant, and equipment, net of accumulated depreciation of $92,035 and $81,493 at June 30, 2010 and December 31, 2009, respectively	159,574	171,572
Goodwill	14,343	14,343
Intangible assets, net of accumulated amortization of $142,678 and $130,472 at June 30, 2010 and December 31, 2009, respectively	283,336	295,731
Deferred financing costs, net	5,015	5,695
Other assets	934	5,442
Long-term assets held for sale	1,429	1,428
Total assets	$ 572,272	$ 591,929
Liabilities and Stockholders Deficit		
Current liabilities:		
Current portion of long-term liabilities	$ 14,925	$ 14,369
Short-term debt		8,000
Accounts payable	8,499	6,075
Accrued expenses	33,828	28,598
Accrued interest	2,924	3,235
Deferred revenue	28,423	27,826
Total current liabilities	88,599	88,103
Long-term liabilities:		
Long-term debt	1,192,487	1,195,000
Long-term liabilities, less current portion	4,058	4,733
Derivative instruments	69,530	44,522
Pension and other postretirement benefit obligations	12,716	13,147
Total liabilities	1,367,390	1,345,505
Stockholders deficit:		
Common stock, $0.01 par value, 150,000,000 shares authorized at June 30, 2010; 58,313,868 and 58,313,868 shares issued, and 58,079,700 and 58,104,009 outstanding at June 30, 2010 and December 31, 2009, respectively	568	568
Additional paid-in capital	829,926	829,009

Accumulated other comprehensive loss	(68,568)	(48,916)
Accumulated deficit	(1,555,966)	(1,533,421)
Treasury stock, at cost, 234,168 and 209,859 shares at June 30, 2010 and December 31, 2009, respectively	(310)	(306)
Total GateHouse Media stockholders deficit	(794,350)	(753,066)
Noncontrolling interest	(768)	(510)
Total stockholders deficit	(795,118)	(753,576)
Total liabilities and stockholders deficit	$ 572,272	$ 591,929

See accompanying notes to unaudited condensed consolidated financial statements.

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GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Operations

(In thousands, except share and per share data)

	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Revenues:				
Advertising	$ 102,921	$ 107,623	$ 195,335	$ 201,892
Circulation	34,459	35,364	68,548	70,996
Commercial printing and other	6,836	8,320	13,436	16,924
Total revenues	144,216	151,307	277,319	289,812
Operating costs and expenses:				
Operating costs	80,037	85,538	159,661	173,815
Selling, general, and administrative	37,845	42,626	77,556	86,206
Depreciation and amortization	11,631	15,772	23,492	31,721
Integration and reorganization costs	641	765	1,538	1,232
Impairment of long-lived assets		206,089		206,089
Loss on sale of assets	1,270	22	1,536	186
Goodwill and mastheads impairment		275,310		275,310
Operating income (loss)	12,792	(474,815)	13,536	(484,747)
Interest expense	15,050	15,813	29,958	33,486
Amortization of deferred financing costs	340	340	680	680
Loss on derivative instrument	2,559	3,706	5,356	5,912
Other (income) expense	5	(122)	(4)	673
Loss from continuing operations before income taxes	(5,162)	(494,552)	(22,454)	(525,498)
Income tax expense	34	14	191	315
Loss from continuing operations	(5,196)	(494,566)	(22,645)	(525,813)
Loss from discontinued operations, net of income taxes	(134)	(1,901)	(158)	(2,574)
Net loss	$ (5,330)	$ (496,467)	$ (22,803)	$ (528,387)
Net loss attributable to noncontrolling interest	$ 105	$ 79	$ 258	$ 222
Net loss attributable to GateHouse Media	$ (5,225)	$ (496,388)	$ (22,545)	$ (528,165)
Loss per share:				
Basic and diluted:				
Loss from continuing operations attributable to GateHouse Media	$ (0.09)	$ (8.61)	$ (0.39)	$ (9.17)
Loss from discontinued operations, attributable to GateHouse Media, net of income taxes	$	(0.03)	$	(0.05)
Net loss attributable to GateHouse Media	$ (0.09)	$ (8.64)	$ (0.39)	$ (9.22)
Dividends declared per share	$	$	$	$
Basic weighted average shares outstanding	57,728,624	57,426,416	57,677,799	57,330,827

Diluted weighted average shares outstanding	57,728,624	57,426,416	57,677,799	57,330,827

See accompanying notes to unaudited condensed consolidated financial statements.

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GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Statement of Stockholders Equity (Deficit)

(In thousands, except share data)

	Common stock					Treasury stock			
	Shares	Amount	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Shares	Amount	Non-controlling interest in subsidiary	Total
Balance at January 1, 2010	58,313,868	$ 568	$ 829,009	$ (48,916)	$ (1,533,421)	209,859	$ (306)	$ (510)	$ (753,576)
Comprehensive loss:									
Net loss					(22,545)			(258)	(22,803)
Loss on derivative instruments, net of income taxes of $0				(19,652)					(19,652)
Comprehensive loss									(42,455)
Non-cash compensation expense			917						917
Purchase of treasury stock						24,309	(4)		(4)
Balance at June 30, 2010	58,313,868	$ 568	$ 829,926	$ (68,568)	$ (1,555,966)	234,168	$ (310)	$ (768)	$ (795,118)

See accompanying notes to unaudited condensed consolidated financial statements.

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GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Cash Flows

(In thousands)

	Six months ended June 30, 2010	Six months ended June 30, 2009
Cash flows from operating activities:		
Net loss	$ (22,803)	$ (528,387)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	23,496	31,790
Amortization of deferred financing costs	680	680
Loss on derivative instrument	5,356	5,912
Non-cash compensation expense	917	2,026
Loss on sale of assets	1,536	186
Pension and other postretirement benefit obligations	(348)	(153)
Impairment of long-lived assets	124	208,423
Goodwill and masthead impairment		275,310
Changes in assets and liabilities, net of sales:		
Accounts receivable, net	7,866	12,032
Inventory	(156)	2,450
Prepaid expenses	(128)	(1,175)
Other assets	532	(3,834)
Accounts payable	2,424	(5,487)
Accrued expenses	5,146	6,804
Accrued interest	(311)	(4,628)
Deferred revenue	597	1,271
Other long-term liabilities	(101)	(145)
Net cash provided by operating activities	24,827	3,075
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(1,285)	(1,564)
Proceeds from sale of publications and other assets	4,076	4,741
Acquisitions, net of cash acquired		(254)
Net cash provided by investing activities	2,791	2,923
Cash flows from financing activities:		
Repayments under long-term debt	(2,513)	
Repayments under short-term debt	(8,000)	(1,500)
Purchase of treasury stock	(4)	(1)
Net cash used in financing activities	(10,517)	(1,501)
Net increase in cash and cash equivalents	17,101	4,497
Cash and cash equivalents at beginning of period	10,999	11,744
Cash and cash equivalents at end of period	$ 28,100	$ 16,241

See accompanying notes to unaudited condensed consolidated financial statements.

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GATEHOUSE MEDIA, 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 GateHouse Media, Inc. and its subsidiaries (the Company) 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 Rule 10-01 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 31, 2009, 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.

Total comprehensive loss for the three months ended June 30, 2010 and 2009 was $11,681 and $505,708, respectively. Total comprehensive loss for the six months ended June 30, 2010 and 2009 was $42,455 and $533,677, respectively.

Recent Developments

The newspaper industry and the Company have experienced declining same store revenue over the past few years. This has led to losses, reduced cash flow from operations and the need to record impairment charges for certain long term assets. It has also made it more difficult for the Company to meet certain of its debt covenants and has eliminated the availability of additional borrowings under the Company s revolving credit agreement. As a result of these trends in the industry and the Company, management has implemented plans to reduce costs and preserve cash flow and intends to continue to execute on these plans. This includes continuing the suspension of the payment of the Company s cash dividend, the issuance of preferred stock, the repayment of borrowings under the revolving credit agreement, and the planned continued implementation of cost reduction programs. Management believes these initiatives will provide the financial resources necessary to invest in the business, ensure the Company s future success, and provide the cash flow to enable the Company to meet its financial commitments for the next twelve months.

Recently Issued Accounting Pronouncements

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

(2) Share-Based Compensation

The Company recognized compensation cost for share-based payments of $456, $1,218, $917 and $2,026 during the three and six months ended June 30, 2010 and 2009, respectively. The total compensation cost not yet recognized related to non-vested awards as of June 30, 2010 was $1,248, which is expected to be recognized over a weighted average period of 1.4 years through April 2013.

