

Section 1: 10-Q (10-Q)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 29, 2019

OR

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

For the transition period from _____ to _____

Commission file number:001-36097

New Media Investment Group Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

38-3910250

(I.R.S. Employer
Identification No.)

1345 Avenue of the Americas 45th floor,

New York, New York

(Address of principal executive offices)

10105

(Zip Code)

Telephone: (212) 479-3160

(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

<u>Title of each class:</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered:</u>
Common stock, par value \$0.01 per share	NEWM	New York Stock Exchange

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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Emerging growth company

Non-accelerated filer Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of October 28, 2019, 60,481,117 shares of the registrant's common stock were outstanding.

CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION

Certain statements in this report on Form 10-Q may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect our current views regarding, among other things, our future growth, results of operations, performance, business prospects and opportunities, the proposed Merger described under the heading “Agreement and Plan of Merger with Gannett” in Note 2 to the unaudited condensed consolidated financial statements, “Acquisitions” and in Management’s Discussion and Analysis of Financial Condition and results of Operations, the expected timetable of the Merger (as defined below), the benefits and synergies of the Merger and future opportunities for the combined company, as well as other statements that are other than historical fact. Words such as “anticipate(s),” “expect(s),” “intend(s),” “plan(s),” “target(s),” “project(s),” “believe(s),” “will,” “aim,” “would,” “seek(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 to actual results materially different from those described in the forward-looking statements. We can give no assurance that our expectations will be attained. Our actual results, liquidity and financial condition may differ from the anticipated results, liquidity and financial condition indicated in these forward-looking statements. These forward looking statements are not a guarantee of future performance and involve risks and uncertainties, and there are certain important factors that could cause our actual results to differ, possibly materially from expectations or estimates reflected in such forward-looking statements, including, among others:

- risks and uncertainties relating to the Merger, including the Company's and Gannett's (as defined below) ability to consummate the Merger and to meet expectations regarding the timing and completion of the Merger; the satisfaction or waiver of the remaining conditions to the completion of the Merger, including the receipt of the required approval of the Company's (as defined below) stockholders and Gannett's (as defined below) stockholders with respect to the Merger, in each case, on the terms expected or on the anticipated schedule; the risk that the parties may be unable to achieve the anticipated benefits of the Merger, including synergies and operating efficiencies, within the expected time-frames or at all; the risk that the committed financing necessary for the consummation of the Merger is unavailable at the closing, and that any replacement financing may not be available on similar terms, or at all; the risk that the businesses will not be integrated successfully or that integration may be more difficult, time-consuming or costly than expected; the risk that operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers) may be greater than expected following the Merger; and the retention of certain key employees;
- general economic and market conditions;
- economic conditions in the various regions of the United States;
- the growing shift within the publishing industry from traditional print media to digital forms of publication;
- declining advertising revenue and circulation subscribers;
- the combined company's ability to grow its digital marketing and business services initiatives, and grow its digital audience and advertiser base;
- our ability to grow our business organically;
- our ability to acquire local media print assets at attractive valuations;
- the risk that we may not realize the anticipated benefits of our recent or potential future acquisitions;
- the availability and cost of capital for future investments;
- our indebtedness may restrict our operations and / or require us to dedicate a portion of cash flow from operations to the payment of principal and interest;
- our ability to pay dividends consistent with prior practice or at all;
- our ability to reduce costs and expenses;
- our ability to realize the benefits of the Management Agreement (as defined below);
- the impact of any material transactions with the Manager (as defined below) or one of its affiliates, including the impact of any actual, potential or perceived conflicts of interest;
- the competitive environment in which we operate; and
- our ability to recruit and retain key personnel.

Additional risk factors that could cause actual results to differ materially from our expectations include, but are not limited to, the risks identified by us under the heading “Risk Factors” in Part II, Item 1A of this report. Such forward-looking statements speak only as of the date on which they are made. Except to the extent required by law, we expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION

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Item 1. Financial Statements

NEW MEDIA INVESTMENT GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In thousands, except share data)

	September 29, 2019	December 30, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 28,641	\$ 48,651
Restricted cash	3,128	4,119
Accounts receivable, net of allowance for doubtful accounts of \$8,270 and \$8,042 at September 29, 2019 and December 30, 2018, respectively	143,311	174,274
Inventory	21,070	25,022
Prepaid expenses	25,221	23,935
Other current assets	21,467	21,608
Total current assets	242,838	297,609
Property, plant, and equipment, net of accumulated depreciation of \$256,531 and \$219,256 at September 29, 2019 and December 30, 2018, respectively	314,133	339,608
Operating lease right-of-use assets, net	109,152	—
Goodwill	328,488	310,737
Intangible assets, net of accumulated amortization of \$128,386 and \$101,543 at September 29, 2019 and December 30, 2018, respectively	465,063	486,054
Other assets	12,079	9,856
Total assets	\$ 1,471,753	\$ 1,443,864
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 4,395	\$ 12,395
Current portion of operating lease liabilities	15,132	—
Accounts payable	20,667	16,612
Accrued expenses	105,537	113,650
Deferred revenue	117,837	105,187
Total current liabilities	263,568	247,844
Long-term liabilities:		
Long-term debt	433,718	428,180
Long-term operating lease liabilities	101,710	—
Deferred income taxes	12,197	8,282
Pension and other postretirement benefit obligations	23,303	24,326
Other long-term liabilities	11,206	16,462
Total liabilities	845,702	725,094
Redeemable noncontrolling interests	593	1,547
Stockholders' equity:		
Common stock, \$0.01 par value, 2,000,000,000 shares authorized; 60,807,859 shares issued and 60,481,117 shares outstanding at September 29, 2019; 60,508,249 shares issued and 60,306,286 shares outstanding at December 30, 2018	608	605
Additional paid-in capital	655,282	721,605
Accumulated other comprehensive loss	(6,971)	(6,881)
(Accumulated deficit) retained earnings	(20,872)	3,767
Treasury stock, at cost, 326,742 and 201,963 shares at September 29, 2019 and December 30, 2018, respectively	(2,589)	(1,873)
Total stockholders' equity	625,458	717,223
Total liabilities, redeemable noncontrolling interests and stockholders' equity	\$ 1,471,753	\$ 1,443,864

See accompanying notes to unaudited condensed consolidated financial statements.

NEW MEDIA INVESTMENT GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME (UNAUDITED)
(In thousands, except per share data)

	Three months ended		Nine months ended	
	September 29, 2019	September 30, 2018	September 29, 2019	September 30, 2018
Revenues:				
Advertising	\$ 167,437	\$ 176,461	\$ 530,899	\$ 527,329
Circulation	146,254	145,934	449,269	420,461
Commercial printing and other	62,958	58,024	188,468	162,196
Total revenues	<u>376,649</u>	<u>380,419</u>	<u>1,168,636</u>	<u>1,109,986</u>
Operating costs and expenses:				
Operating costs	218,369	220,771	681,271	634,935
Selling, general, and administrative	120,797	121,280	379,208	365,638
Depreciation and amortization	24,482	25,094	68,733	64,276
Acquisition costs	12,181	591	15,318	1,888
Integration and reorganization costs	2,160	9,064	9,502	13,243
Impairment of long-lived assets	—	1,121	2,469	1,121
Net loss (gain) on sale or disposal of assets	602	(72)	3,339	(4,051)
Operating (loss) income	<u>(1,942)</u>	<u>2,570</u>	<u>8,796</u>	<u>32,936</u>
Interest expense	10,030	9,115	30,376	26,466
Other income	(230)	(433)	(801)	(1,290)
(Loss) income before income taxes	<u>(11,742)</u>	<u>(6,112)</u>	<u>(20,779)</u>	<u>7,760</u>
Income tax expense (benefit)	7,226	(239)	4,929	2,591
Net (loss) income	<u>(18,968)</u>	<u>(5,873)</u>	<u>(25,708)</u>	<u>5,169</u>
Net (loss) income attributable to redeemable noncontrolling interests	(505)	232	(954)	232
Net (loss) income attributable to New Media	<u>\$ (18,463)</u>	<u>\$ (6,105)</u>	<u>\$ (24,754)</u>	<u>\$ 4,937</u>
(Loss) income per share:				
Basic:				
Net (loss) income attributable to New Media	<u>\$ (0.31)</u>	<u>\$ (0.10)</u>	<u>\$ (0.41)</u>	<u>\$ 0.09</u>
Diluted:				
Net (loss) income attributable to New Media	<u>\$ (0.31)</u>	<u>\$ (0.10)</u>	<u>\$ (0.41)</u>	<u>\$ 0.09</u>
Dividends declared per share	<u>\$ 0.38</u>	<u>\$ 0.37</u>	<u>\$ 1.14</u>	<u>\$ 1.11</u>
Comprehensive (loss) income	\$ (19,001)	\$ (5,940)	\$ (25,798)	\$ 4,967
Comprehensive (loss) income attributable to redeemable noncontrolling interests	(506)	232	(954)	232
Comprehensive (loss) income attributable to New Media	<u>\$ (18,495)</u>	<u>\$ (6,172)</u>	<u>\$ (24,844)</u>	<u>\$ 4,735</u>

See accompanying notes to unaudited condensed consolidated financial statements.

NEW MEDIA INVESTMENT GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
(In thousands, except share data)

	Common stock		Additional paid-in capital	Accumulated other comprehensive loss	(Accumulated deficit) retained earnings	Treasury stock		Total
	Shares	Amount				Shares	Amount	
Three months ended September 29, 2019:								
Balance at June 30, 2019	60,806,451	\$ 608	\$ 677,574	\$ (6,938)	\$ (2,409)	324,777	\$ (2,573)	\$ 666,262
Net loss attributable to New Media	—	—	—	—	(18,463)	—	—	(18,463)
Net actuarial loss and prior service cost, net of income taxes of \$0	—	—	—	(30)	—	—	—	(30)
Foreign currency translation adjustment	—	—	—	(3)	—	—	—	(3)
Restricted share grants	1,408	—	—	—	—	—	—	—
Non-cash compensation expense	—	—	691	—	—	—	—	691
Restricted share forfeiture	—	—	—	—	—	366	—	—
Purchase of treasury stock	—	—	—	—	—	1,599	(16)	(16)
Common stock cash dividend	—	—	(22,983)	—	—	—	—	(22,983)
Balance at September 29, 2019	<u>60,807,859</u>	<u>\$ 608</u>	<u>\$ 655,282</u>	<u>\$ (6,971)</u>	<u>\$ (20,872)</u>	<u>326,742</u>	<u>\$ (2,589)</u>	<u>\$ 625,458</u>
Nine months ended September 29, 2019:								
Balance at December 30, 2018	60,508,249	\$ 605	\$ 721,605	\$ (6,881)	\$ 3,767	201,963	\$ (1,873)	\$ 717,223
Net loss attributable to New Media	—	—	—	—	(24,754)	—	—	(24,754)
Net actuarial loss and prior service cost, net of income taxes of \$0	—	—	—	(90)	—	—	—	(90)
Restricted share grants	299,610	3	(3)	—	—	—	—	—
Non-cash compensation expense	—	—	2,534	—	—	—	—	2,534
Impact of adoption of ASC 842 - Leases	—	—	—	—	115	—	—	115
Restricted share forfeiture	—	—	—	—	—	70,459	—	—
Purchase of treasury stock	—	—	—	—	—	54,320	(716)	(716)
Common stock cash dividend	—	—	(68,854)	—	—	—	—	(68,854)
Balance at September 29, 2019	<u>60,807,859</u>	<u>\$ 608</u>	<u>\$ 655,282</u>	<u>\$ (6,971)</u>	<u>\$ (20,872)</u>	<u>326,742</u>	<u>\$ (2,589)</u>	<u>\$ 625,458</u>

See accompanying notes to unaudited condensed consolidated financial statements.

NEW MEDIA INVESTMENT GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
(In thousands, except share data)

	Common stock		Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings (accumulated deficit)	Treasury stock		Total
	Shares	Amount				Shares	Amount	
Three months ended September 30, 2018:								
Balance at July 1, 2018	60,486,837	\$ 605	\$ 758,466	\$ (5,596)	\$ 3,644	193,834	\$(1,834)	\$ 755,285
Net loss attributable to New Media	—	—	—	—	(6,105)	—	—	(6,105)
Net actuarial loss and prior service cost, net of income taxes of \$0	—	—	—	(67)	—	—	—	(67)
Restricted share grants	11,614	—	—	—	—	—	—	—
Non-cash compensation expense	—	—	667	—	—	—	—	667
Restricted share forfeiture	—	—	—	—	—	5,715	—	—
Purchase of treasury stock	—	—	—	—	—	1,862	(31)	(31)
Common stock cash dividend	—	—	(20,252)	—	(2,048)	—	—	(22,300)
Balance at September 30, 2018	<u>60,498,451</u>	<u>\$ 605</u>	<u>\$ 738,881</u>	<u>\$ (5,663)</u>	<u>\$ (4,509)</u>	<u>201,411</u>	<u>\$(1,865)</u>	<u>\$ 727,449</u>
Nine months ended September 30, 2018:								
Balance at December 31, 2017	53,367,853	\$ 534	\$ 683,168	\$ (5,461)	\$ (2,767)	140,972	\$(1,081)	\$ 674,393
Net income attributable to New Media	—	—	—	—	4,937	—	—	4,937
Net actuarial loss and prior service cost, net of income taxes of \$0	—	—	—	(202)	—	—	—	(202)
Restricted share grants	230,598	2	223	—	—	—	—	225
Non-cash compensation expense	—	—	2,499	—	—	—	—	2,499
Issuance of common stock, net of underwriters' discount and offering costs	6,900,000	69	110,650	—	—	—	—	110,719
Restricted share forfeiture	—	—	—	—	—	14,754	—	—
Purchase of treasury stock	—	—	—	—	—	45,685	(784)	(784)
Common stock cash dividend	—	—	(57,659)	—	(6,679)	—	—	(64,338)
Balance at September 30, 2018	<u>60,498,451</u>	<u>\$ 605</u>	<u>\$ 738,881</u>	<u>\$ (5,663)</u>	<u>\$ (4,509)</u>	<u>201,411</u>	<u>\$(1,865)</u>	<u>\$ 727,449</u>

See accompanying notes to unaudited condensed consolidated financial statements.

NEW MEDIA INVESTMENT GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

	Nine months ended	
	September 29, 2019	September 30, 2018
Cash flows from operating activities:		
Net (loss) income	\$ (25,708)	\$ 5,169
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	68,733	64,276
Non-cash compensation expense	2,534	2,499
Non-cash interest expense	1,034	1,594
Deferred income taxes	3,915	1,848
Net loss (gain) on sale or disposal of assets	3,339	(4,051)
Impairment of long-lived assets	2,469	1,121
Pension and other postretirement benefit obligations	(1,116)	(2,161)
Changes in assets and liabilities:		
Accounts receivable, net	35,641	16,961
Inventory	5,610	(6,967)
Prepaid expenses	(395)	(4)
Other assets	(109,523)	4,416
Accounts payable	2,415	(4,500)
Accrued expenses	9,746	(5,300)
Deferred revenue	3,599	(4,372)
Other long-term liabilities	96,237	1,454
Net cash provided by operating activities	<u>98,530</u>	<u>71,983</u>
Cash flows from investing activities:		
Acquisitions, net of cash acquired	(49,666)	(155,166)
Purchases of property, plant, and equipment	(7,281)	(8,029)
Proceeds from sale of real estate and other assets, and insurance proceeds	10,314	13,175
Net cash used in investing activities	<u>(46,633)</u>	<u>(150,020)</u>
Cash flows from financing activities:		
Borrowings under revolving credit facility	136,400	—
Repayments under revolving credit facility	(128,400)	—
Borrowings under term loans	—	49,750
Repayments under term loans	(11,296)	(3,093)
Payment of debt issuance costs	—	(500)
Payment of offering costs	—	(369)
Issuance of common stock, net of underwriters' discount	—	111,099
Purchase of treasury stock	(716)	(784)
Payment of dividends	(68,886)	(64,420)
Net cash (used in) provided by financing activities	<u>(72,898)</u>	<u>91,683</u>
Net (decrease) increase in cash, cash equivalents and restricted cash	(21,001)	13,646
Cash, cash equivalents and restricted cash at beginning of period	52,770	46,162
Cash, cash equivalents and restricted cash at end of period	<u>\$ 31,769</u>	<u>\$ 59,808</u>

See accompanying notes to unaudited condensed consolidated financial statements.

NEW MEDIA INVESTMENT GROUP INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share data)

(1) Unaudited Financial Statements

The accompanying unaudited condensed consolidated financial statements of New Media Investment Group Inc. and its subsidiaries (together, the “Company” or “New Media”) have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and the instructions to Form 10-Q and applicable provisions of Regulation S-X, each as promulgated by the United States Securities and Exchange Commission (the “SEC”). Certain information and note disclosures normally included in comprehensive annual financial statements presented in accordance with GAAP have 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, changes in stockholders’ equity 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 30, 2018, 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.

The Company’s reporting units (Newspapers and BridgeTower) are aggregated into one reportable business segment.

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

Reclassifications

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

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02 (“ASU 2016-02”), “Leases (Topic 842)”, which revised the accounting related to lease accounting for both lessees and lessors. Under the new guidance, lessees are required to recognize a lease liability and a right-of-use asset on the balance sheet for all leases with terms greater than twelve months. Leases are classified as either finance or operating, with classification affecting the classification of expense recognition in the income statement. As permitted under the transition guidance, we have carried forward the assessment of whether our contracts contain or are leases, classification of our leases and remaining lease terms. Refer to Note 6 for further discussion.

In February 2018, the FASB issued ASU 2018-02, “Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (“AOCI”)”. This ASU provides entities the option to reclassify tax effects to retained earnings from AOCI which are impacted by the Tax Cuts and Jobs Act (“TCJA”). The ASU is effective for fiscal years beginning after December 15, 2018 but early adoption is permitted. The Company has a full valuation allowance for all tax benefits related to AOCI, and therefore, there are no tax effects to be reclassified to retained earnings.

All other issued and not yet effective accounting standards are not relevant to the Company.

(2) Acquisitions

Agreement and Plan of Merger with Gannett

On August 5, 2019, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") to acquire Gannett Co., Inc. ("Gannett") in a cash and stock transaction for \$12.06 per share of Gannett common stock, or approximately \$1,400,000 at the date of the announcement (the "Merger"). Each share of Gannett common stock will be exchanged for \$6.25 per share in cash and 0.5427 shares of the Company's common stock.

Subject to the terms, carve-outs and conditions of the Merger Agreement, at the effective time of the Merger, Gannett shareholders will own approximately 49.5% of the Company's common stock on a fully-diluted basis based on the number of the Company's shares then outstanding. The Company expects that the cash portion of the purchase price will be financed with new debt and cash on hand. As further discussed below, the Company has a commitment for Merger financing.

Gannett is an innovative, digitally focused media and marketing solutions company committed to fostering the communities in their network and helping them build relationships with their local businesses. Gannett owns ReachLocal, Inc., a digital marketing solutions company, the USA TODAY NETWORK (made up of USA TODAY and 109 local media organizations in 34 states in the U.S. and Guam, including digital sites and affiliates), and Newsquest (a wholly-owned subsidiary operating in the United Kingdom with more than 150 local media brands).

Consummation of the Merger Agreement is subject to certain closing conditions, including approval by Gannett's and the Company's stockholders (in the case of the Company's stockholder approval, disregarding any shares held by certain affiliates of Fortress). The completion of the Merger was conditioned upon expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), relating to the consummation of the Merger, and obtaining the necessary clearance from the European Commission. The applicable waiting period under the HSR Act expired on September 25, 2019, and the European Commission announced regulatory clearance on October 23, 2019. The Merger Agreement does not contain a financing condition. The Merger is expected to close before December 31, 2019, although there can be no assurance that the Merger will occur by that date. Either party may terminate the Merger Agreement if the Merger is not consummated within six months of the execution of the Merger Agreement.

The Company expensed approximately \$12,048 and \$14,413 of incremental costs related to the Merger during the three and nine months ended September 29, 2019, respectively, and these expenses are included in acquisition costs.

Financing Commitment

On August 5, 2019, in connection with entering into the Merger Agreement, the Company has entered into a commitment letter (the "Commitment Letter") with Apollo Capital Management, L.P. ("Apollo") to provide a \$1,792,000 first lien term loan facility (the "Acquisition Credit Facility") to fund the cash portion of the Merger consideration, refinance the existing indebtedness of both the Company and Gannett, pay fees and expenses in connection with the Merger, and to the extent of any remaining proceeds, finance ongoing working capital and other general corporate needs. The Acquisition Credit Facility will bear a fixed interest rate of 11.5%, subject to a one-year step-up to a fixed rate of 12% in the event that the closing of the Merger occurs more than six months following the date of the Commitment Letter. The Acquisition Credit Facility will have a five-year term and will be freely pre-payable without penalty. Under the terms of the Commitment Letter and its accompanying Fee Letter, the Company will pay fees of 6.5% of the principal amount of the financing at closing.

The Acquisition Credit Facility is subject to negotiation of a mutually acceptable credit or loan agreement and other mutually acceptable definitive documentation, which will include certain representations and warranties, affirmative and negative covenants, financial covenants, events of default and collateral and guarantee agreements that are customarily required for similar financings. Additionally, Apollo's obligation to provide the financing is subject to the satisfaction of specified conditions, including that the combined Company must have at least \$40,000 of unrestricted cash at closing, and the accuracy of specified representations. The documentation governing the Acquisition Credit Facility has not been finalized and, accordingly, the actual terms may differ from the description in the foregoing summary of the Commitment Letter.

Amended Management Agreement

On August 5, 2019, in connection with the execution of the Merger Agreement, the Company and the Manager entered into the Amended and Restated Management and Advisory Agreement (the "Amended Management Agreement"). Effective upon the consummation of the Merger, the Amended Management Agreement will replace the existing Amended and Restated Management and Advisory Agreement, dated as of February 14, 2014, between the Company and the Manager. The Amended Management Agreement (i) establishes a termination date for the Manager's services of December 31, 2021, in lieu of annual renewals of the term; (ii) reduces the "incentive fee" payable under the Amended Management Agreement for the remainder of the term; (iii) reduces by 50% the number of options that would otherwise be issuable in connection with the issuance of shares as consideration for the Merger, and imposes a premium on the exercise price; (iv) eliminates the Manager's right to receive

options in connection with future equity raises by the Company; and (v) eliminates certain payments otherwise due at or after the end of the term of the prior management agreement.

In connection with entering into the Amended Management Agreement and the occurrence of the consummation of the Merger, the Company will issue to the Manager 4,205,607 shares of Company Common Stock and grant to the Manager options to acquire 3,163,265 shares of Company Common Stock. The Manager is restricted from selling the issued shares until the expiration of the Amended Management Agreement, or otherwise upon a change in control and certain other extraordinary events. The options will have an exercise price of \$15.50 and become exercisable upon the first trading day immediately following the first 20 consecutive trading day period in which the closing price of the Company Common Stock (on its principal U.S. national securities exchange) is at or above \$20 per share (subject to adjustment), and also upon a change in control and certain other extraordinary events.

Upon expiration of the term of the Amended Management Agreement, the Manager will cease providing external management services to the Company, and the Manager will no longer be the employer of the person serving in the role of Chief Executive Officer of the combined company.

2019 Acquisitions

The Company acquired substantially all the assets, properties and business of certain publications and businesses on July 2, 2019, July 1, 2019, June 21, 2019, June 14, 2019, May 31, 2019, February 11, 2019, February 2, 2019, January 31, 2019, and December 31, 2018 (“2019 Acquisitions”), which included 11 daily newspapers, 11 weekly publications, nine shoppers, a remnant advertising agency, five events production businesses, and a business community and networking platform, for an aggregate purchase price of \$45,913, including estimated working capital. The acquisitions were financed from cash on hand. The rationale for the acquisitions was primarily due to the attractive nature, as applicable, of the newspaper or event-related assets and digital platforms, and their estimated cash flows combined with the cost-saving and revenue-generating opportunities available.

In the July 2, 2019 acquisition, the Company acquired a 57.9% equity interest in the acquiree, and the minority equity owners retained a 42.1% interest, which have been classified as redeemable noncontrolling interests in the accompanying financial statements. Noncontrolling interests with embedded redemption features, such as put rights, that are not solely within the control of the Company are considered redeemable noncontrolling interests and are presented outside of stockholders’ equity on the Company’s Unaudited Condensed Consolidated Balance Sheets.

The Company accounted for the 2019 Acquisitions using the acquisition method of accounting for those acquisitions determined to meet the definition of a business. The net assets, including goodwill, have been recorded in the consolidated balance sheet at their fair values in accordance with Accounting Standards Codification (“ASC”) 805, “Business Combinations” (“ASC 805”). The fair value determination of the assets acquired and liabilities assumed are preliminary based upon all information currently available to the Company and are subject to working capital and other adjustments and the completion of valuations to determine the fair market value of the tangible and intangible assets. The final calculation of working capital and other adjustments and determination of fair values for tangible and intangible assets may result in different allocations among the various asset classes from those set forth below, and any such differences could be material.

The 2019 Acquisitions that were determined to be asset acquisitions were measured at the fair value of the consideration transferred on the acquisition date. Intangible assets acquired in an asset acquisition have been recognized in accordance with ASC 350 “Intangibles - Goodwill and Other”. Goodwill is not recognized in an asset acquisition.

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

Current assets	\$ 9,529
Other assets	950
Property, plant and equipment	20,492
Noncompete agreements	280
Advertiser relationships	2,357
Subscriber relationships	1,457
Customer relationships	1,323
Software	140
Trade names	299
Mastheads	2,896
Goodwill	18,644
Total assets	58,367
Current liabilities assumed	11,991
Other long-term liabilities assumed	463
Total liabilities	12,454
Net assets	\$ 45,913

The Company obtained third party independent valuations or performed similar calculations internally to assist in the determination of the fair values of certain assets acquired and liabilities assumed. Three basic approaches were used to determine value: the cost approach (used for equipment where an active secondary market is not available, building improvements, and software), the direct sales comparison (market) approach (used for land and equipment where an active secondary market is available) and the income approach (used for intangible assets).

The weighted average amortization periods for recently acquired amortizable intangible assets are equal to or similar to the periods presented in Note 5.

The Company expensed approximately \$171 and \$936 of incremental costs related to the 2019 Acquisitions during the three and nine months ended September 29, 2019, respectively, and these expenses are included in acquisition costs.

For tax purposes, the amount of goodwill that is expected to be deductible is \$15,037.

2018 Acquisitions

The Company acquired substantially all the assets, properties and business of certain publications and businesses on November 16, 2018, November 14, 2018, October 1, 2018, August 15, 2018, July 2, 2018, June 18, 2018, June 4, 2018, May 11, 2018, May 1, 2018, April 2, 2018, March 31, 2018, March 6, 2018, February 28, 2018, February 23, 2018, and February 7, 2018 (“2018 Acquisitions”), which included seven business publications, eight daily newspapers, 16 weekly publications, one shopper, a print facility, an events production business, cloud services and digital platforms and related domains, for an aggregate purchase price of \$205,785, including estimated working capital. The acquisitions were financed from cash on hand. The rationale for the acquisitions was primarily due to the attractive nature, as applicable, of the newspaper assets and digital platforms, and their estimated cash flows combined with the cost-saving and revenue-generating opportunities available.

In the August 15, 2018 acquisition, the Company acquired an 80% equity interest in the acquiree, and the minority equity owners retained a 20% interest, which have been classified as redeemable noncontrolling interests in the accompanying financial statements. Noncontrolling interests with embedded redemption features, such as put rights, that are not solely within the control of the Company are considered redeemable noncontrolling interests and are presented outside of stockholders’ equity on the Company’s Unaudited Condensed Consolidated Balance Sheets.

The Company accounted for the 2018 Acquisitions using the acquisition method of accounting for those acquisitions determined to meet the definition of a business. The net assets, including goodwill, have been recorded in the consolidated balance sheet at their fair values in accordance with ASC 805. The fair value determination of the assets acquired and liabilities assumed are preliminary based upon all information currently available to the Company and are subject to working capital and other adjustments and the completion of valuations to determine the fair market value of the tangible and intangible assets. The final calculation of working capital and other adjustments and determination of fair values for tangible and intangible assets may result in different allocations among the various asset classes from those set forth below and any such differences could be material.

During the nine months ended September 29, 2019, the Company recorded adjustments to the recorded fair values of the assets acquired and liabilities assumed in the 2018 acquisitions. The recorded amount of net assets acquired was increased by \$65, while the recorded balances of property, plant and equipment, goodwill and current liabilities were decreased by \$267, \$847 and \$1,179, respectively.

(3) Share-Based Compensation

The Company recognized compensation cost for share-based payments of \$691, \$667, \$2,534 and \$2,499 during the three and nine months ended September 29, 2019 and September 30, 2018, respectively. The total compensation cost not yet recognized related to non-vested Restricted Stock Grants (“RSGs”) pursuant to the Company’s Nonqualified Stock Option and Incentive Award Plan as of September 29, 2019 was \$4,919, which is expected to be recognized over a weighted average period of 1.99 years through July 2022. As of September 29, 2019, the aggregate intrinsic value of unvested RSGs was \$3,985.

RSG activity during the nine months ended September 29, 2019 was as follows:

	Number of RSGs	Weighted-Average Grant Date Fair Value
Unvested at December 30, 2018	384,471	\$ 16.11
Granted	299,610	13.64
Vested	(167,393)	15.95
Forfeited	(70,459)	15.26
Unvested at September 29, 2019	446,229	\$ 14.65

Under FASB ASC Topic 718, “Compensation – Stock Compensation”, the Company elected to recognize share-based compensation expense for the number of awards that are ultimately expected to vest. The Company’s estimated forfeitures are based on historical forfeiture rates. Estimated forfeitures are reassessed periodically, and the estimate may change based on new facts and circumstances.

(4) Restructuring

Over the past several years, in furtherance of the Company’s cost-reduction and cash-preservation plans outlined in Note 1, the Company has engaged in a series of individual restructuring programs, designed primarily to right-size the Company’s employee base, consolidate facilities and improve operations, including those of recently acquired entities. These initiatives impact all of the Company’s operations and are often influenced by the terms of union contracts. All costs related to these programs, which primarily include severance expense, are accrued at the time of the program announcement or over the remaining service period.

Severance-related expenses

Accrued restructuring costs are included in accrued expenses on the Unaudited Condensed Consolidated Balance Sheets. The activity in accrued restructuring costs for the nine months ended September 29, 2019 was as follows:

	Severance and Related Costs	Other Costs ⁽¹⁾	Total
Balance at December 30, 2018	\$ 2,554	\$ 346	\$ 2,900
Restructuring provision included in Integration and Reorganization	8,221	1,281	9,502
Cash payments	(8,403)	(1,097)	(9,500)
Balance at September 29, 2019	\$ 2,372	\$ 530	\$ 2,902

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

The majority of the accrued restructuring reserve balance is expected to be paid out over the next twelve months.

Facility consolidation charges and accelerated depreciation

During the nine months ended September 29, 2019, the Company ceased operations of three print publications and twelve print facilities as part of the ongoing cost reduction programs. As a result, the Company recognized an impairment charge related to retired equipment of \$2,469, a loss on disposal of assets related to retired equipment of \$168 and intangibles of \$405, and accelerated depreciation of \$4,802 during the nine months ended September 29, 2019.

During the nine months ended September 30, 2018, the Company ceased operations of seven print publications and six printing operations as part of the ongoing cost reduction programs. As a result, the Company recognized an impairment charge related to retired equipment of \$503 and intangibles of \$618 and accelerated depreciation of \$3,601 during the nine months ended September 30, 2018.

(5) Goodwill and Intangible Assets

Goodwill and intangible assets consisted of the following:

	September 29, 2019		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Advertiser relationships	\$ 260,979	\$ 66,882	\$ 194,097
Customer relationships	45,774	12,082	33,692
Subscriber relationships	154,901	40,171	114,730
Other intangible assets	14,122	9,251	4,871
Total	\$ 475,776	\$ 128,386	\$ 347,390
Nonamortized intangible assets:			
Goodwill	\$ 328,488		
Mastheads	117,673		
Total	\$ 446,161		
	December 30, 2018		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Advertiser relationships	\$ 260,142	\$ 53,477	\$ 206,665
Customer relationships	44,630	8,704	35,926
Subscriber relationships	153,923	31,560	122,363
Other intangible assets	13,046	7,802	5,244
Total	\$ 471,741	\$ 101,543	\$ 370,198
Nonamortized intangible assets:			
Goodwill	\$ 310,737		
Mastheads	115,856		
Total	\$ 426,593		

As of September 29, 2019, the weighted average amortization periods for amortizable intangible assets are 14.4 years for advertiser relationships, 12.2 years for customer relationships, 13.5 years for subscriber relationships and 5.2 years for other intangible assets. The weighted average amortization period in total for all amortizable intangible assets is 13.6 years.

Amortization expense for the three and nine months ended September 29, 2019 and September 30, 2018 was \$8,976, \$9,520, \$27,324 and \$24,852, respectively. Estimated future amortization expense as of September 29, 2019, is as follows:

For the following fiscal years:	
2019 (three months remaining)	\$ 8,939
2020	35,685
2021	35,496
2022	34,509
2023	34,126
Thereafter	198,635
Total	<u>\$ 347,390</u>

The changes in the carrying amount of goodwill for the period from December 30, 2018 to September 29, 2019 were as follows:

Balance at December 30, 2018, net of accumulated impairments of \$25,641	\$ 310,737
Goodwill acquired in business combinations	18,644
Measurement period adjustments	(851)
Goodwill of disposed publication	(42)
Balance at September 29, 2019, net of accumulated impairments of \$25,641	<u>\$ 328,488</u>

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

The carrying values of goodwill and indefinite-lived intangible assets are evaluated for possible impairment on an annual basis or between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit or indefinite-lived intangible asset below its carrying value. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

The Company performed its 2019 annual assessment for possible impairment of the carrying value of goodwill and indefinite-lived intangibles as of June 30, 2019. The fair value of the Company's reporting units, including Newspapers and BridgeTower, which include newspaper mastheads, were estimated using the expected present value of future cash flows, recent industry multiples and using estimates, judgments and assumptions that management believes were appropriate in the circumstances. The estimates and judgments used in the assessment included multiples for EBITDA, the weighted average cost of capital and the terminal growth rate. The Company determined that the future cash flow and industry multiple analysis provided the best estimate of the fair value of its reporting units. Key assumptions in the impairment analysis include revenue and EBITDA projections, discount rates, long-term growth rates and the effective tax rate that the Company determined to be appropriate. Revenue projections reflected slight declines in the current and next year, and revenues are expected to moderate to a terminal growth rate of 0.5%. The discount rate was 17% and the effective tax rate was 27%. The fair value of the Newspaper reporting unit exceeded the carrying value by less than 10%.

The total Company's estimate of reporting unit fair values was reconciled to its market capitalization (based upon the stock market price and fair value of debt) plus an estimated control premium.

The Company uses a "relief from royalty" approach, a discounted cash flow model, to determine the fair value of its indefinite-lived intangible assets. The estimated fair value equaled or exceeded carrying value for mastheads. The fair value of mastheads exceeded carrying value by less than 10% for the central and east regions. Key assumptions within the masthead analysis included revenue projections, discount rates, royalty rates, long-term growth rates and the effective tax rate that the Company determined to be appropriate. Revenue projections reflected declines in the current and next year, and revenues are expected to moderate to a terminal growth rate of 0.5% for Newspapers and 1% for BridgeTower. Discount rates ranged from 16.5% to 17%, royalty rates ranged from 1.5% to 1.75%, and the effective tax rate was 27%.

As of September 29, 2019, the Company performed a review of potential impairment indicators noting that its financial results and forecast have not changed materially since the annual impairment assessment, and it was determined that no indicators of impairment were present.

The newspaper industry and the Company have experienced declining same-store revenue and profitability over the past several years. Should general economic, market or business conditions decline and have a negative impact on estimates of future cash flow and market transaction multiples, the Company may be required to record impairment charges in the future.

(6) Leases

Adoption

Effective December 31, 2018, the Company adopted FASB ASU 2016-02, "Leases (Topic 842)" using the modified retrospective method at the adoption date. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard. This allowed us to carry-forward the historical lease classification. The Company elected to make the accounting policy election for short-term leases resulting in lease payments being recorded as an expense on a straight-line basis over the lease term. The Company also adopted this approach for individually insignificant operating leases. Also, the Company elected to not separate lease and non-lease components for leases. Adoption of this standard resulted in the recording of net operating lease right-of-use assets of \$102,512 and corresponding operating lease liabilities of \$109,230. The Company's financial position for reporting periods beginning on or after December 31, 2018 is presented under the new guidance, while prior period amounts are not adjusted and continue to be reported in accordance with previous guidance.

A significant portion of our operating lease portfolio includes office space, distribution centers, press facilities, office equipment, and vehicles. The majority of our leases have remaining lease terms of 1 year to 10 years, some of which include options to extend the leases. As of September 29, 2019, the Company has an additional obligation of approximately \$6,053 for future payments related to operating leases that have not yet commenced.

Total lease expense consists of the following:

	Three months ended September 29, 2019	Nine months ended September 29, 2019
Operating lease expense related to right-of-use assets	\$ 7,000	\$ 19,904
Other operating lease expense	1,392	5,623
Sublease income	(551)	(1,717)
Total lease expense	<u>\$ 7,841</u>	<u>\$ 23,810</u>

Supplemental information related to leases was as follows:

	Three months ended September 29, 2019	Nine months ended September 29, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 6,699	\$ 18,899
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 3,659	\$ 121,154

Supplemental balance sheet information related to leases was as follows:

	September 29, 2019
Operating leases:	
Operating lease right-of-use assets, net	\$ 109,152
Current portion of operating lease liabilities	\$ 15,132
Long-term operating lease liabilities	101,710
Total operating lease liabilities	<u>\$ 116,842</u>
Weighted-average remaining lease term	8.6 years
Weighted-average discount rate	10.54%

As of September 29, 2019, maturities of lease liabilities were as follows:

2019 (three months remaining)	\$ 6,840
2020	25,899
2021	24,179
2022	20,836
2023	17,150
Thereafter	87,513
Total lease payments	182,417
Less: interest	(65,575)
Present value of lease liabilities	<u>\$ 116,842</u>

(7) Indebtedness

New Media Credit Agreement

The Company, through its wholly-owned subsidiary New Media Holdings II LLC (the “New Media Borrower”) maintains secured credit facilities (the “Credit Facilities”) under an agreement (the “New Media Credit Agreement”) with a syndication of lenders, including a term loan facility and a revolving credit facility. The term loan facility expires on July 14, 2022, and the revolving credit facility expires on July 14, 2021. Maximum borrowings under the revolving credit facility, including letters of credit, total \$40,000.

As of September 29, 2019, there were outstanding borrowings against the term loan facility and revolving credit facility totaling \$433,961 and \$8,000, respectively. As of December 30, 2018, there were outstanding borrowings against the term loan facility and revolving credit facility totaling \$437,257 and \$0, respectively. As of September 29, 2019, there were \$495 letters of credit issued against the revolving credit facility and the Company had \$31,505 of borrowing availability under the revolving credit facility.