Restricted Share Grants (RSGs)

Prior to the Company s initial public offering (IPO) in 2006, the Company had issued 792,500 RSGs to certain management investors pursuant to each investor s management stockholder agreement (each, a   Management Stockholder Agreement). Under the Management Stockholder Agreements, RSGs vest by one-third on each of the third, fourth and fifth anniversaries from the grant date. Following the adoption of the GateHouse Media, Inc. Omnibus Stock Incentive Plan (the   Plan) in October 2006, an additional 268,680 RSGs were granted during the year ended December 31, 2006 to Company directors, management, and employees. During

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the year ended December 31, 2007 an additional 198,846 RSGs were granted to Company directors, management and employees, 105,453 of which were both granted and forfeited. During the year ended December 31, 2008 an additional 266,795 RSGs were granted to Company directors, management and employees, 42,535 of which were both granted and forfeited. During the year ended December 31, 2009 an additional 100,000 RSGs were granted to Company management. The majority of the RSGs issued under the Plan vest in increments of one-third on each of the first, second and third anniversaries of the grant date. In the event a grantee of an RSG is terminated by the Company without cause, a number of unvested RSGs immediately vest that would have vested under the normal vesting period on the next succeeding anniversary date following such termination. In the event a RSG grantee s employment with the Company is terminated without cause within twelve months after a change in control as defined in the applicable award agreement, all unvested RSGs become immediately vested at the termination date. During the period prior to the lapse and removal of the vesting restrictions, a grantee of a RSG will have all of the rights of a stockholder, including without limitation, the right to vote and the right to receive all dividends or other distributions. As a result, the RSGs are reflected as outstanding common stock and the unvested RSGs have been excluded from the calculation of basic earnings per share. With respect to Company employees, the value of the RSGs on the date of issuance is recognized as employee compensation expense over the vesting period or through the grantee s eligible retirement date, if shorter, with an increase to additional paid-in-capital.

As of June 30, 2010 and 2009, there were 318,836 and 635,311 RSGs, respectively, issued and outstanding with a weighted average grant date fair value of $9.57 and $11.08, respectively. As of June 30, 2010, the aggregate intrinsic value of unvested RSGs was $51. During the six months ended June 30, 2010, the aggregate fair value of vested RSGs was $39.

RSG activity was as follows:

	Number of RSGs	Weighted-Average Grant Date Fair Value
Unvested at December 31, 2009	570,696	$ 10.01
Vested	(246,220)	10.59
Forfeited	(5,640)	10.02
Unvested at June 30, 2010	318,836	9.57

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 forfeiture rates of comparable plans. Estimated forfeitures will be reassessed in subsequent periods and the estimate may change based on new facts and circumstances.

(3) Reclassifications

Certain amounts in the prior period unaudited condensed consolidated financial statements have been reclassified to conform to the 2010 presentation.

(4) Restructuring

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

Information related to restructuring program activity during the twelve months ended December 31, 2009 and the six months ended June 30, 2010 is outlined below.

	Severance and Related Costs	Other Costs (1)	Total
Balance at December 31, 2008	$ 616	$ 56	$ 672

Restructuring provision included in Integration and Reorganization [2]	1,537	419	1,956
Reversals of prior accruals included in Integration and Reorganization	(55)		(55)
Cash payments	(1,853)	(455)	(2,308)
Balance at December 31, 2009	$ 245	$ 20	$ 265
Restructuring provision included in Integration and Reorganization [2]	614	931	1,545
Cash payments	(698)	(949)	(1,647)
Balance at June 30, 2010	$ 161	$ 2	$ 163

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

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

The following table summarizes the costs incurred and cash paid in connection with these restructuring programs for the three and six months ended June 30, 2010 and 2009.

	Three Months Ended		Six Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Severance and related costs (2)	$ 215	$ 830	$ 614	$ 1,179
Reversals of prior accruals		(55)		(55)
Other costs (1) (2)	427		931	
Cash payments	(808)	(748)	(1,647)	(1,315)

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

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

As of June 30, 2010, the accrued restructuring balance related to acquisitions was $0.

(5) Goodwill and Intangible Assets

Goodwill and intangible assets consisted of the following:

	June 30, 2010		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Noncompete agreements	$ 4,970	$ 3,457	$ 1,513
Advertiser relationships	286,497	107,817	178,680
Customer relationships	8,940	1,971	6,969
Subscriber relationships	83,163	27,526	55,637
Trade name	5,493	1,831	3,662
Publication rights	345	76	269
Total	$ 389,408	$ 142,678	$ 246,730
Nonamortized intangible assets:			
Goodwill	$ 14,343		
Mastheads	36,606		
Total	$ 50,949		

	December 31, 2009		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Noncompete agreements	$ 4,970	$ 3,065	$ 1,905

Advertiser relationships	286,601	99,061	187,540
Customer relationships	8,940	1,646	7,294
Subscriber relationships	83,217	25,079	58,138
Trade name	5,493	1,556	3,937
Publication rights	345	65	280
Total	$ 389,566	$ 130,472	$ 259,094
Nonamortized intangible assets:			
Goodwill	$ 14,343		
Mastheads	36,637		
Total	$ 50,980		

The weighted average amortization periods for amortizable intangible assets are 4.4 years for noncompete agreements, 16.8 years for advertiser relationships, 13.6 years for customer relationships, 17.2 years for subscriber relationships, 10.0 years for trade names and 15.0 years for publication rights.

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Amortization expense for the three and six months ended June 30, 2010 and 2009 was $6,135, $9,386, $12,270 and $18,777, respectively. Estimated future amortization expense as of June 30, 2010 is as follows:

For the years ending December 31:	
2010	$ 12,254
2011	24,402
2012	24,093
2013	23,811
2014	23,765
Thereafter	138,405
Total	$ 246,730

The date on which the Company s annual impairment assessment is made is June 30.

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

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

As of September 30, 2009, December 31, 2009, and March 31, 2010 a review of impairment indicators was performed with the Company noting that conditions regarding its financial results and forecast had not changed since June 30, 2009 impairment test and its market capitalization exceeded its consolidated carrying value and it was determined that an impairment analysis was not required.

As part of the annual impairment assessment, as of June 30, 2010, the fair values of the Company s reporting units for goodwill impairment testing and individual newspaper mastheads were estimated using the expected present value of future cash flows, recent industry transaction multiples and using estimates, judgments and assumptions that management believes were appropriate in the circumstances. The estimates and judgments used in the assessment include multiples for revenue and EBITDA, the weighted average cost of capital and the terminal growth rate. Given the current market conditions, the Company determined that current transactions provided the best estimate of the fair value of its reporting units. Given the stabilization of operating results, no impairment indicators were identified for the only remaining reporting unit having a goodwill balance and all mastheads as the estimated fair value exceeded carrying value. The total Company s estimate of 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.

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

(6) Indebtedness

2007 Credit Facility

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

The 2007 Credit Facility, prior to execution of the Second Amendment (defined below), provided for: (a) a $670,000 term loan facility that matures on August 28, 2014; (b) a delayed draw term loan facility of up to $250,000 that matures on August 28, 2014, and (c) a revolving credit facility with a $40,000 aggregate loan commitment amount available, including a $15,000 sub-facility for letters of credit and a $10,000 swingline facility, that matures on February 28, 2014. The borrowers used the proceeds of the 2007 Credit Facility to refinance existing indebtedness and for working capital and other general corporate purposes, including, without limitation, financing acquisitions permitted under the 2007 Credit Facility. The 2007 Credit Facility is secured by a first priority security interest in: (a) all present and future capital stock or other membership, equity, ownership or profits interest of Operating and all of its direct and indirect domestic restricted subsidiaries; (b) 65% of the voting stock (and 100% of the nonvoting stock) of all present and future first-tier foreign subsidiaries; and (c) substantially all of the tangible and intangible assets of Holdco, Operating and their present and future direct and indirect domestic restricted subsidiaries. In addition, the loans and other obligations of the borrowers under the 2007 Credit Facility are guaranteed, subject to specified limitations, by Holdco, Operating and their present and future direct and indirect domestic restricted subsidiaries.