Borrowings under the term loan facility bear interest, at the New Media Borrower’s option, at a rate equal to either (i) an adjusted Eurodollar rate (subject to a floor of 1.00%), plus an applicable margin equal to 6.25% per annum or (ii) an adjusted base rate (subject to a floor of 2.00%), plus an applicable margin equal to 5.25% per annum. The New Media Borrower currently uses the Eurodollar rate option.

Borrowings under the revolving credit facility bear interest, at the New Media Borrower’s option, at a rate equal to either (i) an adjusted Eurodollar rate, plus an applicable margin equal to 5.25% per annum or (ii) an adjusted base rate, plus an applicable margin equal to 4.25% per annum, with a step down based on achievement of a certain total leverage ratio. The New Media Borrower currently uses the Eurodollar rate option.

As of September 29, 2019, the New Media Credit Agreement had a weighted average interest rate of 8.56%.

The Credit Facilities are unconditionally guaranteed by New Media Holdings I LLC (“Holdings I”), a wholly-owned subsidiary of New Media and the parent of the New Media Borrower, as well as by certain subsidiaries of the New Media Borrower (collectively, the “Guarantors”) and are required to be guaranteed by all future material wholly-owned domestic subsidiaries, subject to certain exceptions. All obligations under the Credit Facilities are secured, subject to certain exceptions, by substantially all of the New Media Borrower’s assets and the assets of the Guarantors.

Repayments made under the term loans are equal to 1% annually of the original principal amount in equal quarterly installments for the life of the term loans, with the remainder due at maturity. The New Media Borrower is permitted to make voluntary prepayments at any time without premium or penalty, except in the case of prepayments made in connection with certain repricing transactions with respect to the term loans effected within six months of November 28, 2018, to which a 1.00% prepayment premium applies.

The New Media Credit Agreement contains customary representations and warranties and affirmative covenants and negative covenants applicable to Holdings I, the New Media Borrower and the New Media Borrower's subsidiaries, including, among other things, restrictions on indebtedness, liens, investments, fundamental changes, dispositions, dividends and other distributions, and events of default. The New Media Credit Agreement contains a financial covenant that requires Holdings I, the New Media Borrower and the New Media Borrower’s subsidiaries to maintain a maximum total leverage ratio of 3.25 to

1.00. As of September 29, 2019, the Company is in compliance with all of the covenants and obligations under the New Media Credit Agreement.

Halifax Alabama Credit Agreement

In connection with the purchase of the assets of Halifax Media in 2015, the Company assumed obligations of Halifax Media including the amount owing (\$8,000 at that time) under the credit agreement dated June 18, 2013 between Halifax Alabama, LLC and Southeast Community Development Fund V, LLC. This debt bore interest at an annual rate of 2% and was repaid in full on April 1, 2019.

Fair Value

The fair value of long-term debt was estimated at \$441,961 as of September 29, 2019, based on discounted future contractual cash flows and a market interest rate adjusted for necessary risks, including the Company’s own credit risk as there are no rates currently observable in publicly traded debt markets of similar risk, terms and average maturities. Accordingly, the Company’s long-term debt under the Credit Facilities is classified within Level 3 of the fair value hierarchy.

Payment Schedule

As of September 29, 2019, scheduled principal payments of outstanding debt are as follows:

2019 (three months remaining)	\$ 1,099
2020	4,395
2021	12,395
2022	424,072
	<u>441,961</u>
Less:	
Current	4,395
Unamortized original issue discount	1,457
Deferred financing costs	2,391
Long-term debt	<u><u>\$ 433,718</u></u>

(8) Related Party Transactions

As of September 29, 2019, the Company’s manager, FIG LLC (the “Manager”), which is an affiliate of Fortress Investment Group LLC (“Fortress”), and its affiliates owned approximately 1.1% of the Company’s outstanding stock and approximately 39.5% of the Company’s outstanding warrants. The Manager and its affiliates hold 2,904,811 stock options of the Company’s common stock as of September 29, 2019. During the three and nine months ended September 29, 2019 and September 30, 2018, Fortress and its affiliates were paid \$244, \$238, \$733 and \$728 in dividends, respectively.

The Company’s Chairman and Chief Executive Officer is an employee of Fortress (or one of its affiliates), and his salary is paid by Fortress (or one of its affiliates).

Management Agreement

On November 26, 2013, the Company entered into a management agreement with the Manager (as amended and restated, the “Management Agreement”). The Management Agreement requires the Manager to manage the Company’s business affairs, subject to the supervision of the Company’s board of directors (the “Board of Directors” or “Board”). The Management Agreement had an initial three-year term and will be automatically renewed for one-year terms thereafter unless terminated either by the Company or the Manager. The Manager is (a) entitled to receive from the Company a management fee, (b) eligible to receive incentive compensation that is based on the Company’s performance and (c) eligible to receive options to purchase New Media Common Stock upon the successful completion of an offering of shares of the Company’s Common Stock or any shares of preferred stock with an exercise price equal to the price per share paid by the public or other ultimate purchaser in the offering (see Note 10). In addition, the Company is obligated to reimburse certain expenses incurred by the Manager. The Manager is also entitled to receive a termination fee from the Company under certain circumstances.

On August 5, 2019, in connection with entering into the Merger Agreement, the Company and the Manager have amended the Management Agreement, effective as of (and only upon) the consummation of the agreement. Refer to Note 2 for further information regarding the Amended Management Agreement.

The following provides the management and incentive fees recognized and paid to the Manager for the three and nine months ended September 29, 2019 and September 30, 2018:

	Three months ended		Nine months ended	
	September 29, 2019	September 30, 2018	September 29, 2019	September 30, 2018
Management fee expense	\$ 2,456	\$ 2,783	\$ 7,368	\$ 7,890
Incentive fee expense	—	—	1,455	5,755
Management fees paid	2,456	2,783	8,623	9,619
Incentive fees paid	1,455	4,802	6,675	14,129
Reimbursement for expenses	774	833	2,000	1,892

The Company had an outstanding liability for all management agreement related fees of \$3,405 and \$10,696 at September 29, 2019 and December 30, 2018, respectively, included in accrued expenses.

(9) Income Taxes

Income tax expense includes Federal and state income taxes and interest and penalties on uncertain tax positions. Certain income and expenses are not reported in tax returns and financial statements in the same year. The tax effect of such temporary differences is reported as deferred income taxes. Deferred tax assets are reported net of a full valuation allowance since it is more likely than not that a tax benefit will not be realized.

The Company recorded an income tax expense of \$7,226 and \$4,929 (excluding the minority interest) for the three and nine months ended September 29, 2019, respectively, and an income tax benefit of \$239 and expense of \$2,591 for the three and nine months ended September 30, 2018, respectively. The annual effective tax rate for the nine months ended September 29, 2019 was determined to not be an effective method to determine the tax expense for that period. Therefore, the Company calculated its tax provision based upon year-to-date results. The projected effective tax rate was approximately 33% for the nine months ended September 30, 2018. The Company's tax provision is primarily attributable to indefinite lived deferred tax liabilities which cannot be offset by deferred tax assets and projected current state taxes.

The Company performs a quarterly assessment of its deferred tax assets and liabilities. 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 were 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 are projected to become deductible. The Company considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The Company concluded that during the nine months ended September 29, 2019, a net increase to the valuation allowance of \$2,602 is necessary to offset additional deferred tax assets (primarily the tax benefit of the net operating loss). All of this amount was recognized through the Unaudited Condensed Consolidated Statements of Operations and Comprehensive Loss.

The realization of the remaining deferred tax assets is primarily dependent on their scheduled reversals. Any changes to deferred taxes may require an additional valuation allowance. 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 (loss) income for the year, projections of the proportion of income or loss, permanent and temporary differences, and an assessment of 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.

For the nine months ended September 29, 2019, the difference between the expected tax benefit (excluding the minority interest) of \$4,163, at the statutory rate of 21%, and the recorded tax expense of \$4,929 is primarily attributable to the tax effect of the federal valuation allowance, state taxes and non-deductible expenses.

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 2016 tax year and beyond.

(10) Equity

(Loss) Income Per Share

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

	Three months ended		Nine months ended	
	September 29, 2019	September 30, 2018	September 29, 2019	September 30, 2018
Numerator for (loss) income per share calculation:				
Net (loss) income attributable to New Media	\$ (18,463)	\$ (6,105)	\$ (24,754)	\$ 4,937
Denominator for (loss) income per share calculation:				
Basic weighted average shares outstanding	60,033,999	59,919,246	60,009,927	57,377,682
Effect of dilutive securities:				
Stock options and restricted stock	—	—	—	447,628
Diluted weighted average shares outstanding	60,033,999	59,919,246	60,009,927	57,825,310

The Company excluded the following securities from the computation of diluted (loss) income per share because their effect would have been antidilutive:

	Three months ended		Nine months ended	
	September 29, 2019	September 30, 2018	September 29, 2019	September 30, 2018
Stock warrants	1,362,479	1,362,479	1,362,479	1,362,479
Stock options	2,904,811	2,904,811	2,904,811	700,000
Unvested restricted stock	446,229	376,570	446,229	—

Equity

On May 17, 2017, the Board of Directors authorized the repurchase of up to \$100,000 of the Company's common stock (“Share Repurchase Program”) over the next 12 months. The Board of Directors has authorized extensions of the Share Repurchase Program through May 19, 2020. Under the Share Repurchase Program, the Company may purchase its shares from time to time in the open market or in privately negotiated transactions.

Pursuant to the anti-dilution provisions of the Incentive Plan, the exercise price on the 652,311 remaining options granted to the Manager in 2014 were equitably adjusted during the three months ended March 31, 2019 from \$12.95 to \$11.46 as a result of return of capital distributions.

Pursuant to the anti-dilution provisions of the Incentive Plan, the exercise price on the 700,000 options granted to the Manager in 2015 were equitably adjusted during the three months ended March 31, 2019 from \$18.94 to \$17.45 as a result of return of capital distributions.

Pursuant to the anti-dilution provisions of the Incentive Plan, the exercise price on the 862,500 options granted to the Manager in 2016 were equitably adjusted during the three months ended March 31, 2019 from \$13.24 to \$11.75 as a result of return of capital distributions.

Pursuant to the anti-dilution provisions of the Incentive Plan, the exercise price on the 690,000 options granted to the Manager in 2018 were equitably adjusted during the three months ended March 31, 2019 from \$16.45 to \$14.96 as a result of return of capital distributions.

The following table includes additional information regarding the Manager stock options:

	Number of Options	Weighted-Average Grant Date Fair Value	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (\$000)
Outstanding at December 30, 2018	2,904,811	\$ 3.59	\$ 15.31	7.3	\$ —
Outstanding at September 29, 2019	2,904,811	\$ 3.59	\$ 13.82	6.6	\$ —
Exercisable at September 29, 2019	2,605,811		\$ 13.69	6.3	\$ —

Accumulated Other Comprehensive Loss

The changes in accumulated other comprehensive loss by component for the nine months ended September 29, 2019 and September 30, 2018 are outlined below.

	Net actuarial loss and prior service cost ⁽¹⁾
For the nine months ended September 29, 2019:	
Balance at December 30, 2018	\$ (6,881)
Other comprehensive income before reclassifications	—
Amounts reclassified from accumulated other comprehensive loss	(90)
Net current period other comprehensive loss, net of taxes	(90)
Balance at September 29, 2019	\$ (6,971)
For the nine months ended September 30, 2018:	
Balance at December 31, 2017	\$ (5,461)
Amounts reclassified from accumulated other comprehensive loss	(202)
Balance at September 30, 2018	\$ (5,663)

⁽¹⁾ This accumulated other comprehensive loss component is included in the computation of net periodic benefit. See Note 12.

The following table presents reclassifications out of accumulated other comprehensive loss for the three and nine months ended September 29, 2019 and September 30, 2018.

	Amounts Reclassified from Accumulated Other Comprehensive Loss				Affected Line Item in the Consolidated Statements of Operations and Comprehensive (Loss) Income
	Three months ended		Nine months ended		
	September 29, 2019	September 30, 2018	September 29, 2019	September 30, 2018	
Amortization of unrecognized gain	\$ (30)	\$ (67)	\$ (90)	\$ (202) ⁽¹⁾	
Amounts reclassified from accumulated other comprehensive loss	(30)	(67)	(90)	(202)	(Loss) income before income taxes
Income tax expense	—	—	—	—	Income tax expense (benefit)
Amounts reclassified from accumulated other comprehensive loss, net of taxes	\$ (30)	\$ (67)	\$ (90)	\$ (202)	Net (loss) income

⁽¹⁾ This accumulated other comprehensive loss component is included in the computation of net periodic benefit. See Note 12.

Dividends

During the nine months ended September 30, 2018, the Company paid dividends of \$1.11 per share of Common Stock of New Media.

During the nine months ended September 29, 2019, the Company paid dividends of \$1.14 per share of Common Stock of New Media.

(11) Deferred Revenue

Changes in deferred revenue were as follows:

	<u>Circulation</u>	<u>Advertising</u>	<u>Other</u>	<u>Total</u>
Nine months ended September 29, 2019				
Balance at December 30, 2018	\$ 82,645	\$ 9,107	\$ 13,435	\$ 105,187
Acquired deferred revenue	6,669	—	3,920	10,589
Cash receipts, net of refunds	324,296	22,758	50,505	397,559
Revenue recognized	(331,038)	(20,466)	(43,994)	(395,498)
Balance at September 29, 2019	<u>\$ 82,572</u>	<u>\$ 11,399</u>	<u>\$ 23,866</u>	<u>\$ 117,837</u>
Nine months ended September 30, 2018				
Balance at December 31, 2017	\$ 73,874	\$ 6,615	\$ 7,675	\$ 88,164
Acquired deferred revenue	14,654	312	5,445	20,411
Cash receipts, net of refunds	282,769	17,340	30,899	331,008
Revenue recognized	(290,234)	(15,393)	(30,507)	(336,134)
Balance at September 30, 2018	<u>\$ 81,063</u>	<u>\$ 8,874</u>	<u>\$ 13,512</u>	<u>\$ 103,449</u>

The Company records deferred revenue when cash payments are received in advance of the Company's performance. The most significant unsatisfied performance obligation is the delivery of publications to subscription customers. The Company expects to recognize the revenue related to unsatisfied performance obligations over the next three to twelve months in accordance with the terms of the subscriptions. The increase in deferred revenue balance for the nine months ended September 29, 2019 is primarily driven by acquisitions and the timing of company-sponsored events.

(12) Pension and Postretirement Benefits

As a result of the Enterprise News Media LLC (in 2005), Copley Press, Inc. (in 2007), and Times Publishing Company (in 2016) acquisitions, the Company maintains two pension 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. Amounts related to the postretirement benefit plans are immaterial.

The George W. Prescott Company pension plan, assumed in the Enterprise News Media, LLC acquisition, was amended to freeze all future benefit accruals by December 31, 2008, except for a select group of union employees whose benefits were frozen during 2009. The Times Publishing Company pension plan was frozen prior to the acquisition.

The following provides information on the pension plans for the three and nine months ended September 29, 2019 and September 30, 2018:

	Three months ended		Nine months ended	
	September 29, 2019	September 30, 2018	September 29, 2019	September 30, 2018
Components of net periodic benefit:				
Service cost	\$ 159	\$ 150	\$ 476	\$ 450
Interest cost	736	700	2,210	2,099
Expected return on plan assets	(967)	(1,062)	(2,902)	(3,186)
Amortization of unrecognized loss	39	67	117	202
Net periodic benefit	\$ (33)	\$ (145)	\$ (99)	\$ (435)

The service cost component of net periodic benefit is included within Operating Costs and the other components are included within Other Income in the Company's Condensed Consolidated Statements of Operations and Comprehensive Loss. During the three and nine months ended September 29, 2019, the Company made contributions totaling \$364 and \$764 into the pension plans, respectively. The Company expects to pay an additional \$202 in employer contributions to the pension plans during the remainder of 2019.

(13) Fair Value Measurement

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

These inputs are prioritized as follows:

- Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities or market corroborated inputs; and
- Level 3: Unobservable inputs for which there is little or no market data and which require the Company to develop their own assumptions about how market participants price the asset or liability.

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

- Market approach – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Income approach – Uses valuation techniques to convert future amounts to a single present amount based on current market expectation about those future amounts;
- Cost approach – Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost).

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

Fair Value Measurements at Reporting Date Using

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value Measurements
As of September 29, 2019				
Assets				
Cash and cash equivalents	\$ 28,641	\$ —	\$ —	\$ 28,641
Restricted cash	3,128	—	—	3,128
Total	\$ 31,769	\$ —	\$ —	\$ 31,769
Liabilities				
Contingent consideration	\$ —	\$ —	\$ 1,963	\$ 1,963
Redeemable noncontrolling interests	\$ —	\$ —	\$ 593	\$ 593
As of December 30, 2018				
Assets				
Cash and cash equivalents	\$ 48,651	\$ —	\$ —	\$ 48,651
Restricted cash	4,119	—	—	4,119
Total	\$ 52,770	\$ —	\$ —	\$ 52,770
Liabilities				
Contingent consideration	\$ —	\$ —	\$ 3,256	\$ 3,256
Redeemable noncontrolling interests	\$ —	\$ —	\$ 1,547	\$ 1,547

Contingent consideration relates to certain of the Company's 2018 Acquisitions and is primarily payable to the sellers based on the passage of time or as a component of earnings above an agreed-upon target as detailed in the applicable purchase agreements. The decrease in contingent consideration since December 30, 2018 is the result of a measurement period adjustment.

Redeemable Noncontrolling Interests

The Company accounts for the redeemable noncontrolling interests in accordance with ASC 480-10-S99-3A, "Distinguishing Liabilities from Equity", because the exercise is outside the control of the Company. The redeemable noncontrolling interests recorded at fair value are put arrangements held by the noncontrolling interests in the Company's majority-owned events companies.

The changes in redeemable noncontrolling interests classified as Level 3 measurements were as follows:

	Nine months ended September 29, 2019	Year Ended December 30, 2018
Beginning balance	\$ 1,547	\$ —
Purchases ⁽¹⁾	—	1,636
Net loss	(954)	(89)
Ending balance	\$ 593	\$ 1,547

(1) Refer to Note 2.

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).

For the 2019 Acquisitions and 2018 Acquisitions, the Company recorded the assets and liabilities under the acquisition method of accounting. Accordingly, the assets acquired and liabilities assumed were recorded at their fair value. Property, plant

and equipment was valued using Level 2 inputs, and intangible assets were valued using Level 3 inputs. Refer to Note 2 for discussion of the valuation techniques, significant inputs, assumptions utilized, and the fair value recognized.

Refer to Note 7 for the discussion on the fair value of the Company's total long-term debt.

(14) Commitments and Contingencies

The Company is and may become involved from time to time in legal proceedings in the ordinary course of its business, including but not limited to with respect to such matters as libel, invasion of privacy, intellectual property infringement, wrongful termination actions and complaints alleging employment discrimination, and regulatory investigations and inquiries. In addition, the Company is involved from time to time in governmental and administrative proceedings concerning employment, labor, environmental and other claims. Insurance coverage mitigates potential loss for certain of these matters. Historically, such claims and proceedings have not had a material adverse effect on the Company's condensed consolidated results of operations or financial position. Although the Company is unable to predict with certainty the eventual outcome of any litigation, regulatory investigation or inquiry, in the opinion of management, the Company does not expect its current and any threatened legal proceedings to have a material adverse effect on the Company's business, financial position or consolidated results of operations. Given the inherent unpredictability of these types of proceedings, however, it is possible that future adverse outcomes could have a material effect on the Company's financial results.

Restricted cash of \$3,128 and \$4,119 at September 29, 2019 and December 30, 2018, respectively, was primarily held as cash collateral for certain business operations.

(15) Subsequent Events

Dividends

On October 16, 2019, the Company announced a third quarter 2019 cash dividend of \$0.38 per share of Common Stock, par value \$0.01 per share, of New Media. The dividend will be paid on November 12, 2019 to shareholders of record as of the close of business on November 1, 2019.

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

Management's discussion and analysis of financial condition and results of operations is intended to help the reader understand the results of operations and financial condition of New Media Investment Group Inc. and its subsidiaries ("New Media", "Company", "we", "us" or "our"). The following should be read in conjunction with the unaudited consolidated financial statements and notes thereto included herein, and with Part II, Item 1A, "Risk Factors."

Overview

New Media supports small to mid-size communities by providing locally-focused print and digital content to its consumers, premier marketing and technology solutions for our small and medium business partners, and producing world-class events for the media industry and the communities they serve. We have a particular focus on owning and acquiring strong local media assets in small to mid-size markets. With our collection of assets, we focus on two large categories: consumers and small to medium-sized businesses ("SMBs").

Our current portfolio of media assets spans across 611 markets and 39 states. Our products include 643 community print publications and 611 websites. As of September 29, 2019, we reach over 21 million people per week and serve over 200,000 business customers.

Our mission is to be the local audience and small-business expert in the markets that we operate in. We leverage this local expertise to sell our unique, hyperlocal content to consumers and our market-leading technology solutions to SMBs. There are three key elements of our strategy:

1. We aim to grow our business organically through both our consumer and SMB strategies,
2. We pursue strategic acquisitions of high-quality local media and digital marketing assets at attractive valuation levels, and

3. We intend to distribute a portion of our free cash flow generated from operations or other sources as a dividend to stockholders through a quarterly dividend, subject to satisfactory financial performance, approval by our board of directors (the “Board of Directors” or “Board”) and dividend restrictions in the New Media Credit Agreement (as defined below). The Board of Directors’ determinations regarding dividends will depend on a variety of factors, including the Company’s U.S. generally accepted accounting principles (“GAAP”) net income, free cash flow generated from operations or other sources, liquidity position and potential alternative uses of cash, such as acquisitions, as well as economic conditions and expected future financial results.

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

For our SMB category, we focus on leveraging our strong local media brands, our in-market sales force and our high consumer penetration rates to offer technology solutions that allow SMBs to operate efficiently and effectively in a digital world. Central to this business strategy is our wholly-owned subsidiary UpCurve, Inc. (“UpCurve”). UpCurve provides two broad categories of services: ThriveHive, previously known as Propel Marketing, which provides guided marketing solutions for SMBs, and UpCurve Cloud which offers cloud-based products with expert guidance and support. ThriveHive is designed to offer a complete set of turn-key guided marketing and business solutions to SMBs that provide transparent results to the business owners. In 2016, we acquired a turn-key proprietary software application that enables SMB owners to run their own digital and guided marketing campaigns, and we have made a number of strategic acquisitions since.

We launched the UpCurve products in 2012 and have seen rapid growth since then. We believe UpCurve, combined with our strong local brands and in-market sales force, is positioned to continue to be a key component to our overall organic growth strategy. UpCurve is well positioned to seize upon the approximately 30.2 million SMBs in the U.S. in 2015 according to the U.S. Small Business Administration. Of these, approximately 29.0 million had 20 employees or fewer. Many of the owners and managers of these SMBs do not have the resources or expertise to navigate the fast evolving workplace technologies market but are increasingly aware of the need to embrace the digital disruption to their business model.

GateHouse Live, our events and promotions business, was started in 2015 to leverage our local brands to create world-class events in the markets we serve. In 2018, GateHouse Live produced over 350 events with a collective attendance over 400,000. Among our core event offerings are a variety of themed expos focused on target audiences, including men, women, seniors and young families. Other signature event series produced across many of our markets include one of the nation's largest high school sports recognition events and the official community's choice awards for dozens of markets across the country. In 2019, GateHouse Live expanded into endurance events that now includes a network of over 97 marathons, half marathons, other footraces and obstacle course races across the United States and Canada with over 450,000 participants and over 1.5 million attendees annually. GateHouse Live also offers white label event services for retailers and other media companies.

Portfolio Detail

Our core products include:

- 152 daily newspapers with total paid circulation of approximately 1.5 million;
- 284 weekly newspapers (published up to three times per week) with total paid circulation of approximately 301,000 and total free circulation of approximately 2.0 million;
- 132 “shoppers” (generally advertising-only publications) with total circulation of approximately 3.2 million;
- 611 locally-focused websites, which extend our businesses onto the internet and mobile devices with approximately 410 million page views per month;
- 75 business publications;
- UpCurve Cloud and ThriveHive digital marketing; and
- GateHouse Live.

In addition to our core products, we also opportunistically produce niche publications that address specific local market interests such as recreation, sports, healthcare and real estate. Our print and online products focus on the local community from

a content, advertising, and digital marketing perspective. As a result of our focus on small and mid-size markets, we are usually the primary, and sometimes the sole, provider of comprehensive local market news and information in the communities we serve. Our content is primarily devoted to topics that we believe are highly relevant and of interest to our audiences such as local news and politics, community and regional events, youth sports, opinion and editorial pages, local schools, obituaries, weddings and police reports.

We believe our local media properties and local sales infrastructure are uniquely positioned to sell digital marketing and business services to local business owners and give us distinct advantages, including:

- our strong and trusted local brands, with 88% of our daily newspapers having published local content for more than 100 years;
- our ability to market through our print and online properties, driving branding and traffic; and
- our more than 1,100 local, direct, in-market sales professionals with long-standing relationships with small businesses in the communities we serve.

We believe the large number of publications we have, our focus on smaller markets, and our geographic diversity also provide the following benefits to our strategy:

- Diversified revenue streams, both in terms of customers and markets;
- Operational efficiencies realized from clustering of business assets;
- Operational efficiencies realized from centralization of back office functions;
- Operational efficiencies realized from improved buying power for key operating cost items through our increased size and scale;
- Ability to provide consistent management practices and ensure best practices; and
- Less competition and high barriers to entry.

The revenues derived from our SMB category come from a variety of print and guided marketing and business solutions products we offer through UpCurve and commercial printing services. Our consumer revenue category comes primarily from subscription income as consumers pay for our deep, rich local content, both in print and online, however primarily in print today.

Our advertising revenue tends to follow a seasonal pattern, with higher advertising revenue in months containing significant events or holidays. Accordingly, our first quarter and our third quarter, historically, are our weakest revenue quarters of the year. 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 ongoing declines in same store print advertising revenue streams and increased volatility of operating performance, despite our geographic diversity, well-balanced portfolio of products, broad customer base and reliance on smaller markets. We may experience additional declines and volatility in the future. These declines in print advertising revenue have come with the shift from traditional media to the internet for consumers and businesses. We believe our local advertising tends to be less sensitive to economic cycles than national advertising because local businesses generally have fewer advertising channels through which to reach their target audience. We are making investments in digital platforms, such as UpCurve, as well as online and mobile applications, to support our print publications in order to capture this shift as witnessed by our digital advertising and business services revenue growth, which more than doubled between 2013 and 2017, and continues to grow.

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

Compensation represents just under 50% of our expenses. Over the last few years, we have worked to drive efficiencies and centralization of work throughout our Company. Additionally, we have taken steps to cluster our operations, thereby increasing the production volume of our facilities and equipment while increasing the productivity of our labor force. We expect to continue to employ these steps as part of our business strategy.

Our reporting units (Newspapers and BridgeTower) are aggregated into one reportable business segment.

Acquisitions

During the nine months ended September 29, 2019, we acquired substantially all the assets, properties and business of certain publications/businesses, which included 11 daily newspapers, 11 weekly publications, nine shoppers, a remnant advertising agency, five events production businesses, and a business community and networking platform, for an aggregate purchase price of \$45.9 million, including estimated working capital.

During 2018, we acquired substantially all the assets, properties, and business of certain publications/businesses, which included seven business publications, eight daily newspapers, 16 weekly newspapers, one shopper, a print facility, an events production business, cloud services and digital platforms and related domains, for an aggregate purchase price of \$205.8 million, including estimated working capital.

On August 5, 2019, we entered into an agreement to acquire Gannett, as discussed below.

Agreement and Plan of Merger with Gannett

On August 5, 2019, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Gannett Co., Inc. ("Gannett"), in a cash and stock transaction for \$12.06 per share of Gannett common stock, or approximately \$1.4 billion at the date of the announcement (the "Merger").

Subject to the terms, carve-outs and conditions of the Merger Agreement, at the effective time of the Merger (the "Effective Time"), each share of common stock, par value \$0.01 per share, of Gannett issued and outstanding immediately prior to the Effective Time shall be converted automatically into (A) 0.5427 of a fully paid and nonassessable share of common stock, par value \$0.01 per share, of the Company, and (B) the right to receive \$6.25 in cash, without interest. Following the Merger, it is anticipated that stockholders of the Company will own approximately 50.5 percent of the Company's common stock and stockholders of Gannett will own approximately 49.5 percent of the Company's common stock. For information about the anticipated financing for the Merger, see "Apollo Commitment Letter" below.

Gannett is an innovative, digitally focused media and marketing solutions company committed to fostering the communities in their network and helping them build relationships with their local businesses. Gannett owns ReachLocal, Inc., a digital marketing solutions company, the USA TODAY NETWORK (made up of USA TODAY and 109 local media organizations in 34 states in the U.S. and Guam, including digital sites and affiliates), and Newsquest (a wholly-owned subsidiary operating in the United Kingdom with more than 150 local media brands).

Consummation of the Merger Agreement is subject to certain closing conditions, including approval by Gannett's and the Company's stockholders (in the case of the Company's stockholder approval, disregarding any shares held by certain affiliates of Fortress). The completion of the Merger was conditioned upon expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), relating to the consummation of the Merger, and obtaining the necessary clearance from the European Commission. The applicable waiting period under the HSR Act expired on September 25, 2019, and the European Commission announced regulatory clearance on October 23, 2019. The Merger Agreement does not contain a financing condition. The Merger is expected to close before December 31, 2019, although there can be no assurance that the Merger will occur by that date. Either party may terminate the Merger Agreement if the Merger is not consummated within six months of the execution of the Merger Agreement.

In connection with the execution of the Merger Agreement, the Company has also agreed to amend the Management Agreement, as discussed below under the heading "Amended and Restated Management Agreement".

The Merger Agreement contains representations and warranties and covenants of the parties customary for transactions of this nature.

The Board approved the Merger Agreement and the transactions contemplated thereby following the recommendation of a transaction committee consisting solely of independent and disinterested directors of the Company, to which the Board had delegated all power and authority that may otherwise be exercised by the Board in reviewing, evaluating, and negotiating a potential transaction with Gannett.

At the Effective Time, the Board will be comprised of nine directors, consisting of five independent members of the Board, three independent members of the board of directors of Gannett and the Chief Executive Officer of the Company.

The parties have agreed to certain post-closing governance matters in the Merger Agreement. At the Effective Time, the Chief Executive Officer (“CEO”) of the Company will continue to serve as the CEO of the Company, and the CEO of Gannett as of the date of the Merger Agreement will serve as the CEO of all of the Company’s operating subsidiaries, provided such person is serving as the CEO of Gannett immediately prior to the Effective Time.

The Merger Agreement also provides that the Company’s operating subsidiaries will operate under the “Gannett” brand as of or within a reasonable time following the Effective Time. In addition, from and after the Effective Time, Gannett’s headquarters in McLean, Virginia will serve as the headquarters of the combined company, with a continued corporate presence in existing locations.

Management Agreement

On November 26, 2013, New Media entered into the management agreement (as amended and restated, the “Management Agreement”) with FIG LLC (the “Manager”), an affiliate of Fortress Investment Group LLC (“Fortress”), pursuant to which the Manager manages the operations of New Media. We pay the Manager an annual management fee equal to 1.5% of New Media’s Total Equity (as defined in the Management Agreement) and the Manager is eligible to receive incentive compensation. Following the Merger, the terms of the Management Agreement will change as described below under the heading “Amended and Restated Management Agreement”.

Amended and Restated Management Agreement

On August 5, 2019, in connection with the execution of the Merger Agreement, the Company and the Manager entered into the Amended and Restated Management and Advisory Agreement (the “Amended Management Agreement”). Effective upon the consummation of the Merger, the Amended Management Agreement will replace the Management Agreement. The Amended Management Agreement (i) establishes a termination date for the Manager’s services of December 31, 2021, in lieu of annual renewals of the term; (ii) reduces the “incentive fee” payable under the Amended Management Agreement from 25% to 17.5% for the remainder of the term; (iii) reduces by 50% the number of options that would otherwise be issuable in connection with the issuance of shares as consideration for the Merger, and imposes a premium on the exercise price; (iv) eliminates the Manager’s right to receive options in connection with future equity raises by the Company; and (v) eliminates certain payments otherwise due at or after the end of the term of the prior management agreement.

In connection with entering into the Amended Management Agreement and the occurrence of the consummation of the Merger, the Company will issue to the Manager 4,205,607 shares of Company Common Stock and grant to the Manager options to acquire 3,163,265 shares of Company Common Stock. The Manager is restricted from selling the issued shares until the expiration of the Amended Management Agreement, or otherwise upon a change in control and certain other extraordinary events. The options will have an exercise price of \$15.50 and become exercisable upon the first trading day immediately following the first 20 consecutive trading day period in which the closing price of the Company Common Stock (on its principal U.S. national securities exchange) is at or above \$20 per share (subject to adjustment), and also upon a change in control and certain other extraordinary events.

Upon expiration of the term of the Amended Management Agreement, the Manager will cease providing external management services to the Company, and the Manager will no longer be the employer of the person serving in the role of Chief Executive Officer of the combined company.

Facility consolidation charges and accelerated depreciation

During the nine months ended September 29, 2019, we ceased operations of three print publications and twelve print facilities as part of the ongoing cost reduction programs. As a result, we recognized an impairment charge related to retired equipment of \$2.5 million, a loss on disposal of assets related to retired equipment of \$0.2 million and intangibles of \$0.4 million, and accelerated depreciation of \$4.8 million during the nine months ended September 29, 2019.

During the nine months ended September 30, 2018, the Company ceased operations of seven print publications and six printing operations as part of the ongoing cost reduction programs. As a result, the Company recognized an impairment charge related to retired equipment of \$0.5 million and intangibles of \$0.6 million and accelerated depreciation of \$3.6 million during the nine months ended September 30, 2018.

Industry

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

General economic conditions, including declines in consumer confidence, high unemployment levels in certain local markets, declines in real estate values in certain local markets, and other trends, have also impacted the markets in which we operate. Additionally, media companies continue to be impacted by the migration of consumers and businesses to an internet and mobile-based digital medium. These conditions may continue to negatively impact print advertising and other revenue sources as well as increase operating costs in the future. We expect that we will have adequate capital resources and liquidity to meet our working capital needs, borrowing obligations and all required capital expenditures for at least the next twelve months.

We periodically perform testing for impairment of goodwill and newspaper mastheads in which the fair value of our reporting units for goodwill impairment testing and newspaper mastheads are estimated using the expected present value of future cash flows and recent industry transaction multiples, using estimates, judgments and assumptions, that we believe are appropriate in the circumstances. Should general economic, market or business conditions decline, and have a negative impact on estimates of future cash flow and market transaction multiples, we may be required to record additional impairment charges in the future.

Critical Accounting Policy Disclosure

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

Our significant accounting policies are summarized in Note 1, of our consolidated financial statements, "Description of Business, Basis of Presentation, and Summary of Significant Accounting Policies", included in our 2018 Annual Report on Form 10-K.

During the three months ended March 31, 2019, we changed our lease accounting policy in order to adopt Financial Accounting Standards Board (“FASB”) Accounting Standards Update No. 2016-02 (“ASU 2016-02”), “Leases (Topic 842)”. There have been no other material 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 30, 2018.

Results of Operations

The following table summarizes our results of operations for the three and nine months ended September 29, 2019 and September 30, 2018:

NEW MEDIA INVESTMENT GROUP INC. AND SUBSIDIARIES Unaudited Condensed Consolidated Statements of Operations (In thousands)

	Three months ended		Nine months ended	
	September 29, 2019	September 30, 2018	September 29, 2019	September 30, 2018
Revenues:				
Advertising	\$ 167,437	\$ 176,461	\$ 530,899	\$ 527,329
Circulation	146,254	145,934	449,269	420,461
Commercial printing and other	62,958	58,024	188,468	162,196
Total revenues	<u>376,649</u>	<u>380,419</u>	<u>1,168,636</u>	<u>1,109,986</u>
Operating costs and expenses:				
Operating costs	218,369	220,771	681,271	634,935
Selling, general, and administrative	120,797	121,280	379,208	365,638
Depreciation and amortization	24,482	25,094	68,733	64,276
Acquisition costs	12,181	591	15,318	1,888
Integration and reorganization costs	2,160	9,064	9,502	13,243
Impairment of long-lived assets	—	1,121	2,469	1,121
Net loss (gain) on sale or disposal of assets	602	(72)	3,339	(4,051)
Operating (loss) income	<u>(1,942)</u>	<u>2,570</u>	<u>8,796</u>	<u>32,936</u>
Interest expense	10,030	9,115	30,376	26,466
Other income	(230)	(433)	(801)	(1,290)
(Loss) income before income taxes	<u>(11,742)</u>	<u>(6,112)</u>	<u>(20,779)</u>	<u>7,760</u>
Income tax expense (benefit)	7,226	(239)	4,929	2,591
Net (loss) income	<u>\$ (18,968)</u>	<u>\$ (5,873)</u>	<u>\$ (25,708)</u>	<u>\$ 5,169</u>

Three Months Ended September 29, 2019 Compared To Three Months Ended September 30, 2018

Revenue. Total revenue for the three months ended September 29, 2019 decreased by \$3.8 million, or 1.0%, to \$376.6 million from \$380.4 million for the three months ended September 30, 2018. The decrease in total revenue was comprised of a \$9.0 million, or 5.1%, decrease in advertising revenue, partially offset by a \$0.3 million, or 0.2%, increase in circulation revenue and a \$4.9 million, or 8.5%, increase in commercial printing and other revenue.

The advertising revenue declines are driven by reductions in the local retail, classified, and preprint categories due to secular pressures and a continuing difficult retail environment, partially offset by the increased revenue resulting from acquisitions. These secular trends and economic conditions have also led to a decline in our print circulation volumes that have largely been offset by price increases and distribution of premium editions in select locations. The majority of the remaining increase in commercial printing and other revenue is due to digital marketing services, events revenue, and new commercial print and distribution contracts.

Operating Costs. Operating costs for the three months ended September 29, 2019 decreased by \$2.4 million, or 1.1%, to \$218.4 million from \$220.8 million for the three months ended September 30, 2018. The declines in operating costs are primarily due to the ongoing implementation of cost reduction programs resulting in a decrease in compensation, newsprint and ink, hauling and delivery, and web hosting and domain expenses. These decreases were partially offset by increases from acquisitions of \$23.6 million.

Selling, General and Administrative. Selling, general and administrative expenses for the three months ended September 29, 2019 decreased by \$0.5 million, or 0.4%, to \$120.8 million from \$121.3 million for the three months ended September 30, 2018. The declines in selling, general and administrative expenses are primarily due to the ongoing implementation of cost reduction programs resulting in a decrease in compensation and other expenses. These decreases were partially offset by increases from acquisitions of \$10.1 million.

Acquisition Costs. Acquisition costs for the three months ended September 29, 2019 increased by \$11.6 million to \$12.2 million from \$0.6 million for the three months ended September 30, 2018, primarily resulting from costs related to the potential Gannett merger.

Integration and Reorganization Costs. During the three month periods ended September 29, 2019 and September 30, 2018, we recorded integration and reorganization costs of \$2.1 million and \$9.1 million, respectively, primarily resulting from severance costs related to the continued consolidation of our operations resulting from ongoing implementation of our measures to reduce costs and preserve cash flow, as well as acquisition-related synergies.