Borrowings under the 2007 Credit Facility bear interest, at the borrower s option, equal to the LIBOR Rate for a LIBOR Rate Loan (as defined in the 2007 Credit Facility), or the Alternate Base Rate for an Alternate Base Rate Loan (as defined in the 2007 Credit Facility), plus an applicable margin. The applicable margin for the LIBOR Rate term loans and Alternate Base Rate term loans, as amended by the First Amendment (defined below), is 2.00% and 1.00%, respectively. The applicable margin for revolving loans is adjusted quarterly based upon Holdco s Total Leverage Ratio (as defined in the 2007 Credit Facility) (*i.e.*, the ratio of Holdco s Consolidated Indebtedness (as defined in the 2007 Credit Facility) on the last day of the preceding quarter to Consolidated EBITDA (as defined in the 2007 Credit Facility) for the four fiscal quarters ending on the date of determination). The applicable margin ranges from 1.50% to 2.00%, in the case of LIBOR Rate Loans and, 0.50% to 1.00% in the case of Alternate Base Rate Loans. Under the revolving credit facility, GateHouse Media will also pay a quarterly commitment fee on the unused portion of the revolving credit facility ranging from 0.25% to 0.5% based on the same ratio of Consolidated Indebtedness to Consolidated EBITDA and a quarterly fee equal to the applicable margin for LIBOR Rate Loans on the aggregate amount of outstanding letters of credit. In addition, GateHouse Media will be required to pay a ticking fee at the rate of 0.50% of the aggregate unfunded amount available to be borrowed under the delayed draw term facility.

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

The 2007 Credit Facility contains a financial covenant that requires Holdco to maintain a Total Leverage Ratio of less than or equal to 6.5 to 1.0 at any time an extension of credit is outstanding under the revolving credit facility. The 2007 Credit Facility contains affirmative and negative covenants applicable to Holdco, Operating and their restricted subsidiaries customarily found in loan agreements for similar transactions, including restrictions on their ability to incur indebtedness (which GateHouse Media is generally permitted to incur so long as it satisfies an incurrence test that requires it to maintain a pro forma Total Leverage Ratio of less than 6.5 to 1.0), create liens on assets, engage in certain lines of business, engage in mergers or consolidations, dispose of assets, make investments or acquisitions, engage in transactions with affiliates, enter into sale leaseback transactions, enter into negative pledges or pay dividends or make other restricted payments (except that Holdco is permitted to (a) make restricted payments (including quarterly dividends) so long as, after giving effect to any such restricted payment, Holdco and its subsidiaries have a Fixed Charge Coverage Ratio (as defined in the 2007 Credit Facility) equal to or greater than 1.0 to 1.0 and would be able to incur an additional $1.00 of debt under the incurrence test referred to above and (b) make restricted payments of proceeds of asset dispositions to GateHouse Media to the extent such proceeds are not required to prepay loans under the 2007 Credit Facility and/or cash collateralize letter of credit obligations and such proceeds are used to prepay borrowings under acquisition credit facilities of GateHouse Media. The 2007 Credit Facility also permits the borrowers, in certain limited circumstances, to designate subsidiaries as unrestricted subsidiaries which are not subject to the covenant restrictions in the 2007 Credit Facility. The 2007 Credit Facility contains customary events of default, including defaults based on a failure to pay principal, reimbursement obligations, interest, fees or other obligations, subject to specified grace periods; a material inaccuracy of representations and warranties; breach of covenants; failure to pay other indebtedness and cross-accelerations; a Change of Control (as defined in the 2007 Credit Facility); events of bankruptcy and insolvency; material judgments; failure to meet certain requirements with respect to ERISA; and impairment of collateral. There were no extensions of credit outstanding under the revolving credit portion of the facility at June 30, 2010 and, therefore, the Company was not required to be in compliance with the Total Leverage Ratio covenant.

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First Amendment to 2007 Credit Facility

On May 7, 2007, the Borrowers entered into the First Amendment to amend the 2007 Credit Facility. The First Amendment provided an incremental term loan facility under the 2007 Credit Facility in the amount of $275,000. As amended by the First Amendment, the 2007 Credit Facility includes $1,195,000 of term loan facilities and $40,000 of a revolving credit facility. The incremental term loan facility amortizes at the same rate and matures on the same date as the existing term loan facilities under the 2007 Credit Facility. Interest on the incremental term loan facility accrues at a rate per annum equal to, at the option of the borrower, (a) adjusted LIBOR plus a margin equal to (i) 2.00%, if the corporate family ratings and corporate credit ratings of Operating by Moody s Investors Service Inc. and Standard & Poor s Rating Services, are at least B1, and B+, respectively, in each case with stable outlook or (ii) 2.25%, otherwise, as was the case as of June 30, 2010, or (b) the greater of the prime rate set by Wachovia Bank, National Association, or the federal funds effective rate plus 0.50%, plus a margin 1.00% lower than that applicable to adjusted LIBOR-based loans. Any voluntary or mandatory repayment of the First Amendment term loans made with the proceeds of a new term loan entered into for the primary purpose of benefiting from a margin that is less than the margin applicable as a result of the First Amendment will be subject to a 1.00% prepayment premium. The First Amendment term loans are subject to a most favored nation interest provision that grants the First Amendment term loans an interest rate margin that is 0.25% less than the highest margin of any future term loan borrowings under the 2007 Credit Facility.

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

Second Amendment to 2007 Credit Facility

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

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

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

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

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

As required by the 2007 Credit Facility, as amended, on March 5, 2010, the Company made a principal payment of $2,513, which represented 50% of the Excess Cash Flow related to the fiscal year ended December 31, 2009. As of June 30, 2010, a total of $1,192,487 was outstanding under the 2007 Credit Facility; $668,591 was outstanding under the term loan facility, $249,474 was outstanding under the delayed draw term loan facility, $274,422 was outstanding under the incremental term loan facility and no amounts were outstanding under the revolving credit facility.

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Note Payable

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

2008 Bridge Facility

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

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

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

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

First Waiver to 2008 Bridge Facility

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

Second Waiver and Amendment to 2008 Bridge Facility

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

Furthermore, under the Second Waiver and Amendment to the 2008 Bridge Facility the covenant requiring compliance with the Total Leverage Ratio was eliminated. The Bridge Borrower also agreed to prepay the 2008 Bridge Facility in any month, and only to the extent that, the month end cash balance exceeds the Projected Cash Balance by $2,000, starting in May of 2009, and agreed to make certain prepayments in the event of any voluntary repurchase or prepayment of term loans under the 2007 Credit Facility.

Third Waiver to the 2008 Bridge Facility

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

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Third Amendment to 2008 Bridge Facility

On June 12, 2009, Holdco II entered into the Third Amendment to the 2008 Bridge Facility. The Third Amendment established a revised amortization schedule for the outstanding balance due under the 2008 Bridge Facility which runs through February 12, 2011. Bi-monthly payments of $1,500 under the revised amortization schedule began in June 2009 with any remaining amounts due February 12, 2011. As a result of the prepayment of a portion of the 2008 Bridge Facility the final payment has been accelerated to December 2010. The Bridge Borrower s agreement to prepay the 2008 Bridge Facility in any month was amended to provide that the Bridge Borrower prepay the 2008 Bridge Facility in any month, and only to the extent that, the month end cash balance exceeds the revised Projected Cash Balance by $4,000, starting in June of 2009. The Bridge Borrower also agreed to additional informational document delivery requirements. In addition, the applicable grace period for any failure to make a principal payment was extended to 30 days. On June 7, 2010, the Company paid off the remaining balance under the 2008 Bridge Facility.

Preferred Stock Agreement with Subsidiary

On August 21, 2008, FIF III Liberty Holdings LLC (FIF III) purchased an aggregate of $11,500 in 10% cumulative preferred stock of GateHouse Media Macomb Holdings, Inc. (Macomb), an operating subsidiary of the Company. Macomb, an Unrestricted Subsidiary under the terms of the 2007 Credit Facility, used the proceeds from such sale of preferred stock to make an $11,500 cash investment in Holdco non-voting 10% cumulative preferred stock. FIF III may require the Company to purchase its Macomb preferred stock during the five-year period following the full repayment by the Company of the 2008 Bridge Facility, which occurred in the second quarter of 2010, for an amount equal to the original purchase price plus accrued but unpaid dividends. The entire preferred stock balance of $11,500 is included in current portion of long-term liabilities, and dividends of $2,142 are accrued as of June 30, 2010. FIF III is an affiliate of Fortress Investment Group, LLC, the owner of approximately 39.6% of the Company s outstanding Common Stock.

Compliance with Covenants

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

Fair Value

The fair value of the Company s total long-term debt, determined based on estimated market prices for similar issues of debt with consistent remaining maturities and terms, total approximately $710,000.

Payment Schedule

As of June 30, 2010, scheduled principal payments of outstanding debt are as follows:

2010	$
2011	
2012	
2013	
2014	1,192,487
	$ 1,192,487

(7) Derivative Instruments

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

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

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Fair Values of Derivative Instruments

	Liability Derivatives			
	June 30, 2010		December 31, 2009	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivative designed as hedging instruments under ASC 815				
Interest rate swaps	Derivative Instruments	$ 69,530	Derivative Instruments	$ 44,522
Total derivatives		$ 69,530		$ 44,522

The Effect of Derivative Instruments on the Statement of Operations

for the Three Months Ended June 30, 2010 and 2009

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	
		2010	2009
Interest rate swaps	Loss on derivative instrument	$ (2,559)	$ (3,706)

Derivatives in ASC 815 Fair Value Hedging Relationships	Amount of Gain or (Loss) Recognized in Other Comprehensive Income (OCI) on Derivative (Effective Portion)		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)		Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	2010	2009		2010	2009		2010	2009
Interest rate swaps	$ (8,973)	$ (13,014)	Interest income/ (expense)	$ (10,150)	$ (11,060)	Other income/ (expense)	$ 63	$ 66

The Effect of Derivative Instruments on the Statement of Operations

for the Six Months Ended June 30, 2010 and 2009

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	
		2010	2009
Interest rate swaps	Loss on derivative instrument	$ (5,356)	$ (5,912)

Derivatives in ASC 815 Fair Value Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) 2010	2009	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) 2010	2009	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) 2010	2009
Interest rate swaps	$ (24,991)	$ (12,201)	Interest income/ (expense)	$ (20,117)	$ (22,882)	Other income/ (expense)	$ (17)	$ 998

On June 23, 2005, the Company entered into and designated an interest rate swap based on a notional amount of $300,000 maturing June 2012 as a cash flow hedge. Under the swap agreement, the Company receives interest equivalent to one month LIBOR and pays a fixed rate of 4.135%, with settlements occurring monthly. On February 20, 2006, the Company redesignated the same interest rate swap as a cash flow hedge for accounting purposes. At December 31, 2006, the swap no longer qualified as an effective hedge. Therefore, the balance in accumulated other comprehensive income will be reclassified into earnings over the life of the hedged item. On January 1, 2007, the Company redesignated the same interest rate swap as a cash flow hedge for accounting purposes. On August 18, 2008, the Company terminated the swap and entered into a settlement agreement with Goldman Sachs in the aggregate amount of $18,947 which also includes the termination of the swap having a notional value of $270,000. The balance in accumulated other comprehensive income is reclassified into earnings over the remaining life of the item previously hedged. During the three and six months ended June 30, 2010, $1,490 and $3,066 was amortized and recognized through earnings relating to the balances in accumulated other comprehensive income as of December 31, 2006 and August 18, 2008, respectively. The estimated amount, net of taxes, to be reclassified into earnings during the next twelve months is $178.

In connection with financing obtained in 2006, the Company entered into and designated an interest rate swap based on a notional amount of $270,000 maturing July 2011 as a cash flow hedge. Under the swap agreement, the Company receives interest equivalent to one month LIBOR and pays a fixed rate of 5.359%, with settlements occurring monthly. On January 1, 2007, the swap was redesignated. Therefore, the balance in accumulated other comprehensive income will be reclassified into earnings over the life of the hedged item. On August 18, 2008, the Company terminated the swap and entered into a settlement agreement with Goldman Sachs in the aggregate amount of $18,947 which also includes the termination of the swap having a notional value of $300,000. The balance in accumulated other comprehensive income will be reclassified into earnings over the remaining life of the item previously hedged. During the three and six months ended June 30, 2010, $1,132 and $2,273 was amortized and recognized through earnings relating to the balance in accumulated other comprehensive income as of December 31, 2006 and August 18, 2008, respectively. The estimated amount, net of taxes, to be reclassified into earnings during the next twelve months is $3,051.

In connection with the 2007 Credit Facility, the Company entered into and designated an interest rate swap based on a notional amount of $100,000 maturing September 2014, as a cash flow hedge. Under the swap agreement, the Company receives interest equivalent to one month LIBOR and pays a fixed rate of 5.14%, with settlements occurring monthly. During the three months ended June 30, 2010, the fair value of the swap decreased by $1,394, of which $0 was recognized through earnings and $1,394 was recognized through accumulated other comprehensive income. During the six months ended June 30, 2010, the fair value of the swap decreased by $4,081, of which $0 was recognized through earnings and $4,081 was recognized through accumulated other comprehensive income.

In connection with the 2007 Credit Facility, the Company entered into and designated an interest rate swap based on a notional amount of $250,000 maturing September 2014, as a cash flow hedge. Under the swap agreement, the Company receives interest equivalent to one month LIBOR and pays a fixed rate of 4.971%, with settlements occurring monthly. During the three months ended June 30, 2010, the fair value of the swap decreased by $3,596, of which $0 was recognized through earnings and $3,596 was recognized through accumulated other comprehensive income. During the six months ended June 30, 2010, the fair value of the swap decreased by $9,886, of which $0 was recognized through earnings and $9,886 was recognized through accumulated other comprehensive income.

In connection with the First Amendment to the 2007 Credit Facility, the Company entered into and designated an interest rate swap based on a notional amount of $200,000 maturing September 2014, as a cash flow hedge. Under the swap agreement, the Company receives interest equivalent to one month LIBOR and pays a fixed rate of 5.079% with settlements occurring monthly. During the three months ended June 30, 2010, the fair value of the swap decreased by $2,820, of which an increase of $10 was recognized through earnings and a decrease of $2,830 was recognized through accumulated other comprehensive income. During the six months ended June 30, 2010, the fair value of the swap decreased by $8,070, of which $17 was recognized through earnings and $8,053 was recognized through accumulated other comprehensive income.

In connection with the First Amendment to the 2007 Credit Facility, the Company entered into and designated an interest rate swap based on a notional amount of $75,000 maturing September 2014, as a cash flow hedge. Under the swap agreement, the Company receives interest equivalent to one month LIBOR and pays a fixed rate of 4.941% with settlements occurring monthly. During the three months ended June 30, 2010, the fair value of the swap decreased by $1,100, of which an increase of $53 was recognized through earnings and a decrease of $1,153 was recognized through accumulated other comprehensive income. During the six months ended June 30, 2010, the fair value of the swap decreased by $2,971, of which $0 was recognized through earnings and $2,971 was recognized through accumulated other comprehensive income.

A valuation allowance was established during the six months ended June 30, 2010 related to the increase in deferred tax assets as a result of the change in fair value of the swap instruments in the amount of $7,694 for a net tax effect of $0.

The aggregate amount of unrealized loss related to derivative instruments recognized in other comprehensive income as of June 30, 2010 was $68,031.

(8) Related Party Transactions

Fortress Investment Group, LLC

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

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As of June 30, 2010, Fortress Investment Group LLC and its affiliates (Fortress) beneficially owned approximately 39.6% of the Company s outstanding common stock.

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

Affiliates of Fortress Investment Group LLC own $125,735 of the $1,192,487 2007 Credit Facility as of June 30, 2010. These amounts were purchased on arms length terms in secondary market transactions.

On August 21, 2008, FIF III purchased an aggregate of $11,500 in 10% cumulative preferred stock of GateHouse Media Macomb. The preferred stock was issued on August 21, 2008. Macomb, an Unrestricted Subsidiary under the terms of the 2007 Credit Facility, used the proceeds from such sale of preferred stock to make an $11,500 cash investment in Holdco non-voting 10% cumulative preferred stock. FIF III may require the Company to purchase its Macomb preferred stock during the five-year period following the full repayment by the Company of the 2008 Bridge Facility, which occurred in the second quarter of 2010, for an amount equal to the original purchase price plus accrued but unpaid dividends.

On October 24, 2006, the Company entered into an Investor Rights Agreement with FIF III. The Investor Rights Agreement provides FIF III with certain rights with respect to the nomination of directors to the Company s board of directors as well as registration rights for securities of the Company owned by Fortress.

The Investor Rights Agreement requires the Company to take all necessary or desirable action within its control to elect to its board of directors so long as Fortress beneficially owns (i) more than 50% of the voting power of the Company, four directors nominated by FIG Advisors LLC, an affiliate of Fortress (FIG Advisors), or such other party nominated by Fortress; (ii) between 25% and 50% of the voting power of the Company, three directors nominated by FIG Advisors; (iii) between 10% and 25% of the voting power of the Company, two directors nominated by FIG Advisors; and (iv) between 5% and 10% of the voting power of the Company, one director nominated by FIG Advisors. In the event that any designee of FIG Advisors shall for any reason cease to serve as a member of the board of directors during his term of office, FIG Advisors will be entitled to nominate an individual to fill the resulting vacancy on the board of directors.