Impairment of Long-lived Assets. During the three months ended September 30, 2018, we recorded a \$1.1 million impairment of long-lived assets due to the cessation of operations at seven print publications and one printing facility during the three months ended September 30, 2018. No such charge was recorded during the three months ended September 29, 2019.

Interest Expense. Interest expense for the three months ended September 29, 2019 increased by \$0.9 million to \$10.0 million from \$9.1 million for the three months ended September 30, 2018, which primarily relates to increased interest rates.

Income Tax Expense (Benefit). During the three months ended September 29, 2019 and September 30, 2018, we recorded an income tax expense of \$7.2 million and an income tax benefit of \$0.2 million, respectively. The increase in income tax expense is primarily due to our tax provision of \$4.9 million calculated based upon year-to-date results and reversal of the income tax benefit of \$2.3 million recorded during the first six months of 2019, which had been calculated based upon anticipated full year pretax income.

Net (Loss) Income. Net loss for the three months ended September 29, 2019 and September 30, 2018 was \$19.0 million and \$5.9 million, respectively. The difference is related to the factors noted above.

Nine Months Ended September 29, 2019 Compared To Nine Months Ended September 30, 2018

Revenue. Total revenue for the nine months ended September 29, 2019 increased by \$58.6 million, or 5.3%, to \$1,168.6 million from \$1,110.0 million for the nine months ended September 30, 2018. The increase in total revenue was comprised of a \$3.6 million, or 0.7%, increase in advertising revenue, a \$28.8 million, or 6.9%, increase in circulation revenue, and a \$26.2 million, or 16.2%, increase in commercial printing and other revenue.

Revenues increased primarily due to acquisitions, partially offset by declines driven by reductions in the local retail, classified, and preprint categories due to secular pressures and a continuing difficult retail environment. These secular trends and economic conditions have also led to a decline in our print circulation volumes that have largely been offset by price increases and distribution of premium editions in select locations. The majority of the remaining increase in commercial printing and other revenue is due to digital marketing services, events revenue, and new commercial print and distribution contracts.

Operating Costs. Operating costs for the nine months ended September 29, 2019 increased by \$46.3 million, or 7.3%, to \$681.2 million from \$634.9 million for the nine months ended September 30, 2018. The increase includes operating costs from acquisitions of \$95.9 million, an increase in outside services of \$5.7 million and a \$1.1 million increase in other expense. These increases were partially offset by declines in operating costs related to the remaining operations primarily due to the ongoing implementation of cost reduction programs resulting in decreases in compensation, hauling and delivery, newsprint and ink, news and editorial, web hosting and domain expenses.

Selling, General and Administrative. Selling, general and administrative expenses for the nine months ended September 29, 2019 increased by \$13.6 million, or 3.7%, to \$379.2 million from \$365.6 million for the nine months ended September 30, 2018. The increase includes selling, general and administrative expenses from acquisitions of \$42.5 million and an increase in professional and consulting fees of \$1.8 million. These increases were partially offset by declines in selling, general and administrative expenses related to the remaining operations primarily due to the ongoing implementation of cost

reduction programs resulting in decreases in compensation, outside services, web hosting and domain expenses, travel and entertainment, property tax, and other expenses.

Acquisition Costs. Acquisition costs for the nine months ended September 29, 2019 increased by \$13.4 million to \$15.3 million from \$1.9 million for the nine months ended September 30, 2018, primarily resulting from costs related to the potential Gannett merger.

Integration and Reorganization Costs. During the nine month periods ended September 29, 2019 and September 30, 2018, we recorded integration and reorganization costs of \$9.5 million and \$13.2 million, respectively, primarily resulting from severance costs related to the continued consolidation of our operations resulting from ongoing implementation of our measures to reduce costs and preserve cash flow, as well as acquisition-related synergies.

Impairment of Long-lived Assets. During the nine months ended September 29, 2019, we recorded a \$2.5 million impairment of long-lived assets due to the cessation of operations at three of our printing facilities during the nine months ended September 29, 2019. During the nine months ended September 30, 2018, we recorded a \$1.1 million impairment of long-lived assets due to the cessation of operations at seven print publications and one printing facility during the nine months ended September 30, 2018.

Interest Expense. Interest expense for the nine months ended September 29, 2019 increased by \$3.9 million to \$30.4 million from \$26.5 million for the nine months ended September 30, 2018, which primarily relates to increased interest rates.

Income Tax Expense (Benefit). During the nine months ended September 29, 2019 and September 30, 2018, we recorded an income tax expense of \$4.9 million and \$2.6 million, respectively. Our tax provision for the nine months ended September 29, 2019 was calculated based upon year-to-date results which include tax effects attributable to indefinite lived deferred tax liabilities which cannot be offset by deferred tax assets and projected current state taxes. The increased tax provision is primarily the result of the reversal of the income tax benefit recorded during the six months ended June 30, 2019. We calculated our tax provision for the nine months ended September 30, 2018 using an annualized effective tax rate of 33%.

Net (Loss) Income. Net loss for the nine months ended September 29, 2019 was \$25.7 million and net income for the nine months ended September 30, 2018 was \$5.2 million. The difference is related to the factors noted above.

Liquidity and Capital Resources

Our primary cash requirements are for working capital, debt obligations and capital expenditures. We have no material outstanding commitments for capital expenditures. We expect our 2019 capital expenditures to total between \$12 million and \$13 million. The 2019 capital expenditures will be primarily comprised of projects related to the consolidation of print operations and system upgrades. For more information on our long term debt and debt service obligations, see Note 7 to the unaudited condensed consolidated financial statements, "Indebtedness". Our principal sources of funds have historically been, and are expected to continue to be, cash provided by operating activities.

We expect to fund our operations through cash provided by operating activities, the incurrence of debt or the issuance of additional equity securities. In connection with the Merger, we expect to fund certain severance and change in control payments, primarily related to certain of Gannett's pension plans, which are expected to be approximately \$80 million. We expect that we will have adequate capital resources and liquidity to meet our working capital needs, borrowing obligations and all required capital expenditures for at least the next twelve months.

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

Dividends

On October 16, 2019, we announced a third quarter 2019 cash dividend of \$0.38 per share of Common Stock, par value \$0.01 per share, of New Media. The dividend will be paid on November 12, 2019, to shareholders of record as of the close of business on November 1, 2019.

On August 5, 2019, we announced a second quarter 2019 cash dividend of \$0.38 per share of Common Stock, par value \$0.01 per share, of New Media. The dividend will be paid on August 28, 2019, to shareholders of record as of the close of business on August 20, 2019.

On May 2, 2019, we announced a first quarter 2019 cash dividend of \$0.38 per share of Common Stock, par value \$0.01 per share, of New Media. The dividend was paid on May 22, 2019, to shareholders of record as of the close of business on May 13, 2019.

On February 27, 2019, we announced a fourth quarter 2018 cash dividend of \$0.38 per share of Common Stock, par value \$0.01 per share, of New Media. The dividend was paid on March 20, 2019, to shareholders of record as of the close of business on March 11, 2019.

On October 31, 2018, we announced a third quarter 2018 cash dividend of \$0.38 per share of Common Stock, par value \$0.01 per share, of New Media. The dividend was paid on November 20, 2018, to shareholders of record as of the close of business on November 12, 2018.

On August 2, 2018, we announced a second quarter 2018 cash dividend of \$0.37 per share of Common Stock, par value \$0.01 per share, of New Media. The dividend was paid on August 21, 2018, to shareholders of record as of the close of business on August 13, 2018.

On May 3, 2018, we announced a first quarter 2018 cash dividend of \$0.37 per share of Common Stock, par value \$0.01 per share, of New Media. The dividend was paid on May 16, 2018, to shareholders of record as of the close of business on May 14, 2018.

On February 28, 2018, we announced a fourth quarter 2017 cash dividend of \$0.37 per share of Common Stock, par value \$0.01 per share, of New Media. The dividend was paid on March 22, 2018, to shareholders of record as of the close of business on March 14, 2018.

New Media Credit Agreement

The Company, through its wholly-owned subsidiary New Media Holdings II LLC (the “New Media Borrower”) maintains secured credit facilities (the “Credit Facilities”) under an agreement (the “New Media Credit Agreement”) with a syndication of lenders, including a term loan facility and a revolving credit facility. The term loan facility expires on July 14, 2022 and the revolving credit facility expires on July 14, 2021. Maximum borrowings under the revolving credit facility, including letters of credit, total \$40.0 million.

As of September 29, 2019, there were outstanding borrowings against the term loan facility and revolving credit facility totaling \$434.0 million and \$8.0 million, respectively. As of December 30, 2018, there were outstanding borrowings against the term loan facility and revolving credit facility totaling \$437.3 million and \$0, respectively. As of September 29, 2019, there were \$0.5 million letters of credit issued against the revolving credit facility and we had \$31.5 million of borrowing availability under the revolving credit facility.

The New Media Credit Agreement contains customary representations and warranties and affirmative covenants and negative covenants applicable to Holdings I, the New Media Borrower and the New Media Borrower's subsidiaries, including, among other things, restrictions on indebtedness, liens, investments, fundamental changes, dispositions, dividends and other distributions, and events of default. The New Media Credit Agreement contains a financial covenant that requires Holdings I, the New Media Borrower and the New Media Borrower's subsidiaries to maintain a maximum total leverage ratio of 3.25 to 1.00. As of September 29, 2019, we are in compliance with all of the covenants and obligations under the New Media Credit Agreement.

Refer to Note 7 to the unaudited condensed consolidated financial statements, “Indebtedness,” and to “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources,” in our Annual Report on Form 10-K for the fiscal year ended December 30, 2018, for further discussion of the New Media Credit Agreement.

Apollo Commitment Letter

On August 5, 2019, in connection with the execution of the Merger Agreement, the Company entered into a commitment letter (the “Commitment Letter”) with Apollo Capital Management, L.P. (“Apollo”), pursuant to which Apollo, on behalf of one or more funds, accounts or other clients managed by it or its affiliates, has committed to provide the Company with a \$1,792

million first lien term loan facility (the “Acquisition Credit Facility”), to be made available to the Company upon the closing of the Merger, subject to certain terms and conditions set forth in the Commitment Letter.

The Acquisition Credit Facility will bear a fixed interest rate of 11.50% annually, subject to a one-year step-up to a fixed rate of 12% in the event that the closing of the Merger occurs more than six months following the date of the Commitment Letter. The Acquisition Credit Facility will mature five years following the closing of the Merger and will be freely pre-payable without penalty.

Proceeds from the Acquisition Credit Facility will be used to repay Gannett’s existing revolving credit facility, the Company’s existing credit facilities, and Gannett’s outstanding convertible senior notes to the extent put to the Company by the holders thereof, pay the cash portion of the consideration for the Merger, pay fees and expenses incurred in connection with the Merger and the Acquisition Credit Facility and, to the extent of any remaining proceeds, finance ongoing working capital and other general corporate needs.

The Acquisition Credit Facility is subject to negotiation of a mutually acceptable credit or loan agreement and other mutually acceptable definitive documentation, which will include certain representations and warranties, affirmative and negative covenants, financial covenants, events of default and collateral and guarantee agreements that are customarily required for similar financings. Additionally, Apollo’s obligation to provide the financing is subject to the satisfaction of specified conditions, including that the combined Company must have at least \$40 million of unrestricted cash at closing, and the accuracy of specified representations. The documentation governing the Acquisition Credit Facility has not been finalized and, accordingly, the actual terms may differ from the description in the foregoing summary of the Commitment Letter.

Halifax Alabama Credit Agreement

In connection with the purchase of the assets of Halifax Media in 2015, the Company assumed obligations of Halifax Media including the amount owing (\$8.0 million at that time) under the credit agreement dated June 18, 2013 between Halifax Alabama, LLC and Southeast Community Development Fund V, LLC. This debt bore interest at an annual rate of 2%, and was repaid in full on April 1, 2019.

Cash Flows

The following table summarizes our historical cash flows.

	Nine months ended	
	September 29, 2019	September 30, 2018
Cash provided by operating activities	\$ 98,530	\$ 71,983
Cash used in investing activities	(46,633)	(150,020)
Cash (used in) provided by financing activities	(72,898)	91,683

Cash Flows from Operating Activities. Our largest source of cash provided by our operations is advertising revenues primarily generated from local advertising (local retail, local classified and online). Additionally, we generate cash through national advertising sales, circulation subscriptions, commercial printing services to third parties, digital marketing and business services through UpCurve and event revenue through GateHouse Live.

Our primary uses of cash in our operating activities include personnel costs, newsprint, delivery, and outside services.

Cash Flows from Investing Activities. Net cash used in investing activities for the nine months ended September 29, 2019 was \$46.6 million. During the nine months ended September 29, 2019, we used \$49.7 million, net of cash acquired, for acquisitions and \$7.3 million for capital expenditures, which was partially offset by \$10.3 million we received from the sale of publications, real estate and other assets, and insurance proceeds.

Net cash used in investing activities for the nine months ended September 30, 2018 was \$150.0 million. During the nine months ended September 30, 2018, we used \$155.2 million, net of cash acquired, for acquisitions and \$8.0 million for capital expenditures, which was partially offset by \$13.2 million we received from the sale of publications, real estate and other assets.

Cash Flows from Financing Activities. Net cash used in financing activities for the nine months ended September 29, 2019 was \$72.9 million and was primarily comprised of the payment of dividends of \$68.9 million, term loan repayments of

\$11.3 million and a \$0.7 million purchase of treasury stock, partially offset by net borrowings under the revolving credit facility of \$8.0 million.

Net cash provided by financing activities for the nine months ended September 30, 2018 was \$91.7 million and was primarily comprised of the issuance of common stock, net of underwriters' discount and the payment of offering costs, of \$110.7 million, and borrowings under term loans of \$49.8 million, partially offset by the payment of dividends of \$64.4 million, term loan repayments of \$3.1 million, a \$0.8 million purchase of treasury stock, and payment of debt issuance costs of \$0.5 million.

Changes in Financial Position

The discussion that follows highlights significant changes in our financial position and working capital from December 30, 2018 to September 29, 2019.

Accounts Receivable. Accounts receivable decreased \$31.0 million, which primarily relates to seasonality and the timing of cash collections, which was partially offset by accounts receivable acquired in business acquisitions in the nine months ended September 29, 2019.

Inventory. Inventory decreased \$4.0 million, primarily due to a price decrease in newsprint inventory through a negotiated contract with one vendor, partially offset by inventory acquired in business acquisitions in the nine months ended September 29, 2019.

Operating Lease Right-of-Use Assets. Operating lease right-of-use assets increased \$109.2 million due to the adoption of new leasing guidance under FASB ASU 2016-02, "Leases (Topic 842)".

Other Assets. Other assets increased \$2.2 million, which primarily relates to assets acquired in business acquisitions in the nine months ended September 29, 2019.

Current Portion of Long-Term Debt. Current portion of long-term debt decreased \$8.0 million due to the April 1, 2019 payment of \$8.0 million of debt that was assumed in the Halifax acquisition in 2015.

Current Portion of Operating Lease Liabilities. Current portion of operating lease liabilities increased \$15.1 million due to the adoption of new leasing guidance under FASB ASU 2016-02, "Leases (Topic 842)".

Accounts Payable. Accounts payable increased \$4.1 million due to the timing of vendor payments.

Deferred Revenue. Deferred revenue increased \$12.7 million, primarily due to acquisitions during the nine months ended September 29, 2019 and timing of racing and other events.

Long-term Operating Lease Liabilities. Long-term operating lease liabilities increased \$101.7 million due to the adoption of new leasing guidance under FASB ASU 2016-02, "Leases (Topic 842)".

Other Long-term Liabilities. Other long-term liabilities decreased \$5.3 million, primarily due to a reclassification of accrued lease liabilities due to the adoption of new leasing guidance under FASB ASU 2016-02, "Leases (Topic 842)".

Deferred Income Taxes. Deferred income taxes increased by \$3.9 million, which primarily relates to the reversal of the income tax benefit recorded during the first nine months of 2019, which had been calculated based upon anticipated full year pretax income.

Redeemable Noncontrolling Interest. Redeemable noncontrolling interest decreased \$1.0 million, primarily due to the net loss attributable to redeemable noncontrolling interests.

Additional Paid-in Capital. Additional paid-in capital decreased \$66.3 million, which resulted primarily from dividends of \$68.9 million, partially offset by non-cash compensation expense of \$2.5 million.

Accumulated Deficit. Accumulated deficit increased \$24.6 million, primarily due to the net loss attributable to New Media.

Summary Disclosure About Contractual Obligations and Commercial Commitments

There have been no significant changes to our contractual obligations previously reported in our Annual Report on Form 10-K for the year ended December 30, 2018.

Off-Balance Sheet Arrangements

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

Contractual Commitments

There were no material changes made to our contractual commitments during the period from December 30, 2018 to September 29, 2019.

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 (loss) income, 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.

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

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 (loss) income, include: the cash portion of interest/financing expense, income tax expense (benefit) and charges related to impairment of long-lived assets, 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 (loss) income 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 day-to-day 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 day-to-day business operating results. We consider the (gain) 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. Such charges are incidental to, but not reflective of, our day-to-day operating performance and it is appropriate to exclude charges related to financing activities such as the early extinguishment of debt 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 net loss to Adjusted EBITDA for the periods presented:

	Three months ended		Nine months ended	
	September 29, 2019	September 30, 2018	September 29, 2019	September 30, 2018
	(in thousands)			
Net (loss) income	\$ (18,968)	\$ (5,873)	\$ (25,708)	\$ 5,169
Income tax expense (benefit)	7,226	(239)	4,929	2,591
Interest expense	10,030	9,115	30,376	26,466
Impairment of long-lived assets	—	1,121	2,469	1,121
Depreciation and amortization	24,482	25,094	68,733	64,276
Adjusted EBITDA	<u>\$ 22,770</u> ^(a)	<u>\$ 29,218</u> ^(b)	<u>\$ 80,799</u> ^(c)	<u>\$ 99,623</u> ^(d)

- (a) Adjusted EBITDA for the three months ended September 29, 2019 included net expenses of \$22,345, related to transaction and project costs, non-cash compensation, and other expense of \$7,402, acquisition costs of \$12,181, integration and reorganization costs of \$2,160 and a \$602 loss on the sale or disposal of assets.
- (b) Adjusted EBITDA for the three months ended September 30, 2018 included net expenses of \$14,914, related to transaction and project costs, non-cash compensation, and other expense of \$5,331, acquisition costs of \$591, integration and reorganization costs of \$9,064 and a \$72 gain on the sale or disposal of assets.
- (c) Adjusted EBITDA for the nine months ended September 29, 2019 included net expenses of \$44,878, related to transaction and project costs, non-cash compensation, and other expense of \$16,719, acquisition costs of \$15,318, integration and reorganization costs of \$9,502 and a \$3,339 loss on the sale or disposal of assets.
- (d) Adjusted EBITDA for the nine months ended September 30, 2018 included net expenses of \$25,786, related to transaction and project costs, non-cash compensation, and other expense of \$14,706, acquisition costs of \$1,888, integration and reorganization costs of \$13,243 and a \$4,051 gain on the sale or disposal of assets.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

During the nine month period ended September 29, 2019, 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 30, 2018.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (principal executive officer) and interim Chief Financial Officer (interim 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 interim Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control

Beginning December 31, 2018, we implemented the updated guidance on lease accounting. In connection with the adoption of this standard, we implemented changes to our disclosure controls, procedures related to lease accounting as well as the associated control activities within. These included the implementation of lease management and accounting software, development of new policies based on the updated guidance, ongoing contract review requirements and gathering of information provided for disclosures.

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

Part II. — OTHER INFORMATION

Item 1. Legal Proceedings

There have been no material changes to the legal proceedings previously disclosed under “Legal Proceedings” included in our Annual Report on Form 10-K filed with the SEC on February 27, 2019.

Item 1A. Risk Factors

You should carefully consider the following risks and other information in this Quarterly Report on Form 10-Q in evaluating us and our common stock. Any of the following risks could materially and adversely affect our results of operations or financial condition. The risk factors generally have been separated into the following groups: Risks Related to Our Business, Risks Related to Our Manager, Risks Related to the Merger, and Risks Related to Our Common Stock.

Risks Related to Our Business

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

Our advertising revenues and, to a lesser extent, circulation revenues, depend upon a variety of factors specific to the communities that our publications serve. These factors include, among others, the size and demographic characteristics of the local population, local economic conditions in general and the economic condition of the retail segments of the communities that our publications serve. If the local economy, population or prevailing retail environment of a community we serve experiences a downturn, our publications, revenues and profitability in that market could be adversely affected. Our advertising revenues are also susceptible to negative trends in the general economy that affect consumer spending. The advertisers in our newspapers and other publications and related websites are primarily retail businesses that can be significantly affected by regional or national economic downturns and other developments. For example, many traditional retail companies continue to face greater competition from online retailers and face uncertainty in their businesses, which has reduced and may continue to reduce their advertising spending. Declines in the U.S. economy could also significantly affect key advertising revenue categories, such as help wanted, real estate and automotive.

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

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

Our ability to generate revenues is correlated with the economic conditions of three geographic regions of the United States.

Our Company primarily generates revenue in three geographic regions: the Northeast, Midwest, and Southeast United States. During the nine months ended September 29, 2019, approximately 28% of our total revenues were generated in four states in the Northeast: Massachusetts, Pennsylvania, New York, and Rhode Island. During the same period, approximately 27% of our total revenues were generated in four states in the Midwest: Ohio, Nebraska, Illinois, and Oklahoma. Also during the same period, approximately 23% of our total revenues were generated in two states in the Southeast: Florida and North Carolina. As a result of this geographic concentration, our financial results, including advertising and circulation revenue, depend largely upon economic conditions in these principal market areas. Accordingly, adverse economic developments within these three regions in particular could significantly affect our consolidated operations and financial results.

Our indebtedness and any future indebtedness may limit our financial and operating activities and our ability to incur additional debt to fund future needs or dividends.

We maintain secured credit facilities under a credit agreement with a syndication of lenders, including a term loan facility and a revolving credit facility. The term loan facility expires on July 14, 2022 and the revolving credit facility expires on July 14, 2021. Maximum borrowings under the revolving credit facility, including letters of credit, total \$40 million. As of September 29, 2019, there were outstanding borrowings against the term loan facility and revolving credit facility totaling \$434.0 million and \$8.0 million, respectively. As of September 29, 2019, there were \$0.5 million letters of credit issued against the revolving credit facility. As of September 29, 2019, the Company had \$31.5 million of borrowing availability under the revolving credit facility.

Our indebtedness and any future indebtedness we incur could:

- require us to dedicate a portion of cash flow from operations to the payment of principal and interest on indebtedness, including indebtedness we may incur in the future, thereby reducing the funds available for other purposes, including dividends or other distributions;
- subject us to increased sensitivity to increases in prevailing interest rates;
- place us at a competitive disadvantage to competitors with relatively less debt in economic downturns, adverse industry conditions or catastrophic external events; or
- reduce our flexibility in planning for or responding to changing business, industry and economic conditions.

In addition, our indebtedness could limit our ability to obtain additional financing on acceptable terms or at all to fund future acquisitions, working capital, capital expenditures, debt service requirements, general corporate and other purposes, which would have a material effect on our business and financial condition. Our liquidity needs could vary significantly and may be affected by general economic conditions, industry trends, performance and many other factors not within our control.

Discontinuation, reform or replacement of LIBOR, or uncertainty related to the potential for any of the foregoing, may adversely affect us

The U.K. Financial Conduct Authority announced in 2017 that LIBOR could be effectively discontinued after 2021. In addition, other regulators have suggested reforming or replacing other benchmark rates. The discontinuation, reform or replacement of LIBOR or any other benchmark rates may have an unpredictable impact on contractual mechanics in the credit markets or cause disruption to the broader financial markets. Uncertainty as to the nature of such potential discontinuation, reform or replacement may negatively impact the volatility of LIBOR rates.

Under our existing Term Loans, if LIBOR becomes unavailable or if LIBOR ceases to accurately reflect the costs to the lenders, we may be required to pay interest under an alternative base rate which could cause the amount of interest payable on the Term Loans to be materially different than expected. We may choose in the future to pursue an amendment to our existing Term Loans to provide for a transition mechanism or other reference rate in anticipation of LIBOR's discontinuation, but we can give no assurance that we will be able to reach agreement with our lenders on any such amendment.

The New Media Credit Agreement contains covenants that restrict our operations and may inhibit our ability to grow our business, increase revenues and pay dividends to our stockholders.

The New Media Credit Agreement contains various restrictions, covenants and representations and warranties. If we fail to comply with any of these covenants or breach these representations or warranties in any material respect, such noncompliance would constitute a default under the New Media Credit Agreement (subject to applicable cure periods), and the lenders could elect to declare all amounts outstanding under the agreements related thereto to be immediately due and payable and enforce their respective interests against collateral pledged under such agreements.

The covenants and restrictions in the New Media Credit Agreement generally restrict our ability to, among other things:

- incur or guarantee additional debt;
- make certain investments, loans or acquisitions;
- transfer or sell assets;

- make distributions on capital stock or redeem or repurchase capital stock;
- create or incur liens;
- enter into transactions with affiliates;
- consolidate, merge or sell all or substantially all of our assets; and
- create restrictions on the payment of dividends or other amounts to us from our restricted subsidiaries.

The restrictions described above may interfere with our ability to obtain new or additional financing or may affect the manner in which we structure such new or additional financing or engage in other business activities, which may significantly limit or harm our results of operations, financial condition and liquidity. A default under the New Media Credit Agreement could also significantly limit our alternatives to refinance the debt under which the default occurred. This limitation may significantly restrict our financing options during times of either market distress or our financial distress, which are precisely the times when having financing options is most important.

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

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

If we do not generate sufficient cash flow from operations to satisfy our debt obligations, including interest payments and the payment of principal at maturity, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. We cannot provide assurance that any refinancing would be possible, that any assets could be sold, or, if sold, of the timeliness and amount of proceeds realized from those sales, that additional financing could be obtained on acceptable terms, if at all, or that additional financing would be permitted under the terms of our various debt instruments then in effect. Furthermore, our ability to refinance would depend upon the condition of the finance and credit markets. Our inability to generate sufficient cash flow to satisfy our debt obligations, or to refinance our obligations on commercially reasonable terms or on a timely basis, would materially affect our business, financial condition and results of operations.

We may not be able to pay dividends in accordance with our announced intent or at all.

We have announced our intent to distribute a portion of our free cash flow generated from operations or other sources as a dividend to our stockholders, through a quarterly dividend, subject to satisfactory financial performance, approval by our Board of Directors and dividend restrictions in the New Media Credit Agreement. The Board of Directors' determinations regarding dividends will depend on a variety of factors, including the Company's GAAP net income, free cash flow generated from operations or other sources, liquidity position and potential alternative uses of cash, such as acquisitions, as well as economic conditions and expected future financial results. Although we recently declared a third quarter 2019 dividend of \$0.38 per share of Common Stock, paid a second quarter 2019 cash dividend of \$0.38 per share and have paid regularly quarterly dividends since the third quarter of 2014, there can be no guarantee that we will continue to pay dividends in the future or that this recent dividend is representative of the amount of any future dividends. Our ability to declare future dividends will depend on our future financial performance, which in turn depends on the successful implementation of our strategy and on financial, competitive, regulatory, technical and other factors, general economic conditions, demand and selling prices for our products and other factors specific to our industry or specific projects, many of which are beyond our control. Therefore, our ability to generate free cash flow depends on the performance of our operations and could be limited by decreases in our profitability or increases in costs, capital expenditures or debt servicing requirements.

We may acquire additional companies with declining cash flow as part of a strategy aimed at stabilizing cash flow through expense reduction and digital expansion. If our strategy is not successful, we may not be able to pay dividends.

We are also dependent on our subsidiaries being able to pay dividends. Our subsidiaries are subject to restrictions on the ability to pay dividends under the various instruments governing their indebtedness. If our subsidiaries incur additional debt or losses, such additional indebtedness or loss may further impair their ability to pay dividends or make other distributions to us. In addition, the ability of our subsidiaries to declare and pay dividends to us will also be dependent on their cash income and cash available and may be restricted under applicable law or regulation. Under Delaware law, approval of the board of directors

is required to approve any dividend, which may only be paid out of surplus or net profit for the applicable fiscal year. As a result, we may not be able to pay dividends in accordance with our announced intent or at all.

We have invested in growing our digital business, including UpCurve and including through strategic acquisitions, but such investments may not be successful, which could adversely affect our results of operations.

We continue to evaluate our business and how we intend to grow our digital business. Internal resources and effort are put towards this business and acquisitions are sought to expand this business. In addition, key partnerships have been entered into to assist with our digital business, including UpCurve. We continue to believe that our digital businesses, including UpCurve, offer opportunities for revenue growth to support and, in some cases, offset the revenue trends we have seen in our print business. There can be no assurances that the partnerships we have entered into, the acquisitions we have completed or the internal strategy being employed will result in generating or increasing digital revenues in amounts necessary to stabilize or offset trends in print revenues. In addition, we have a limited history of operations in this area and there can be no assurances that past performance will be indicative of future performance or future trends or that the demand trends for online advertising and services experienced in recent periods will continue. If our digital strategy, including with regard to UpCurve, is not as successful as we anticipate, our financial condition, results of operations and ability to pay dividends could be adversely affected.

Acquisitions have formed a significant part of our growth strategy in the past and are expected to continue to do so. If we are unable to identify suitable acquisition candidates or successfully integrate the businesses we acquire, our growth strategy may not succeed. Acquisitions involve numerous risks, including risks related to integration, and these risks could adversely affect our business, financial condition and results of operations.

Our business strategy relies on acquisitions. We expect to derive a significant portion of our growth by acquiring businesses and integrating those businesses into our existing operations. We continue to seek acquisition opportunities; however, we may not be successful in identifying acquisition opportunities, assessing the value, strengths and weaknesses of these opportunities or consummating acquisitions on acceptable terms. Furthermore, suitable acquisition opportunities may not even be made available or known to us. In addition, valuations of potential acquisitions may rise materially, making it economically unfeasible to complete identified acquisitions.

Additionally, our ability to realize the anticipated benefits of the synergies between New Media and our recent or potential future acquisitions of assets or companies will depend, in part, on our ability to appropriately integrate the business of New Media and the businesses of other such acquired companies. The process of acquiring assets or companies may disrupt our business and may not result in the full benefits expected. The risks associated with integrating the operations of New Media and recent and potential future acquisitions include, among others:

- uncoordinated market functions;
- unanticipated issues in integrating the operations and personnel of the acquired businesses;
- the incurrence of indebtedness and the assumption of liabilities;
- the incurrence of significant additional capital expenditures, transaction and operating expenses and non-recurring acquisition-related charges;
- unanticipated adverse impact on our earnings from the amortization or write-off of acquired goodwill and other intangible assets;
- cultural challenges associated with integrating acquired businesses with the operations of New Media;
- not retaining key employees, vendors, service providers, readers and customers of the acquired businesses; and
- the diversion of management's attention from ongoing business concerns.

If we are unable to successfully implement our acquisition strategy or address the risks associated with integrating the operations of New Media and past acquisitions or potential future acquisitions, or if we encounter unforeseen expenses, difficulties, complications or delays frequently encountered in connection with the integration of acquired entities and the expansion of operations, our growth and ability to compete may be impaired, we may fail to achieve acquisition synergies and we may be required to focus resources on integration of operations rather than other profitable areas. Moreover, the success of any acquisition will depend upon our ability to effectively integrate the acquired assets or businesses. The acquired assets or

businesses may not contribute to our revenues or earnings to any material extent, and cost savings and synergies we expect at the time of an acquisition may not be realized once the acquisition has been completed. Furthermore, if we incur indebtedness to finance an acquisition, the acquired business may not be able to generate sufficient cash flow to service that indebtedness. Unsuitable or unsuccessful acquisitions could adversely affect our business, financial condition, results of operations, cash flow and ability to pay dividends.

If we are unable to retain and grow our digital audience and advertiser base, our digital business will be adversely affected.

Given the ever-growing and rapidly changing number of digital media options available, we may not be able to increase our online traffic sufficiently and retain or grow a base of frequent visitors to our websites and applications on mobile devices.

We have experienced declines in advertising revenue due in part to advertisers' shift from print to digital media, and we may not be able to create sufficient advertiser interest in our digital businesses to maintain or increase the advertising rates of the inventory on our websites. There can be no assurances that past performance will be indicative of future performance or future trends or that the demand trends for digital advertising and services experienced in recent periods will continue.

In addition, the ever-growing and rapidly changing number of digital media options available may lead to technologies and alternatives that we are not able to offer or about which we are not able to advise. Such circumstances could directly and adversely affect the availability, applicability, marketability and profitability of the suite of SMB services and the private ad exchange we offer as a significant part of our digital business. Specifically, news aggregation websites and customized news feeds (often free to users) may reduce our traffic levels by driving interaction away from our websites or our digital applications. If traffic levels stagnate or decline, we may not be able to create sufficient advertiser interest in our digital businesses or to maintain or increase the advertising rates of the inventory on our digital platforms. We may also be adversely affected if the use of technology developed to block the display of advertising on websites proliferates.

Technological developments and any changes we make to our business strategy may require significant capital investments. Such investments may be restricted by our current or future credit facilities.

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

A basic raw material for our publications is newsprint. We generally maintain a 45 to 55-day inventory of newsprint. An inability to obtain an adequate supply of newsprint at a favorable price or at all could have a material adverse effect on our ability to produce our publications. Historically, the price of newsprint has been volatile, reaching a high of approximately \$823 per metric ton in 2008 and experiencing a low of almost \$410 per metric ton in 2002. The average price of newsprint during 2018 was approximately \$728 per metric ton. Recent and future consolidation of major newsprint suppliers may adversely affect price competition among suppliers. Tariffs, duties and other restrictions on non-U.S. suppliers of newsprint have increased and may in the future increase the price of newsprint and/or limit the supply of available newsprint. Significant increases in newsprint costs for properties and periods not covered by our newsprint vendor agreement could have a material adverse effect on our financial condition and results of operations.

We have experienced declines in advertising revenue, and further declines, which could adversely affect our results of operations and financial condition, may occur.

Excluding acquisitions, we have experienced declines in advertising revenue, notably, in traditional print advertising, due in part to advertisers' shift from print to digital media. We continue to search for organic growth opportunities, including in our digital advertising business, and for ways to stabilize print revenue declines through new product launches and pricing. However, there can be no assurance that our advertising revenue will not continue to decline. In addition, the range of advertising choices across digital products and platforms and the large inventory of available digital advertising space have historically resulted in significantly lower rates for digital advertising than for print advertising. Consequently, our digital advertising revenue may not be able to replace print advertising revenue lost as a result of the shift to digital consumption. Further declines in advertising revenue could adversely affect our results of operations and financial condition.

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

Our business is concentrated in newspapers and other print publications located primarily in small and mid-size markets in the United States. Our revenues primarily consist of advertising and paid circulation. Competition for advertising revenues and paid circulation comes from direct mail, directories, radio, television, outdoor advertising, other newspaper publications,

the internet and other media. For example, as the use of the internet and mobile devices has increased, we have lost some classified advertising and subscribers to online advertising businesses and our free internet sites that contain abbreviated versions of our publications. Competition for advertising revenues is based largely upon advertiser results, advertising rates, readership, demographics and circulation levels. Competition for circulation is based largely upon the content of the publication and its price and editorial quality. Our local and regional competitors vary from market to market, and many of our competitors for advertising revenues are larger and have greater financial and distribution resources than us. We may incur increased costs competing for advertising expenditures and paid circulation. We may also experience further declines of circulation or print advertising revenue due to alternative media. If we are not able to compete effectively for advertising expenditures and paid circulation, our revenues may decline.

We are undertaking strategic process upgrades that could have a material adverse financial impact if unsuccessful.

We are implementing strategic process upgrades of our business. Among other things we are implementing the standardization and centralization of systems and processes, the outsourcing of certain financial processes and the use of new software for our circulation, advertising and editorial systems. As a result of ongoing strategic evaluation and analysis, we have made and will continue to make changes that, if unsuccessful, could have a material adverse financial impact.

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

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

We could be adversely affected by declining circulation subscribers.

Overall daily newspaper circulation subscribers, including national and urban newspapers, has declined in recent years. For the year ended December 30, 2018, our circulation revenue increased by \$100.6 million, or 21.2%, as compared to the year ended December 31, 2017, while our acquisitions during the year added \$122.2 million of circulation revenue. There can be no assurance that our circulation revenue will not decline in the future. We have been able to maintain annual circulation revenue from existing operations in recent years through, among other things, increases in per copy prices. However, there can be no assurance that we will be able to continue to increase prices to offset any declines in the number of subscribers. Further declines in the number of subscribers could impair our ability to maintain or increase our advertising prices, cause purchasers of advertising in our publications to reduce or discontinue those purchases and discourage potential new advertising customers, all of which could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to pay dividends.

The increasing popularity of digital media and the fragmentation of audience resulting from the rapidly changing number of available digital media options could also adversely affect the number of subscribers of our content, which may decrease circulation revenue and cause more marked declines in advertising. Further, readership demographics and habits may change over time. If we are not successful in offsetting such declines in revenues from our print products, our business, financial condition and prospects will be adversely affected.

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

At September 29, 2019 the carrying value of our goodwill is \$328.5 million, the carrying value of mastheads is \$117.7 million, and the carrying value of our amortizable intangible assets is \$347.4 million. The indefinite-lived assets (goodwill and mastheads) are subject to annual impairment testing and more frequent testing upon the occurrence of certain events or significant changes in our circumstances that indicate all or a portion of their carrying values may no longer be recoverable, in which case a non-cash charge to earnings may be necessary in the relevant period. We may subsequently experience market pressures which could cause future cash flows to decline below our current expectations, or volatile equity markets could negatively impact market factors used in the impairment analysis, including earnings multiples, discount rates, and long-term growth rates. Any future evaluations requiring an asset impairment charge for goodwill or other intangible assets would adversely affect future reported results of operations and shareholders' equity.

We performed our 2019 annual assessment for possible impairment of the carrying value of goodwill and indefinite-lived intangibles as of June 30, 2019. The estimated fair value equaled or exceeded carrying value for goodwill and mastheads. However, the fair value of the Newspaper reporting unit exceeded carrying value by less than 10%. In addition, the fair value of mastheads exceeded carrying value by less than 10% for the central and east regions. No impairment was recognized.

For further information on goodwill and intangible assets, see Note 5 to the unaudited condensed consolidated financial statements included herein, "Goodwill and Intangible Assets".

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

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

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

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

Sustained increases in costs of employee health and welfare benefits may reduce our profitability. Moreover, our pension plan obligations are currently underfunded, and we may have to make significant cash contributions to our plans, which could reduce the cash available for our business.

In recent years, we have experienced significant increases in the cost of employee benefits because of economic factors beyond our control, including increases in health care costs. At least some of these factors may continue to put upward pressure on the cost of providing medical benefits. Although we have actively sought to control increases in these costs, there can be no assurance that we will succeed in limiting cost increases, and continued upward pressure could reduce the profitability of our businesses.

Our pension and postretirement plans were underfunded by \$23.7 million at September 29, 2019. Our pension plans invest in a variety of equity and debt securities. Future volatility and disruption in the equity and bond markets could cause declines in the asset values of our pension plans. In addition, decreases in the discount rate used to determine minimum funding requirements could result in increased future contributions. If either occurs, we may need to make additional pension contributions above what is currently estimated, which could reduce the cash available for our businesses.