Pursuant to the Investor Rights Agreement, the Company has granted FIF III, for so long as it or its permitted transferees beneficially own an amount of the Company s common stock at least equal to 5% or more of the Company s common stock issued and outstanding immediately after the consummation of its IPO (a Registrable Amount), demand registration rights that allow FIF III at any time to request that the Company register under the Securities Act of 1933, as amended, an amount equal to or greater than a Registrable Amount (as defined in the Investor Rights Agreement). Parent is entitled to an aggregate of four demand registrations. The Company is not required to maintain the effectiveness of the registration statement for more than 60 days. The Company is also not required to effect any demand registration within nine months of a firm commitment underwritten offering to which the requestor held piggyback rights and which included at least 50% of the securities requested by the requestor to be included. The Company is not obligated to grant a request for a demand registration within four months of any other demand registration and may refuse a request for demand registration if, in the Company s reasonable judgment, it is not feasible for the Company to proceed with the registration because of the unavailability of audited financial statements.

FIF III also has piggyback registration rights that allow FIF III to include the shares of common stock that FIF III and its permitted transferees own in any public offering of equity securities initiated by the Company (other than those public offerings pursuant to registration statements on Forms S-4 or S-8) or by any of the Company s other stockholders that may have registration rights in the future. The piggyback registration rights of FIF III are subject to proportional cutbacks based on the manner of the offering and the identity of the party initiating such offering.

The Company has additionally granted FIF III and its permitted transferees for as long as Fortress beneficially owns a Registrable Amount, the right to request shelf registrations on Form S-3, providing for an offering to be made on a continuous basis, subject to a time limit on the Company s efforts to keep the shelf registration statement continuously effective and the Company s right to suspend the use of a shelf registration prospectus for a reasonable period of time (not exceeding 60 days in succession or 90 days in the aggregate in any 12-month period) if the Company determines that certain disclosures required by the shelf registration statement would be detrimental to the Company or the Company s stockholders.

The Company has agreed to indemnify FIF III and its permitted transferees against any losses or damages resulting from any untrue statement or omission of material fact in any registration statement or prospectus pursuant to which FIF III and its permitted transferees sells shares of the Company s common stock, unless such liability arose from FIF III misstatement or omission, and Parent has agreed to indemnify the Company against all losses caused by its misstatements or omissions. The Company will pay all expenses incident to registration and Fortress will pay its respective portions of all underwriting discounts, commissions and transfer taxes relating to the sale of its shares under such a registration statement.

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Gene A. Hall

On April 9, 2009, the Company sold certain of its assets relating to the business of operating and publishing *Charles City Press*, *The Extra, The Northeast Iowa Shopper* and *New Hampton Tribune* to an affiliate of Gene A. Hall for a purchase price of $1,925, subject to customary adjustments. Mr. Hall was an Executive Vice President of the Company up to the date of the sale. The parties also entered into a transitional services agreement to provide such affiliate with certain services with respect to the acquired business for up to nine months after the sale. On October 9, 2009, the Company sold an additional parcel of real estate related to the acquired business to Mr. Hall s affiliate for a purchase price of $75.

(9) Income Taxes

The Company performs a quarterly assessment of its deferred tax assets and liabilities. FASB ASC Topic 740, *Income Taxes* (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, 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 reported pretax losses for the year ended December 31, 2009. The Company concluded that during the six months of 2010, an increase to the valuation allowance of $16,375 would be necessary to offset additional deferred tax assets. Of this amount, a $8,627 increase was recognized through the income statement and $7,694 was recognized through accumulated other comprehensive income, and $54 was recognized through discontinued operations.

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 for the year, projections of the proportion of income (or loss), permanent and temporary differences, including purchase accounting adjustments and 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 30, 2010, the expected federal tax benefit at 34% is $7,580. The difference between the expected tax rate and the effective tax rate is primarily attributable to the tax effect of the federal valuation allowance of $7,471 and the tax effect related to non-deductible expenses of $109.

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 2006 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 December 31, 2009 and June 30, 2010, the Company had unrecognized tax benefits of approximately $5,068 and $5,259, respectively. The Company did not record significant amounts of interest and penalties related to unrecognized tax benefits for the periods ending December 31, 2009 and June 30, 2010. The Company does not expect significant changes in unrecognized tax benefits within the next 12 months.

(10) 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 30, 2010 and 2009.

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	Three Months Ended June 30, 2010		Three Months Ended June 30, 2009		Six Months Ended June 30, 2010		Six Months Ended June 30, 2009	
	Pension	Postretirement	Pension	Postretirement	Pension	Postretirement	Pension	Postretirement
Components of net periodic benefit costs:								
Service cost	$ 50	$ 14	$ 54	$ 21	$ 100	$ 27	$ 109	$ 42
Interest cost	303	83	316	94	605	167	631	188
Expected return on plan assets	(300)		(275)		(600)		(551)	
Amortization of prior service cost		(118)		(111)		(235)		(222)
Amortization of unrecognized gain	25		32		50		64	
Total	$ 78	$ (21)	$ 127	$ 4	$ 155	$ (41)	$ 253	$ 8

During the three and six months ended June 30, 2010 and 2009, the Company recognized a total of $57, $131, $114 and $261 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:

	Pension	Postretirement
Weighted average discount rate	5.7%	5.6%
Rate of increase in future compensation levels		
Expected return on assets	8.0%	
Current year trend		9.5%
Ultimate year trend		5.0%
Year of ultimate trend		2019

(11) Assets Held for Sale

As of June 30, 2010 and December 31, 2009, the Company intended to dispose of various assets which are classified as held for sale on the Condensed Consolidated Balance Sheet in accordance with ASC 360.

The following table summarizes the major classes of assets and liabilities held for sale at June 30, 2010 and December 31, 2009:

	June 30, 2010	December 31, 2009
Long-term assets held for sale:		
Property, plant and equipment, net	$ 1,429	$ 1,428
Total long-term assets held for sale	$ 1,429	$ 1,428

These assets are real property and no publication related assets are included.

(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 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 us to develop our own assumptions about how market participants price the asset or liability.

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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 tables provide fair value measurement information for each class of financial assets and liabilities measured 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
Liabilities					
Derivatives as of December 31, 2009 (1)	$	$	$ 44,522	$ 44,522	Income
Derivatives as of June 30, 2010 (1)			69,530	69,530	Income

(1) Derivative assets and liabilities include interest rate swaps which are measured using the Company s assumptions about the assumptions a market participant would use in pricing the derivative. The fair value of the interest rate derivative is determined based on the upper notional band using cash flows discounted at the relevant market interest rates in effect at the period close and incorporates an assessment of the risk of non-performance by the interest rate derivative counterparty in valuing derivative assets and an evaluation of the Company s credit risk in valuing derivative liabilities.

The following tables reflect the activity of our derivative liabilities measured at fair value using significant unobservable inputs (Level 3) for the six months ended June 30, 2010:

	Derivative Liabilities
Balance as of December 31, 2009	$ 44,522
Total (gains) losses, net:	
Included in earnings (or changes in net assets)	17
Included in other comprehensive income	24,991
Balance as of June 30, 2010	$ 69,530

Certain assets are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment). During the quarter ended June 30, 2009, goodwill was written down to implied fair value and mastheads and certain amortizable intangibles were written down to fair value. The valuation techniques utilized to measure fair value are discussed in Note 5 above.

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

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

(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

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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.

Included in cash and cash equivalents at June 30, 2010 are certificates of deposit, having maturities of less than three months, in the aggregate amount of $5,265. These amounts are currently used to collateralize standby letters of credit in the name of the Company s insurers in accordance with certain insurance policies.

(14) Discontinued Operations

During the six months ended June 30, 2009, the Company discontinued a publication in Kansas. As a result, an impairment loss of $551 is included in loss from discontinued operations on the Statement of Operations for this period. Additionally, during the six months ended June 30, 2009, the Company completed its sale of four publications in Iowa for an aggregate sale price of $1,925. As a result, an impairment loss of $1,777 is included in loss from discontinued operations on the Statement of Operations for this period. The net revenue during the six months ended June 30, 2009 for the aforementioned discontinued operations was $1,044. Loss before income taxes during the six months ended June 30, 2009 for the aforementioned discontinued operations was $2,574.

During the six months ended June 30, 2010, the Company discontinued a publication in New York. As a result, an impairment loss of $120 is included in loss from discontinued operations on the Statement of Operations for this period. The net revenue during the six months ended June 30, 2010 for the aforementioned discontinued operation and previously discontinued operations was $92. Loss before income taxes during the six months ended June 30, 2010 for the aforementioned discontinued operations and previously discontinued operations was $158.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations
Cautionary Note Regarding Forward Looking Information

The following discussion of GateHouse Media, Inc. s and its subsidiaries (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, as well as other statements that are other than historical fact. Words such as anticipate(s), expect(s) , intend(s) , plan(s) , target(s) , project(s) , believe(s) , will , would , seek(s) , estimate(s) and similar expressions are intended to 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 in our Annual Report on Form 10-K for the year ended December 31, 2009. 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.

Overview

We are one of the largest publishers of locally based print and online media in the United States as measured by number of daily publications. Our business model is to be the preeminent provider of local content and advertising in the small and midsize markets we serve. Our portfolio of products, which includes 453 community publications, more than 270 related websites, and seven yellow page directories, serves over 233,000 business advertising accounts and reaches approximately 10 million people on a weekly basis.

Our core products include:

87 daily newspapers with total paid circulation of approximately 727,000;

261 weekly newspapers (published up to three times per week) with total paid circulation of approximately 564,000 and total free circulation of approximately 752,000;

105 shoppers (generally advertising-only publications) with total circulation of approximately 1.6 million;

over 270 locally focused websites, which extend our franchises onto the internet; and

seven yellow page directories, with a distribution of approximately 813,000, that covers a population of approximately 2.0 million people.

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In addition to our core products, we also opportunistically produce niche publications that address specific local market interests such as travel and recreation, sports, healthcare and real estate.

We were incorporated in Delaware in 1997 for purposes of acquiring a portion of the daily and weekly newspapers owned by American Publishing Company. We accounted for the initial acquisition using the purchase method of accounting.

Since 1998, we have acquired 416 daily and weekly newspapers and shoppers and launched numerous new products. We generate revenues from advertising, circulation and commercial printing. Advertising revenue is recognized upon publication of the advertisements. Circulation revenue from subscribers, which is billed to customers at the beginning of the subscription period, is recognized on a straight-line basis over the term of the related subscription. The revenue for commercial printing is recognized upon delivery of the printed product to our customers. Directory revenue is recognized on a straight-line basis over the period in which the corresponding directory is distributed and in use in the market, typically 12 months.

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.

We have experienced recent declines in advertising revenue streams and increased volatility of operating performance, despite our geographic diversity, well-balanced portfolio of products, strong local franchises, broad customer base and reliance on smaller markets. These recent declines in advertising revenue we have experienced are typical in an economic downturn. 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.

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

Compensation represents just over 50% of our operating expenses. We initiated an effort to drive efficiencies and centralization of work throughout the organization. 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.

On May 9, 2005, FIF III Liberty Holdings LLC, an affiliate of Fortress Investment Group LLC (Fortress), entered into an Agreement and Plan of Merger with the Company pursuant to which a wholly-owned subsidiary of FIF III Liberty Holdings LLC merged with and into the Company (the Merger). The Merger was effective on June 6, 2005, thus at the time making FIF III Liberty Holdings LLC our principal and controlling stockholder.

As of June 30, 2010, Fortress beneficially owned approximately 39.6% of our outstanding common stock.

Recent Developments

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

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

We performed testing for impairment of goodwill and newspaper mastheads as of June 30, 2010, June 30, 2009, December 31 and June 30, 2008 and December 31, 2007. The fair value of our reporting units for goodwill impairment testing and individual newspaper mastheads were estimated using the expected present value of future cash flows and recent industry transaction multiples, using estimates, judgments and assumptions, that we believe were appropriate in the circumstances. While no impairment charge was recognized as part of the 2010 assessment, 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.

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During 2008, our credit rating was downgraded to be rated below-investment grade by both Standard & Poor s and Moody s Investors Service and was further downgraded in 2009 and 2010. Any future long-term borrowing or the extension or replacement of our short-term borrowing will reflect the negative impact of these ratings, increase our borrowing costs, limit our financing options and subject us to more restrictive covenants than our existing debt arrangements. Additional reductions in our credit ratings could further increase our borrowing cost, subject us to more onerous borrowing terms and reduce or eliminate our borrowing flexibility in the future.

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

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 31, 2009, 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 31, 2009.

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Results of Operations

The following table summarizes our historical results of operations for the three and six months ended June 30, 2010 and 2009.

GATEHOUSE MEDIA, INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Operations

(In thousands, except share and per share data)

	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Revenues:				
Advertising	$ 102,921	$ 107,623	$ 195,335	$ 201,892
Circulation	34,459	35,364	68,548	70,996
Commercial printing and other	6,836	8,320	13,436	16,924
Total revenues	144,216	151,307	277,319	289,812
Operating costs and expenses:				
Operating costs	80,037	85,538	159,661	173,815
Selling, general, and administrative	37,845	42,626	77,556	86,206
Depreciation and amortization	11,631	15,772	23,492	31,721
Integration and reorganization costs	641	765	1,538	1,232
Impairment of long-lived assets		206,089		206,089
Loss on sale of assets	1,270	22	1,536	186
Goodwill and mastheads impairment		275,310		275,310
Operating income (loss)	12,792	(474,815)	13,536	(484,747)
Interest expense	15,050	15,813	29,958	33,486
Amortization of deferred financing costs	340	340	680	680
Loss on derivative instrument	2,559	3,706	5,356	5,912
Other (income) expense	5	(122)	(4)	673
Loss from continuing operations before income taxes	(5,162)	(494,552)	(22,454)	(525,498)
Income tax expense	34	14	191	315
Loss from continuing operations	(5,196)	(494,566)	(22,645)	(525,813)

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Three Months Ended June 30, 2010 Compared To Three Months Ended June 30, 2009

Revenue. Total revenue for the three months ended June 30, 2010 decreased by $7.1 million or 4.7% to $144.2 million from $151.3 million for the three months ended June 30, 2009. The difference between same store revenue and GAAP revenue for the current quarter is immaterial, therefore, further revenue discussions will be limited to GAAP results. The decrease in total revenue was comprised of a $4.7 million, or 4.4%, decrease in advertising revenue, a $0.9 million, or 2.6%, decrease in circulation revenue and a $1.5 million, or 17.8%, decrease in commercial printing and other revenue. Advertising revenue declines were primarily driven by declines on the print side of our business in the local retail category, as an uncertain economic environment continues to put pressure on our local advertisers. These economic conditions have also led to a decline in our circulation volumes which have been partially offset by price increases in certain locations. The decrease in commercial printing and other revenue was due to declines in external print projects as a result of weak economic conditions.

Operating Costs. Operating costs for the three months ended June 30, 2010 decreased by $5.5 million, or 6.4%, to $80.0 million from $85.5 million for the three months ended June 30, 2009. The decrease in operating costs was primarily due to a decrease in compensation, newsprint, delivery, external printing costs and health insurance benefit expenses of $2.0 million, $1.7 million, $0.7 million, $0.6 million and $0.4 million, respectively. The majority of these cost reductions are permanent in nature and were implemented as we integrated acquisitions and improved the productivity of our labor force.

Selling, General and Administrative. Selling, general and administrative expenses for the three months ended June 30, 2010 decreased by $4.8 million, or 11.2%, to $37.8 million from $42.6 million three months ended June 30, 2009. The decrease in selling, general and administrative expenses was primarily due to a decrease in other office related expenses, health insurance benefits and compensation expenses of $2.5 million, $1.6 million and $0.5 million, respectively. The majority of these reductions are also permanent in nature.

Depreciation and Amortization. Depreciation and amortization expense for the three months ended June 30, 2010 decreased by $4.2 million to $11.6 million from $15.8 million for the three months ended June 30, 2009. The decrease in depreciation and amortization expense was primarily due to a reduction in amortization expense due to the impairment of amortizable intangibles in June 2009.

Impairment of Long-Lived Assets. During the three months ended June 30, 2009 we incurred a charge of $206.1 million related to the impairment on our advertiser relationships and subscriber relationships due to reductions in our operating projections within our various reporting units. There were no such charges during the three months ended June 30, 2010.