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

Our business depends on our intellectual property, including, but not limited to, our titles, mastheads, content and proprietary software, which we may attempt to protect through patents, copyrights, trade laws and contractual restrictions, such

as confidentiality agreements. We believe our proprietary and other intellectual property rights are important to our success and our competitive position.

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

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

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

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

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

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

As of September 29, 2019, we employed 9,873 employees, of whom 1,095 (or approximately 11.1%) were represented by 43 unions. 78% of the unionized employees are in four states: Ohio, Rhode Island, Massachusetts and Illinois and represent 31%, 21%, 13% and 13% of all our union employees, respectively.

Although our newspapers have not experienced a union strike in the recent past nor do we anticipate a union strike to occur, we cannot preclude the possibility that a strike may occur at one or more of our newspapers at some point in the future. We believe that, in the event of a newspaper strike, we would be able to continue to publish and deliver to subscribers, which is critical to retaining advertising and circulation revenues, although there can be no assurance of this. Further, settlement of actual or threatened labor disputes or an increase in the number of our employees covered by collective bargaining agreements can have unknown effects on our labor costs, productivity and flexibility.

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

Adverse economic conditions in the United States may increase our exposure to losses resulting from financial distress, insolvency and the potential bankruptcy of our advertising customers. We recorded write-offs of accounts receivable relating to recent bankruptcies of national retailers, including Sears and Bon Ton, among others. Our accounts receivable is stated at net estimated realizable value, and our allowance for doubtful accounts has been determined based on several factors, including receivable agings, significant individual credit risk accounts and historical experience. If such collectability estimates prove inaccurate, adjustments to future operating results could occur.

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

We have implemented general cost control measures, and we expect to continue such cost control efforts in the future. If we do not achieve expected savings as a result of such measures or if our operating costs increase as a result of our growth

strategy, our total operating costs may be greater than expected. In addition, reductions in staff and employee benefits could affect our ability to attract and retain key employees.

We rely on revenue from the printing of publications for third parties that may be subject to many of the same business and industry risks that we are.

In 2018, we generated approximately 7.2% of our revenue from printing third-party publications, and our relationships with these third parties are generally pursuant to short-term contracts. As a result, if the macroeconomic and industry trends described herein such as the sensitivity to perceived economic weakness of discretionary spending available to advertisers and subscribers, circulation declines, shifts in consumer habits and the increasing popularity of digital media affect those third parties, we may lose, in whole or in part, a substantial source of revenue.

A decision by any of the three largest national publications or the major local publications to cease publishing in those markets, or seek alternatives to their current business practice of partnering with us, could materially impact our profitability.

Our possession and use of personal information and the use of payment cards by our customers present risks and expenses that could harm our business. Unauthorized access to or disclosure or manipulation of such data, whether through breach of our network security or otherwise, could expose us to liabilities and costly litigation and damage our reputation.

Our online systems store and process confidential subscriber and other sensitive data, such as names, email addresses, addresses, and other personal information. Therefore, maintaining our network security is critical. Additionally, we depend on the security of our third-party service providers. Unauthorized use of or inappropriate access to our, or our third-party service providers' networks, computer systems and services could potentially jeopardize the security of confidential information, including payment card (credit or debit) information, of our customers. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not recognized until launched against a target, we or our third-party service providers may be unable to anticipate these techniques or to implement adequate preventative measures. Non-technical means, for example, actions by an employee, can also result in a data breach. A party that is able to circumvent our security measures could misappropriate our proprietary information or the information of our customers or users, cause interruption in our operations, or damage our computers or those of our customers or users. As a result of any such breaches, customers or users may assert claims of liability against us and these activities may subject us to legal claims, adversely impact our reputation, and interfere with our ability to provide our products and services, all of which may have an adverse effect on our business, financial condition and results of operations. The coverage and limits of our insurance policies may not be adequate to reimburse us for losses caused by security breaches.

A significant number of our customers authorize us to bill their payment card accounts directly for all amounts charged by us. These customers provide payment card information and other personally identifiable information which, depending on the particular payment plan, may be maintained to facilitate future payment card transactions. Under payment card rules and our contracts with our card processors, if there is a breach of payment card information that we store, we could be liable to the banks that issue the payment cards for their related expenses and penalties. In addition, if we fail to follow payment card industry data security standards, even if there is no compromise of customer information, we could incur significant fines or lose our ability to give our customers the option of using payment cards. If we were unable to accept payment cards, our business would be seriously harmed.

There can be no assurance that any security measures we, or our third-party service providers, take will be effective in preventing a data breach. We may need to expend significant resources to protect against security breaches or to address problems caused by breaches. If an actual or perceived breach of our security occurs, the perception of the effectiveness of our security measures could be harmed and we could lose customers or users. Failure to protect confidential customer data or to provide customers with adequate notice of our privacy policies could also subject us to liabilities imposed by United States federal and state regulatory agencies or courts. We could also be subject to evolving state laws that impose data breach notification requirements, specific data security obligations, or other consumer privacy-related requirements. Our failure to comply with any of these laws or regulations may have an adverse effect on our business, financial condition and results of operations.

Risks Related to Our Manager

We are dependent on our Manager and may not find a suitable replacement if our Manager terminates the Management Agreement. The inability of our Manager to retain or obtain key personnel could delay or hinder implementation of our investment strategies, which could impair our ability to make distributions and could reduce the value of your investment.

Some of our officers and other individuals who perform services for us are employees of our Manager. We are reliant on our Manager, which has significant discretion as to the implementation of our operating policies and strategies, to conduct our business. We are subject to the risk that our Manager will terminate the Management Agreement and that we will not be able to find a suitable replacement for our Manager in a timely manner, at a reasonable cost or at all. Furthermore, we are dependent on the services of certain key employees of our Manager whose compensation may be partially or entirely dependent upon the amount of incentive or management compensation earned by our Manager and whose continued service is not guaranteed, and the loss of such services could adversely affect our operations. If any of these people were to cease their affiliation with us or our Manager, either we or our Manager may be unable to find suitable replacements, and our operating results could suffer. We believe that our future success depends, in large part, upon our Manager's ability to hire and retain highly skilled personnel. Competition for highly skilled personnel is intense, and our Manager may be unsuccessful in attracting and retaining such skilled personnel. If we lose or are unable to obtain the services of highly skilled personnel, our ability to implement our investment strategies could be delayed or hindered and this could materially adversely affect our business, results of operations, financial condition and ability to make distributions to our stockholders.

Concurrently with our entry into the Merger Agreement, we and the Manager amended the Management Agreement, effective as of the closing of the Merger. Refer to Management's Discussion and Analysis and to Note 2 to the unaudited condensed consolidated financial statements included herein, "Acquisitions," for further information on the terms of the amended Management Agreement.

There are conflicts of interest in our relationship with our Manager.

Our Management Agreement with our Manager was not negotiated between unaffiliated parties, and its terms, including fees payable, may not be as favorable to us as if they had been negotiated with an unaffiliated third party.

There are conflicts of interest inherent in our relationship with our Manager insofar as our Manager and its affiliates-including investment funds, private investment funds, or businesses managed by our Manager-invest in media assets and whose investment objectives may overlap with our investment objectives. Certain investments appropriate for us may also be appropriate for one or more of these other investment vehicles. Certain members of our Board of Directors and employees of our Manager who may also be our officers also serve as officers and/or directors of these other entities. Although we have the same Manager, we may compete with entities affiliated with our Manager or Fortress for certain target assets. From time to time, affiliates of Fortress may focus on investments in assets with a similar profile as our target assets that we may seek to acquire. These affiliates may have meaningful purchasing capacity, which may change over time depending upon a variety of factors, including, but not limited to, available equity capital and debt financing, market conditions and cash on hand. In addition, with respect to Fortress funds in the process of selling investments, our Manager may be incentivized to regard the sale of such assets to us positively, particularly if a sale to an unrelated third party would result in a loss of fees to our Manager.

Our Management Agreement with our Manager does not prevent our Manager or any of its affiliates, or any of their officers and employees, from engaging in other businesses or from rendering services of any kind to any other person or entity, including investment in, or advisory service to others investing in, any type of media or media related investment, including investments that meet our principal investment objectives. Our Manager may engage in additional investment opportunities related to media assets in the future, which may cause our Manager to compete with us for investments or result in a change in our current investment strategy. In addition, our certificate of incorporation provides that if Fortress or an affiliate or any of their officers, directors or employees acquire knowledge of a potential transaction or matter that may be a corporate opportunity, they have no duty, to the fullest extent permitted by law, to offer such corporate opportunity to us, our stockholders or our affiliates. In the event that any of our directors and officers who is also a director, officer or employee of Fortress or its affiliates acquires knowledge of a corporate opportunity or is offered a corporate opportunity, provided that this knowledge was not acquired solely in such person's capacity as a director or officer of ours and such person acts in good faith, then to the fullest extent permitted by law such person is deemed to have fully satisfied such person's fiduciary duties owed to us and is not liable to us if Fortress or its affiliates pursues or acquires the corporate opportunity or if such person did not present the corporate opportunity to us.

The ability of our Manager and its officers and employees to engage in other business activities, subject to the terms of our Management Agreement with our Manager, may reduce the amount of time that our Manager, its officers or other employees spend managing us. In addition, we may engage in material transactions with our Manager or another entity managed by our Manager or one of its affiliates, which may present an actual, potential or perceived conflict of interest. It is possible that actual, potential or perceived conflicts could give rise to investor dissatisfaction, litigation or regulatory enforcement actions. Appropriately dealing with conflicts of interest is complex and difficult, and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential, actual or perceived conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest could have a material adverse effect on our

reputation, which could materially adversely affect our business in a number of ways, including causing an inability to raise additional funds, a reluctance of counterparties to do business with us, a decrease in the prices of our equity securities and a resulting increased risk of litigation and regulatory enforcement actions.

The management compensation structure that we have agreed to with our Manager, as well as compensation arrangements that we may enter into with our Manager in the future (in connection with new lines of business or other activities), may incentivize our Manager to invest in high risk investments. In addition to its management fee, our Manager is currently entitled to receive incentive compensation. In evaluating investments and other management strategies, the opportunity to earn incentive compensation may lead our Manager to place undue emphasis on the maximization of such measures at the expense of other criteria, such as preservation of capital, in order to achieve higher incentive compensation. Investments with higher yield potential are generally riskier or more speculative than lower-yielding investments. Moreover, because our Manager receives compensation in the form of options in connection with the completion of our equity offerings, our Manager may be incentivized to cause us to issue additional stock, which could be dilutive to existing stockholders.

Concurrently with our entry into the Merger Agreement, we and the Manager amended the Management Agreement, effective as of the closing of the Merger. Refer to Management's Discussion and Analysis and to Note 2 to the unaudited condensed consolidated financial statements included herein, "Acquisitions," for further information on the terms of the amended Management Agreement.

It would be difficult and costly to terminate our Management Agreement with our Manager.

It would be difficult and costly for us to terminate our Management Agreement with our Manager. After its initial three-year term, the Management Agreement is automatically renewed for one-year terms unless (i) a majority consisting of at least two-thirds of our independent directors, or a simple majority of the holders of outstanding shares of our common stock, reasonably agree that there has been unsatisfactory performance by our Manager that is materially detrimental to us or (ii) a simple majority of our independent directors agree that the management fee payable to our Manager is unfair, subject to our Manager's right to prevent such a termination by agreeing to continue to provide the services under the Management Agreement at a fee that our independent directors have determined to be fair. If we elect not to renew the Management Agreement, our Manager will be provided not less than 60 days' prior written notice. In the event that we terminate the Management Agreement, our Manager will be paid a termination fee equal to the amount of the management fee earned by the Manager during the 12-month period immediately preceding such termination. In addition, following any termination of the Management Agreement, our Manager may require us to purchase its right to receive incentive compensation at a price determined as if our assets were sold for their then current fair market value or otherwise we may continue to pay the incentive compensation to our Manager. These provisions may increase the effective cost to us of terminating the Management Agreement, thereby adversely affecting our ability to terminate our Manager without cause.

Concurrently with our entry into the Merger Agreement, we and the Manager amended the Management Agreement, effective as of the closing of the Merger. Refer to Management's Discussion and Analysis and to Note 2 to the unaudited condensed consolidated financial statements included herein, "Acquisitions," for further information on the terms of the amended Management Agreement.

Our Board of Directors does not approve each investment decision made by our Manager. In addition, we may change our investment strategy without a stockholder vote, which may result in our making investments that are different, riskier or less profitable than our current investments.

Our Manager has great latitude in determining the types and categories of assets it may decide are proper investments for us, including the latitude to invest in types and categories of assets that may differ from those in which we currently invest. Our Board of Directors periodically reviews our investment portfolio. However, our Board of Directors does not review or pre-approve each proposed investment or our related financing arrangements. In addition, in conducting periodic reviews, our Board of Directors relies primarily on information provided to them by our Manager. Furthermore, transactions entered into by our Manager may be difficult or impossible to unwind by the time they are reviewed by our Board of Directors even if the transactions contravene the terms of the Management Agreement. In addition, we may change our investment strategy, including our target asset classes, without a stockholder vote.

Our investment strategy may evolve in light of existing market conditions and investment opportunities, and this evolution may involve additional risks depending upon the nature of the assets in which we invest and our ability to finance such assets on a short- or long-term basis. Investment opportunities that present unattractive risk-return profiles relative to other available investment opportunities under particular market conditions may become relatively attractive under changed market

conditions, and changes in market conditions may therefore result in changes in the investments we target. Decisions to make investments in new asset categories present risks that may be difficult for us to adequately assess and could therefore reduce our ability to pay dividends on our common stock or have adverse effects on our liquidity or financial condition. A change in our investment strategy may also increase our exposure to interest rate, real estate market or credit market fluctuations. In addition, a change in our investment strategy may increase the guarantee obligations we agree to incur or increase the number of transactions we enter into with affiliates. Our failure to accurately assess the risks inherent in new asset categories or the financing risks associated with such assets could adversely affect our results of operations and our financial condition.

Our Manager will not be liable to us for any acts or omissions performed in accordance with the Management Agreement, including with respect to the performance of our investments.

Pursuant to our Management Agreement, our Manager assumes no responsibility other than to render the services called for thereunder in good faith and shall not be responsible for any action of our Board of Directors in following or declining to follow its advice or recommendations. Our Manager, its members, managers, officers and employees will not be liable to us or any of our subsidiaries, to our Board of Directors, or our or any subsidiary's stockholders or partners for any acts or omissions by our Manager, its members, managers, officers or employees, except by reason of acts constituting bad faith, willful misconduct, gross negligence or reckless disregard of our Manager's duties under our Management Agreement. We shall, to the full extent lawful, reimburse, indemnify and hold our Manager, its members, managers, officers and employees, and each other person, if any, controlling our Manager, harmless of and from any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever (including attorneys' fees) in respect of or arising from any acts or omissions of an indemnified party made in good faith in the performance of our Manager's duties under our Management Agreement and not constituting such indemnified party's bad faith, willful misconduct, gross negligence or reckless disregard of our Manager's duties under our Management Agreement.

Our Manager's due diligence of investment opportunities or other transactions may not identify all pertinent risks, which could materially affect our business, financial condition, liquidity and results of operations.

Our Manager intends to conduct due diligence with respect to each investment opportunity or other transaction it pursues. It is possible, however, that our Manager's due diligence processes will not uncover all relevant facts, particularly with respect to any assets we acquire from third parties. In these cases, our Manager may be given limited access to information about the investment and will rely on information provided by the target of the investment. In addition, if investment opportunities are scarce, the process for selecting bidders is competitive, or the timeframe in which we are required to complete diligence is short, our ability to conduct a due diligence investigation may be limited, and we would be required to make investment decisions based upon a less thorough diligence process than would otherwise be the case. Accordingly, investments and other transactions that initially appear to be viable may prove not to be over time, due to the limitations of the due diligence process or other factors.

Because we are dependent upon our Manager and its affiliates to conduct our operations, any adverse changes in the financial health of our Manager or its affiliates, or in our relationship with them, could hinder our Manager's ability to successfully manage our operations.

We are dependent on our Manager and its affiliates to manage our operations and acquire and manage our investments. Under the direction of our Board of Directors, our Manager makes all decisions with respect to the management of our company. To conduct its operations, our Manager depends upon the fees and other compensation that it receives from us in connection with managing our company and from other entities and investors with respect to investment management services it provides. Any adverse changes in the financial condition of our Manager or its affiliates, or our relationship with our Manager, could hinder our Manager's ability to successfully manage our operations, which would materially adversely affect our business, results of operations, financial condition and ability to make distributions to our stockholders. For example, adverse changes in the financial condition of our Manager could limit its ability to attract key personnel.

Risks Related to the Merger

New Media and Gannett may be unable to satisfy the remaining conditions required to complete the Merger, and any delay in completing the Merger could diminish the anticipated benefits of the Merger. Failure to complete the Merger could adversely impact the market price of our shares as well as our business and operating results.

The consummation of the Merger (described under the heading “Agreement and Plan of Merger with Gannett” in Note 2 to the unaudited condensed consolidated financial statements, “Acquisitions,” and in Management’s Discussion and Analysis herein) is subject to certain closing conditions, including approval by Gannett’s stockholders and New Media’s stockholders (in the case of the New Media stockholder approval, disregarding any shares held by certain affiliates of Fortress) and other customary closing conditions. Although New Media and Gannett have received certain antitrust approvals required to complete the Merger, New Media cannot make any assurances that the Merger will be consummated on the terms or timeline currently contemplated, or at all.

Moreover, the Merger Agreement does not contain a financing contingency, which means that a failure to obtain the financing for the Merger would not excuse us from our obligations thereunder. We intend to obtain debt financing to fund the cash portion of the Merger consideration, repay existing indebtedness and fund certain fees and expenses related to the Merger. We have obtained a financing commitment from Apollo, which is subject to negotiation of a mutually acceptable credit or loan agreement and other mutually acceptable definitive documentation, which will include certain representations and warranties, affirmative and negative covenants, financial covenants, events of default and collateral and guarantee agreements that are customarily required for similar financings. Additionally, Apollo’s obligation to provide the financing is subject to the satisfaction of specified conditions, including that we must have at least \$40 million (on a combined company basis) of unrestricted cash at closing, and the accuracy of specified representations. The documentation for the financing has not been finalized and, accordingly, the actual terms may differ from the foregoing description.

To the extent that the market price of the shares of New Media Common Stock reflects positive market assumptions that the Merger will be consummated, the price of such shares may decline if the Merger is not consummated for any reason or in a timely manner. New Media may also be subject to additional risks if the Merger is not consummated, including:

- depending on the reasons for termination of the Merger Agreement, the requirement that New Media pay Gannett a termination fee of \$28 million;
- the fact that substantial costs related to the Merger, such as legal, accounting, filing, financial advisory and financial printing fees, must be paid regardless of whether the Merger is completed; and
- possible negative reactions from our customers, clients, suppliers and employees.

The pendency of the Merger could adversely affect our business and operations.

Whether the Merger is ultimately consummated or not, its pendency could have a number of negative effects on our current business, including potentially disrupting our regular operations, diverting the attention of our workforce and management team, or increasing workforce turnover. The completion of the Merger, including, for example, efforts to obtain regulatory approvals, will require significant time and attention from our management and may divert attention from the day-to-day operations of our business. Any uncertainty over the ability of New Media and Gannett to complete the Merger could make it more difficult for us to retain certain key employees or attract new talent, or to pursue business strategies.

Parties with which we have business relationships, either contractual or operational, may experience uncertainty as to the future or desirability of such relationships and may delay or defer certain business decisions, seek alternative relationships with third parties or seek to alter their present business relationships with us. Parties with whom we otherwise may have sought to establish business relationships may seek alternative relationships with third parties. Additionally, we have contracts with certain customers, suppliers, vendors, distributors and other business partners, and these contracts may require us to obtain consent from these other parties in connection with the Merger. Obtaining such consents may be difficult and could impose costs on us, including renegotiating such contracts on terms less favorable to us, which in turn may result in us suffering a loss of potential future revenue, incurring contractual liabilities or losing rights that are material to our business.