Goodwill and Mastheads Impairment. During the three months ended June 30, 2009 we recorded a $275.3 million impairment on our goodwill and mastheads due to softening business conditions and the related impact on the fair value of our reporting units. There were no such charges during the three months ended June 30, 2010.

Interest Expense. Total interest expense for the three months ended June 30, 2010 decreased by $0.7 million, or 4.8%, to $15.1 million from $15.8 million for the three months ended June 30, 2009. The decrease was primarily due to declines in interest rates and their related impact on our unhedged debt position, and to a lesser extent, a decrease in our total outstanding debt.

Loss on Derivative Instrument. During the three months ended June 30, 2010 and 2009, we recorded a net loss of $2.6 million and $3.7 million, respectively, comprised of accumulated other comprehensive income amortization related to swaps terminated in 2008 partially offset by the impact of the ineffectiveness of our remaining swap agreements.

Net Loss from Continuing Operations. Net loss from continuing operations for the three months ended June 30, 2010 was $5.2 million. Net loss from continuing operations for the three months ended June 30, 2009 was $494.6 million. Our net loss from continuing operations decreased due to the factors noted above.

Six months Ended June 30, 2010 Compared To Six months Ended June 30, 2009

Revenue. Total revenue for the six months ended June 30, 2010 decreased by $12.5 million, or 4.3%, to $277.3 million from $289.8 million for the six months ended June 30, 2009. The difference between same store revenue and GAAP revenue for the current period is immaterial, therefore, further revenue discussions will be limited to GAAP results. The decrease in total revenue was comprised of a $6.6 million, or 3.2%, decrease in advertising revenue, a $2.4 million, or 3.4%, decrease in circulation revenue and a $3.5 million, or 20.6%, decrease in commercial printing and other revenue. Advertising revenue declines were primarily driven by declines on the print side of our business in the local retail category, as an uncertain economic environment continues to put pressure on our local advertisers. These economic conditions have also led to a decline in our circulation volumes which have been partially offset by price increases in certain locations. The decrease in commercial printing and other revenue was due to declines in printing projects as a result of weak economic conditions.

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Operating Costs. Operating costs for the six months ended June 30, 2010 decreased by $14.1 million, or 8.1%, to $159.7 million from $173.8 million for the six months ended June 30, 2009. The decrease in operating costs was primarily due to a decrease in newsprint, compensation, external printing, delivery, postage and health insurance benefit expenses of $5.8 million, $4.3 million, $1.3 million, $1.2 million, $0.7 million and $0.5 million, respectively. The majority of these cost reductions are permanent in nature and were implemented as we integrated acquisitions and improved the productivity of our labor force.

Selling, General and Administrative. Selling, general and administrative expenses for the six months ended June 30, 2010 decreased by $8.6 million, or 10.0%, to $77.6 million from $86.2 million for the six months ended June 30, 2009. The decrease in selling, general and administrative expenses was primarily due to a decrease in other office related expenses, compensation, health insurance benefits and consulting and professional expenses of $4.2 million, $1.7 million, $1.4 million and $1.3 million, respectively. The majority of these reductions are also permanent in nature.

Depreciation and Amortization. Depreciation and amortization expense for the six months ended June 30, 2010 decreased by $8.2 million to $23.5 million from $31.7 million for the six months ended June 30, 2009. The decrease in depreciation and amortization expense was primarily due to a reduction in amortization expense due to the impairment of amortizable intangibles in June 2009.

Impairment of Long-Lived Assets. During the six months ended June 30, 2009 we incurred a charge of $206.1 million related to the impairment on our advertiser relationships and subscriber relationships due to reductions in our operating projections within our various reporting units. There were no such charges during the six months ended June 30, 2010.

Goodwill and Mastheads Impairment. During the six months ended June 30, 2009 we recorded a $275.3 million impairment on our goodwill and mastheads due to softening business conditions and the related impact on the fair value of our reporting units. There were no such charges during the six months ended June 30, 2010.

Interest Expense. Total interest expense for the six months ended June 30, 2010 decreased by $3.5 million, or 10.5%, to $30.0 million from $33.5 million for the six months ended June 30, 2009. The decrease was primarily due to declines in interest rates and their related impact on our unhedged debt position, and to a lesser extent, a decrease in our total outstanding debt.

Loss on Derivative Instrument. During the six months ended June 30, 2010 and 2009, we recorded a net loss of $5.4 million and $5.9 million, respectively, comprised of accumulated other comprehensive income amortization related to swaps terminated in 2008 partially offset by the impact of the ineffectiveness of our remaining swap agreements.

Income Tax Expense. Income tax expense for the six months ended June 30, 2010 was $0.2 million compared to an income tax expense of $0.3 million for the six months ended June 30, 2009. The change of $0.1 million was primarily due to an increase in the valuation allowance recognized and the impairment on the non tax deductible goodwill.

Net Loss from Continuing Operations. Net loss from continuing operations for the six months ended June 30, 2010 was $22.6 million. Net loss from continuing operations for the six months ended June 30, 2009 was $525.8 million. Our net loss from continuing operations increased due to the factors noted above.

Liquidity and Capital Resources

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

As a holding company, we have no operations of our own and accordingly have no independent means of generating revenue, and our internal sources of funds to meet our cash needs, including payment of expenses, are dividends and other permitted payments from our subsidiaries. Our 2007 Credit Facility imposes upon us certain financial and operating covenants, including, among others, requirements that we satisfy certain financial tests, including a total leverage ratio if there are outstanding extensions of credit under the revolving facility, a minimum fixed charge ratio, and restrictions on our ability to incur debt, pay dividends or take certain other corporate actions. As of June 30, 2010 we were in compliance with all applicable covenants.

On February 27, 2007, we entered into an Amended and Restated Credit Agreement with a syndicate of financial institutions with Wachovia Bank, National Association as administrative agent, referred to as the 2007 Credit Facility. The 2007 Credit Facility initially provided for a $670.0 million term loan facility which matures in August 2014, a delayed draw term loan of up to $250.0 million which matures in August

2014 and a revolving credit agreement with a $40.0 million aggregate loan commitment available, including a $15.0 million sub-facility for letters of credit and a $10.0 million swingline facility, which matures in February 2014.

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

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

On February 15, 2008, we entered into our 2008 Bridge Facility with Barclays, as syndication agent, sole arranger and book runner. The 2008 Bridge Facility provided for a $20.6 million term loan facility that was initially subject to extensions through August 15, 2009. On October 17, 2008, Barclays granted us a waiver from compliance with the total leverage ratio covenant with respect to the quarter ended September 30, 2008.

On August 21, 2008, FIF III Liberty Holdings LLC (FIF III) purchased an aggregate of $11.5 million in 10% cumulative preferred stock of GateHouse Media Macomb Holdings, Inc. (Macomb), an operating subsidiary of ours. The preferred stock was issued on August 21, 2008. Macomb, an Unrestricted Subsidiary, as defined under the terms of our 2007 Credit Facility, used the proceeds from such sale of preferred stock to make an $11.5 million cash investment in Holdco non-voting 10% cumulative preferred stock. FIF III may require us to purchase its Macomb preferred stock during the five-year period following our full repayment of the 2008 Bridge Facility, which occurred in the second quarter of 2010, for an amount equal to the original purchase price, plus accrued but unpaid dividends. FIF III is an affiliate of Fortress Investment Group LLC, the owner of approximately 39.6% of our outstanding Common Stock.

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

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

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

On June 12, 2009, we entered into the Third Amendment to the 2008 Bridge Facility. The Third Amendment established a revised amortization schedule for the outstanding balance due under the 2008 Bridge Facility which runs through February 12, 2011. Bi-monthly payments of $1.5 million each under the revised amortization schedule began in June 2009 with any remaining amounts due February 12, 2011. The agreement to prepay the 2008 Bridge Facility in any month was amended to provide that we prepay the 2008 Bridge Facility in any month, and only to the extent that, the month end cash balance exceeds the revised Projected Cash Balance by $4.0 million, starting in June of 2009. The Bridge Borrower also agreed to additional informational document delivery requirements. In addition, the applicable grace period for any failure to make a principal payment was extended to 30 days. On June 7, 2010, the Company paid off the remaining balance under the 2008 Bridge Facility.

As required by the 2007 Credit Facility, as amended, on March 5, 2010, we made a principal payment of $2.5 million, which represented 50% of the Excess Cash Flow related to the fiscal year ended December 31, 2009.

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

Future compliance with our financial and operating covenants will depend on the future performance of the business and our ability to curtail the negative revenue trends experience as well as our ability to address other risks and challenges set forth herein and in our Annual Report on Form 10-K for the year ended December 31, 2009. We believe that we have adequate capital resources and liquidity to meet our working capital needs, borrowing obligations and all required capital expenditures for at least the next twelve months.

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

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Cash Flows

The following table summarizes our historical cash flows.

	Six months ended June 30, 2010	Six months ended June 30, 2009
Cash provided by operating activities	$ 24,827	$ 3,075
Cash provided by investing activities	2,791	2,923
Cash used in financing activities	(10,517)	(1,501)

The discussion of our cash flows that follows is based on our historical cash flows for the six months ended June 30, 2010 and June 30, 2009.

Cash Flows from Operating Activities. Net cash provided by operating activities for the six months ended June 30, 2010 was $24.8 million, an increase of $21.7 million when compared to $3.1 million of cash used by operating activities for the six months ended June 30, 2009. This $21.7 million increase was the result of an increase in cash provided by working capital of $8.6 million and a decrease in net loss of $505.5 million, which were offset by a decrease in non-cash charges of $492.4 million.

The $8.6 million increase in cash provided by working capital for the six months ended June 30, 2010 when compared to the six months ended June 30, 2009 is primarily attributable to increases in accounts payable and accrued interest and a decrease in other assets, which was partially offset by an increase in accounts receivable.

The $492.4 million decrease in non-cash charges primarily consisted of a decrease in goodwill and masthead impairment of $275.3 million, a decrease in an impairment of long-lived assets of $208.3 million, a decrease in depreciation and amortization of $8.3 million, a decrease in non-cash compensation expense of $1.1 million, a decrease in loss on derivative instruments of $0.6 million, and a decrease in pension and other postretirement benefit obligations of $0.2 million. These decreases were partially offset by a $1.4 million increase in loss on the sale of assets which was primarily a press and other real property.

Cash Flows from Investing Activities. Net cash provided by investing activities for the six months ended June 30, 2010 was $2.8 million. During the six months ended June 30, 2010, we received $4.1 million from the collection of a receivable due from a previous real estate sale and the sale of other real property, which was offset by $1.3 million used for capital expenditures.

Net cash provided by investing activities for the six months ended June 30, 2009 was $2.9 million. During the six months ended June 30, 2009, we received $4.7 million from the sale of publications and other assets, which was partially offset by $0.3 million, net of cash acquired, used for acquisitions and $1.6 million used for capital expenditures.

Cash Flows from Financing Activities. Net cash used in financing activities for the six months ended June 30, 2010 was $10.5 million, which primarily resulted from $2.5 million repayment under the 2007 Credit Facility and an $8.0 million repayment under the 2008 Bridge Facility.

Net cash used in financing activities for the six months ended June 30, 2009 was $1.5 million, which primarily resulted from a $1.5 million repayment under the Barclays Credit Agreement.

Changes in Financial Position

The discussion that follows highlights significant changes in our financial position and working capital from December 31, 2009 to June 30, 2010.

Accounts Receivable. Accounts receivable decreased $7.9 million from December 31, 2009 to June 30, 2010, which relates to the timing of cash collections and lower revenue recognized in 2010 compared to 2009.

Property, Plant, and Equipment. Property, plant, and equipment decreased $12.0 million during the period from December 31, 2009 to June 30, 2010, of which $11.2 million relates to depreciation and $2.1 million relates to assets sold and held for sale. These decreases in property, plant, and equipment were partially offset by $1.3 million that was used for capital expenditures.

Intangible Assets. Intangible assets decreased $12.4 million from December 31, 2009 to June 30, 2010, of which $12.3 million relates to amortization and $0.1 million relates to an impairment charge.

Other Assets. Other assets decreased $4.5 million from December 31, 2009 to June 30, 2010, which primarily relates to a $3.5 million note receivable collected from the 2009 sale of land in Quincy, Massachusetts.

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Short-term Debt. Short-term debt decreased $8.0 million from December 31, 2009 to June 30, 2010 due to an $8.0 million repayment under the 2008 Bridge Facility.

Accounts Payable. Accounts payable increased $2.4 million from December 31, 2009 to June 30, 2010, which was primarily attributable to the timing of vendor payments.

Accrued Expenses. Accrued expenses increased $5.2 million from December 31, 2009 to June 30, 2010, which was primarily attributable to payroll related expenses.

Long-term Debt. Long-term debt decreased $2.5 million from December 31, 2009 to June 30, 2010 due to a $2.5 million principal payment as required by the 2007 Credit Facility which represented 50% of the Excess Cash Flow related to the fiscal year ended December 31, 2009.

Derivative Instruments. Derivative instrument liability increased $25.0 million from December 31, 2009 to June 30, 2010, due to changes in the fair value measurement of our interest rate swaps.

Accumulated Other Comprehensive Loss. Accumulated other comprehensive loss increased $19.6 million from December 31, 2009 to June 30, 2010, which resulted from a loss on derivative instrument of $25.0 million which was offset by derivative amortization of $5.4 million.

Accumulated Deficit. Accumulated deficit increased $22.5 million from December 31, 2008 to December 31, 2009 from a net loss attributable to GateHouse Media, of $22.5 million.

Contractual Commitments

No changes were made to our contractual commitments during the period from December 31, 2009 to June 30, 2010.

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 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 used 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:

	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
		(in thousands)		
Loss from continuing operations	$ (5,196)	$ (494,566)	$ (22,645)	$ (525,813)
Income tax expense	34	14	191	315
Loss on derivative instrument	2,559	3,706	5,356	5,912
Amortization of deferred financing costs	340	340	680	680
Write-off of financing costs		(2)		743
Interest expense	15,050	15,813	29,958	33,486
Impairment of long-lived assets		206,089		206,089
Depreciation and amortization	11,631	15,772	23,492	31,721
Goodwill and masthead impairment		275,310		275,310
Adjusted EBITDA from continuing operations	$ 24,418[(a)]	$ 22,476[(b)]	$ 37,032[(c)]	$ 28,443[(d)]

(a) Adjusted EBITDA for the three months ended June 30, 2010 included net expenses of $3,049 which are one-time in nature or non-cash compensation. Included in these net expenses of $3,049 is non-cash compensation and other expense of $1,344, non-cash portion of postretirement benefits expense of $(206), integration and reorganization costs of $641 and a $1,270 loss on the sale of assets.

Adjusted EBITDA also does not include $(8) from our discontinued operations.

(b) Adjusted EBITDA for the three months ended June 30, 2009 included net expenses of $2,680 which are one-time in nature or non-cash compensation. Included in these net expenses of $2,680 is non-cash compensation and other expense of $2,186, non-cash portion of postretirement benefits expense of $(293), integration and reorganization costs of $765 and a $22 loss on the sale of assets.

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Adjusted EBITDA also does not include $(105) from our discontinued operations.

(c) Adjusted EBITDA for the six months ended June 30, 2010 included net expenses of $4,643 which are one-time in nature or non-cash compensation. Included in these net expenses of $4,643 is non-cash compensation and other expense of $1,917, non-cash portion of postretirement benefits expense of $(348), integration and reorganization costs of $1,538 and a $1,536 loss on the sale of assets.

Adjusted EBITDA also does not include $(23) from our discontinued operations.

(d) Adjusted EBITDA for the six months ended June 30, 2009 included net expenses of $6,085 which are one-time in nature or non-cash compensation. Included in these net expenses of $6,085 is non-cash compensation and other expense of $4,820, non-cash portion of postretirement benefits expense of $(153), integration and reorganization costs of $1,232 and a $186 loss on the sale of assets.

Adjusted EBITDA also does not include $(163) from our discontinued operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

During the six month period ended June 30, 2010, 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 31, 2009.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (principal executive officer) and Senior Vice President 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 Senior Vice President 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

Not applicable

Item 1A. Risk Factors

Not applicable

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

Not applicable

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Reserved

Item 5. Other Information

Not applicable

Item 6. Exhibits

See Index to Exhibits on page 33 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.

	GATEHOUSE MEDIA, INC.
Date: August 3, 2010	/s/ Melinda A. Janik Melinda A. Janik Senior Vice President and Chief Financial Officer

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Index to Exhibits

Exhibit No.	Description of Exhibit	Included Herewith	Incorporated by Reference Herein Form	Exhibit	Filing Date
31.1	Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer (principal executive officer).	x			
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Senior Vice President and Chief Financial Officer (principal financial officer).	x			
32.1	Section 1350 Certifications.	x			