The Merger Agreement subjects us to restrictions on our business activities and obligates us to generally operate our business in the ordinary course of business consistent in all material respects with past custom and practice prior to completion of the Merger. These restrictions could prevent us from pursuing attractive business opportunities that arise prior to the completion of the Merger and are outside the ordinary course of business, or otherwise have an adverse effect on our results of operations, cash flows and financial position. The Merger Agreement also subjects us to restrictions on our ability to pursue alternatives to the Merger and so we might have to forego another strategic transaction that would otherwise have been favorable to our stockholders.

Risks Related to our Common Stock

There can be no assurance that the market for our stock will provide you with adequate liquidity.

The market price of our common stock may fluctuate widely, depending upon many factors, some of which may be beyond our control. These factors include, without limitation:

- our business profile and market capitalization may not fit the investment objectives of any stockholder;
- a shift in our investor base;
- our quarterly or annual earnings, or those of other comparable companies;
- actual or anticipated fluctuations in our operating results;
- changes in accounting standards, policies, guidance, interpretations or principles;
- announcements by us or our competitors of significant investments, acquisitions or dispositions;
- the failure of securities analysts to cover our Common Stock;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- the operating and stock price performance of other comparable companies;
- negative public perception of us, our competitors, or industry;
- overall market fluctuations; and
- general economic conditions.

Stock markets in general and recently have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the trading price of our Common Stock. Additionally, these and other external factors have caused and may continue to cause the market price and demand for our Common Stock to fluctuate, which may limit or prevent investors from readily selling their shares of Common Stock, and may otherwise negatively affect the liquidity of our common stock.

Sales or issuances of shares of our common stock could adversely affect the market price of our Common Stock.

Sales or issuances of substantial amounts of shares of our Common Stock in the public market, or the perception that such sales or issuances might occur, could adversely affect the market price of our Common Stock. The issuance of our common stock in connection with property, portfolio or business acquisitions or the settlement of awards that may be granted under our Incentive Plan (as defined below) or otherwise could also have an adverse effect on the market price of our Common Stock.

Failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.

As a public company, we are required to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. We continue to seek acquisition opportunities, and such potential acquisitions may result in a change to our internal control over financial reporting that may materially affect our internal control over financial reporting. Internal control over financial reporting is complex and may be revised over time to adapt to changes in our business, or changes in applicable accounting rules. We cannot assure you that our internal control over financial reporting will be effective in the future or that a material weakness will not be discovered with respect to a prior period for which we had previously believed that internal controls were effective. If we are not able to maintain or document effective internal control over financial reporting, our management and our independent registered public accounting firm will not be able to certify as to the effectiveness of our internal control over financial reporting. Matters impacting our internal controls may cause us to be unable to report our financial information on a timely basis, or may cause us to restate previously issued financial information, and thereby subject us to adverse regulatory consequences, including sanctions or investigations by the SEC, or violations of applicable stock exchange listing rules. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements is also likely to suffer if we or our independent registered public accounting firm reports a material weakness in our internal control over financial reporting. This could materially adversely affect us by, for example, a decline in our share price and impairing our ability to raise capital, if and when desirable.

The percentage ownership of existing shareholders in New Media may be diluted in the future.

We have issued and may continue to issue equity in order to raise capital or in connection with future acquisitions and strategic investments, which would dilute investors' percentage ownership in New Media. In addition, your percentage ownership may be diluted if we issue equity instruments such as debt and equity financing.

The percentage ownership of existing shareholders in New Media may also be diluted in the future as result of the issuance of ordinary shares in New Media upon the exercise of 10-year warrants (the "New Media Warrants"). The New Media Warrants collectively represent the right to acquire New Media Common Stock, which in the aggregate are equal to 5% of New Media Common Stock outstanding as of November 26, 2013 (calculated prior to dilution from shares of New Media Common Stock issued pursuant to Drive Shack Inc.'s (formerly known as Newcastle Investment Corp.) contribution of Local Media Group Holdings LLC and assignment of related stock purchase agreement to New Media (the "Local Media Contribution")) at a strike price of \$46.35 calculated based on a total equity value of New Media prior to the Local Media Contribution of \$1.2 billion as of November 26, 2013. As a result, New Media Common Stock may be subject to dilution upon the exercise of such New Media Warrants. As of December 30, 2018, the New Media Warrants are equal to 2% of New Media Common Stock outstanding as of December 30, 2018 at a strike price of \$46.35.

Furthermore, the percentage ownership in New Media may be diluted in the future because of additional equity awards that we expect will be granted to our Manager pursuant to our Management Agreement. Upon the successful completion of an offering of shares of our Common Stock or any shares of preferred stock, we shall pay and issue to our Manager options to purchase our Common Stock equal to 10% of the number of shares sold in the offering, with an exercise price equal to the offering price per share paid by the public or other ultimate purchaser in the offering. As of September 29, 2019, there are 2,904,811 options outstanding at a weighted average exercise price of \$13.82.

On February 3, 2014, the Board of Directors adopted the New Media Investment Group Inc. Nonqualified Stock Option and Incentive Award Plan (the "Incentive Plan"), which provides for the grant of equity and equity-based awards, including restricted stock, stock options, stock appreciation rights, performance awards, tandem awards and other equity-based and non-equity based awards, in each case to our Manager, to the directors, officers, employees, service providers, consultants and advisors of our Manager who perform services for us, and to our directors, officers, employees, service providers, consultants and advisors. Any future grant would cause further dilution. We initially reserved 15 million shares of our Common Stock for issuance under the Incentive Plan; on the first day of each fiscal year beginning during the ten-year term of the Incentive Plan in and after calendar year 2015, that number will be increased by a number of shares of our Common Stock equal to 10% of the number of shares of our Common Stock newly issued by us during the immediately preceding fiscal year (and, in the case of fiscal year 2014, after the effective date of the Incentive Plan). In January 2019 and 2018, the number of shares reserved for issuance under the Incentive Plan was increased by 93,040 and 20,276, respectively, representing 10% of the shares of Common Stock newly issued in fiscal year 2018 and 2017, respectively.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws and of Delaware law may prevent or delay an acquisition of our company, which could decrease the trading price of our Common Stock.

Our amended and restated certificate of incorporation, amended and restated bylaws and Delaware law contain provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making such practices or bids unacceptably expensive to the raider and to encourage prospective acquirers to negotiate with our Board rather than to attempt a hostile takeover. These provisions provide for:

- amendment of provisions in our amended and restated certificate of incorporation and amended and restated bylaws regarding the election of directors, classes of directors, the term of office of directors, the filling of director vacancies and the resignation and removal of directors only upon the affirmative vote of at least 80% of the then issued and outstanding shares of our capital stock entitled to vote thereon;
- amendment of provisions in our amended and restated certificate of incorporation regarding corporate opportunity only upon the affirmative vote of at least 80% of the then issued and outstanding shares of our capital stock entitled to vote thereon;
- removal of directors only for cause and only with the affirmative vote of at least 80% of the voting interest of stockholders entitled to vote in the election of directors;
- our Board to determine the powers, preferences and rights of our preferred stock and to issue such preferred stock without stockholder approval;
- provisions in our amended and restated certificate of incorporation and amended and restated bylaws prevent stockholders from calling special meetings of our stockholders;

- advance notice requirements applicable to stockholders for director nominations and actions to be taken at annual meetings;
- a prohibition, in our amended and restated certificate of incorporation, stating that no holder of shares of our Common Stock will have cumulative voting rights in the election of directors, which means that the holders of majority of the issued and outstanding shares of our Common Stock can elect all the directors standing for election; and
- action by our stockholders outside a meeting, in our amended and restated certificate of incorporation and our amended and restated bylaws, only by unanimous written consent.

Public stockholders who might desire to participate in these types of transactions may not have an opportunity to do so, even if the transaction is considered favorable to stockholders. These anti-takeover provisions could substantially impede the ability of public stockholders to benefit from a change in control or a change in our management and Board and, as a result, may adversely affect the market price of our Common Stock and your ability to realize any potential change of control premium.

We are not required to repurchase our common stock, and any such repurchases may not result in effects we anticipated.

We have authorization from our Board of Directors to repurchase up to \$100 million of the Company's common stock through May 19, 2020. We are not obligated to repurchase any specific amount of shares. The timing and amount of repurchases, if any, depends on several factors, including market and business conditions, the market price of shares of our common stock and our overall capital structure and liquidity position, including the nature of other potential uses of cash, not limited to investments in growth. There can be no assurance that any repurchases will have the effects we anticipated, and our repurchases will utilize cash that we will not be able to use in other ways, whether to grow the business or otherwise.

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

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Weighted-Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Programs	Approximate Number of Shares that May Yet Be Purchased Under the Plan or Programs
July 1, 2019 through August 4, 2019	1,599 ⁽¹⁾	\$ 10.35	—	8,960,774
August 5, 2019 through September 1, 2019	—	\$ —	—	8,960,774
September 2, 2019 through September 29, 2019	—	\$ —	—	8,960,774
Total	1,599		—	

(1) Pursuant to the "withhold to cover" method for collecting and paying withholding taxes for our employees upon the vesting of restricted securities, we withheld from certain employees the shares noted in the table above to cover such statutory minimum tax withholdings. These transactions took place outside of a publicly-announced repurchase plan. The weighted-average price per share listed in the above table is the weighted-average of the fair market prices at which we calculated the number of shares withheld to cover tax withholdings for the employees.

The Board of Directors authorized an extension of the Company's previously announced authorization to repurchase up to \$100 million of the Company's common stock (the "Share Repurchase Program") through May 19, 2020. Under the Share Repurchase Program, the Company may purchase its shares from time to time in the open market or in privately negotiated transactions.

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

On October 30, 2019, GateHouse Media, LLC, GateHouse Media Operating, LLC (together with GateHouse Media, LLC, “GateHouse”) and Kirk A. Davis, the Chief Operating Officer of the Company and President and Chief Executive Officer of GateHouse, entered into an amendment (the “Amendment”) to the Employment Agreement by and between GateHouse and Mr. Davis, dated as of January 9, 2009, as amended (the “Employment Agreement”). The Amendment will become effective upon the earlier of (i) the closing of the Merger, (ii) Mr. Davis’s termination of employment by GateHouse, other than for “cause” (as defined in the Employment Agreement) and (iii) July 21, 2020.

The Amendment modifies certain of Mr. Davis’s severance rights in the event of Mr. Davis’s termination of employment without “cause” or his resignation for “good reason” (as defined in the Employment Agreement), in each case, other than during the 18-month period following a “change of control” (as defined in the Employment Agreement). Pursuant to the Amendment, in the event of such a qualifying termination and subject to the execution of a release of claims against GateHouse and its affiliates and Mr. Davis’s compliance with the restrictive covenants set forth in the Employment Agreement, Mr. Davis will be entitled to (i) a cash severance payment equal to \$1.4 million, payable in 26 bi-weekly installments, (ii) immediate vesting of all his unvested restricted stock awards and (iii) a lump-sum payment of \$25,000 to assist him with obtaining other employment. In addition, Mr. Davis will continue to be eligible to receive subsidized premium payments for health continuation coverage for up to 12 months following such termination. All other terms and conditions of the Employment Agreement will remain in full force and effect.

The foregoing description of the Amendment is not complete and is qualified in its entirety by reference to the Amendment, which is filed as Exhibit 10.1 to this Quarterly Report on Form 10-Q and is incorporated herein by reference.

Mr. Davis will be departing the Company effective as of the earlier of the closing date of the Merger and December 31, 2019 and he will receive the severance described above. Mr. Davis’s planned departure is not in connection with any disagreement with the Company on any matter relating to the Company’s operations, policies or practices.

Item 6. Exhibits

See Index to Exhibits on page 58 of this Quarterly Report on Form 10-Q.

Exhibit No.	Description
<u>** 2.1</u>	<u>Agreement and Plan of Merger, dated as of August 5, 2019, by and among New Media Investment Group Inc., Gannett Co., Inc., Arctic Holdings LLC and Arctic Acquisition Corp. (incorporated by reference to Exhibit 2.1 to New Media Investment Group Inc.'s Current Report on Form 8-K, filed August 6, 2019)</u>
<u>2.2</u>	<u>Amendment No. 1 to Agreement and Plan of Merger, dated as of October 29, 2019, by and among New Media Investment Group Inc., Gannett Co., Inc., Arctic Holdings LLC and Arctic Acquisition Corp. (incorporated by reference to Exhibit 2.1 to New Media Investment Group Inc.'s Current Report on Form 8-K, filed October 30, 2019)</u>
<u>* 10.1</u>	<u>Amendment to Employment Agreement among Kirk Davis, GateHouse Media, LLC, and GateHouse Media Operating, LLC, dated October 30, 2019 (included herewith)</u>
<u>* 31.1</u>	<u>Rule 13a-14(a)/15d-14(d) Certification of Principal Executive Officer under the Securities Exchange Act of 1934 (included herewith).</u>
<u>* 31.2</u>	<u>Rule 13a-14(a)/15d-14(d) Certification of Principal Financial Officer under the Securities Exchange Act of 1934 (included herewith).</u>
<u>* 32.1</u>	<u>Section 1350 Certifications (included herewith).</u>
* 101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
* 101.SCH	XBRL Taxonomy Extension Schema
* 101.CAL	XBRL Taxonomy Extension Calculation Linkbase
* 101.DEF	XBRL Taxonomy Extension Definition Linkbase
* 101.LAB	XBRL Taxonomy Extension Label Linkbase
* 101.PRE	XBRL Taxonomy Extension Presentation Linkbase
* 104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Schedules omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish supplementally a copy of any omitted schedule or exhibit to the Securities and Exchange Commission upon request.

SIGNATURES

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

NEW MEDIA INVESTMENT GROUP INC.

Date: October 31, 2019

/s/ Michael E. Reed

Michael E. Reed

Chief Executive Officer

(Principal Executive Officer)

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Section 2: EX-10.1 (EXHIBIT 10.1)

Exhibit 10.1

AMENDMENT

Amendment, dated as of October 30, 2019, to the Employment Agreement referred to below (this “Amendment”) is made by and among GATEHOUSE MEDIA, LLC, a Delaware limited liability company fka GATEHOUSE MEDIA, INC. (“Publishing”), GATEHOUSE MEDIA OPERATING, LLC, a Delaware limited liability company fka GATEHOUSE MEDIA OPERATING, INC. (“Operating” and together with Publishing, the “Company”), and Kirk A. Davis (“Executive”).

WITNESSETH:

WHEREAS, Operating, Publishing and Executive are parties to the Employment Agreement, dated as of January 9, 2009 (as amended, restated or otherwise modified from time to time, the “Employment Agreement”);

WHEREAS, the parties desire to amend the Employment Agreement in the manner provided for in this Amendment, on the terms and subject to the conditions set forth herein;

NOW THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS.

1.1 Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Employment Agreement, unless the context otherwise requires.

SECTION 2. AMENDMENTS.

2.1 Effective as of the first to occur of (a) the successful closing of the proposed merger of Gannett Co., Inc. into New Media Investment Group Inc., (b) Executive’s termination by the Company other than for Cause and (c) July 21, 2020 (the earliest of such dates, the “Effective Date”) but subject to the terms and conditions hereof, the Employment Agreement is amended as set forth below. Notwithstanding the foregoing, this Amendment shall become null and void, and the Effective Date shall not occur, if Executive does not remain an active employee of the Company in good standing through the Effective Date:

Section 5(b) is amended and restated in its entirety as of the Effective Date as follows:

(b) Termination by Company without Cause, Termination by Executive for Good Reason Unrelated to a “change of control”. If Executive’s employment is terminated by the Company other than for Cause or is terminated by Executive for Good Reason, in each case not within the Protection Period, prior to the end of the Term hereof, then, subject to Section 9, Executive shall be entitled to, upon Executive’s providing the Company with a signed release of claims in a form adopted by the Company’s Board of Directors from time to time and subject to Executive’s continued compliance with the provisions of Sections 6 and 7 hereof: (i) the Accrued Benefits; (ii)

One Million Four Hundred Thousand Dollars (\$1,400,000) payable in twenty-six equal bi-weekly installments of \$53,846.15 each on days coinciding with the Company's scheduled pay days; (iii) any declared Bonus not yet paid, which shall be payable in the same manner as provided under Section 3(b); (iv) immediate vesting (to the extent not yet vested) of all Restricted Stock (as defined in the Plan) which had been granted to Executive under the New Media Investment Group Inc. Nonqualified Stock Option and Incentive Award Plan (the "Plan") and payment of all dividends accrued but not yet paid to Executive with respect to such unvested Restricted Stock; (v) the sum of \$25,000, to be utilized by the Executive in connection with obtaining employment; and (vi) continuation of Executive's coverage under the Company's medical plan at the same levels as such benefits that have been provided to Executive, and in connection therewith Executive shall periodically pay to the Company amounts equivalent to that which he paid as required employee contributions immediately prior to the date of termination, until the earlier of (A) the period of time it takes Executive to become eligible for the medical benefits program of a new employer (subject to Section 6(a) hereof) or (B) twelve (12) months from the date of such termination. Executive acknowledges that executive's termination of employment on the date of such termination shall constitute a "qualifying event" for the purposes of the Consolidated Omnibus Budget Reconciliation Act of 1986 ("COBRA"). Executive further acknowledges on behalf of himself and his dependents that any period with respect to which any of them would be eligible to elect COBRA shall be reduced by the period of post-termination medical benefit continuation provided under this subsection. In the event of the Executive's death following the termination of his employment, these payments and benefits shall be paid to his estate, except that the medical plan benefit shall be extended to his spouse. Executive acknowledges that the Company may terminate Executive without Cause at any time, and that the Company shall have no obligations under such circumstances to Executive beyond the specific obligations set forth in this Section 5(b);

SECTION 3. MISCELLANEOUS.

3.1 Employee at Will. This Amendment does not alter the status of Executive as an employee at will, nothing in this Amendment or the Agreement will reduce or eliminate the right of the Company and its subsidiaries to terminate Executive's employment at any time for any reason or the right of Executive to resign at any time for any reason.

3.2 Continuing Effect; No Other Waivers or Amendments. This Amendment shall not constitute an amendment or waiver of or consent to any provision of the Employment Agreement not expressly referred to herein. Except as expressly amended hereby, the provisions of the Employment Agreement are and shall remain in full force and effect in accordance with their terms. In case of a conflict between this Amendment and the Employment Agreement or the Management Stockholder Agreement or the Plan, or any description or summary of any of them, this Amendment shall control.

3.3 Counterparts. This Amendment may be executed in any number of separate counterparts by the parties hereto (including by telecopy or via electronic mail), each of which counterparts when so executed shall be an original, but all the counterparts shall together constitute one and the same instrument.

3.4 GOVERNING LAW. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2019

/s/ Michael E. Reed

Michael E. Reed
Chief Executive Officer
(Principal Executive Officer)

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Section 4: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer

I, Michael E. Reed, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended September 29, 2019 of New Media Investment Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial

reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

- c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2019

/s/ Michael E. Reed

Michael E. Reed
Interim Chief Financial Officer
(Interim Principal Financial Officer)

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Section 5: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

SECTION 1350 CERTIFICATIONS

In connection with the Quarterly Report on Form 10-Q of New Media Investment Group Inc. (the "Company") for the quarterly period ended September 29, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Michael E. Reed, as Principal Executive Officer and Interim Principal Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael E. Reed

Name: Michael E. Reed
Title: Chief Executive Officer (Principal Executive Officer)
Interim Chief Financial Officer (Interim Principal Financial Officer)
Date: October 31, 2019

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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