New Media Investment Group Inc.
Form 10-Q
July 27, 2017

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

FORM 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 25, 2017
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, NY (Address of principal executive offices)	10105 (Zip Code)

Telephone: (212) 479-3160
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	ý	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨
		Emerging growth 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 ý

As of July 25, 2017, 53,237,937 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 and business prospects and opportunities, as well as other statements that are other than historical fact. Words such as “anticipate(s),” “expect(s)”, “intend(s)”, “plan(s)”, “target(s)”, “project(s)”, “believe(s)”, “will”, “aim”, “would”, “seek(s)”, “estimate(s)” and similar expressions are intended to identify such forward-loo 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:

- general economic and market conditions;
- economic conditions in the Northeast, Southeast and Midwest regions of the United States;
- declining advertising and circulation revenues;
- our ability to grow our digital marketing and business services and digital audience and advertiser base;
- the growing shift within the publishing industry from traditional print media to digital forms of publication;
- our ability to grow our business organically through both our consumer and small to medium size business strategies:
- 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;
- effects of the pending merger of Fortress Investment Group LLC with affiliates of SoftBank Group Corp.;
- 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.

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Item 1. Financial Statements

NEW MEDIA INVESTMENT GROUP INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In thousands, except share data)

	June 25, 2017 (unaudited)	December 25, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$154,327	$172,246
Restricted cash	3,406	3,406
Accounts receivable, net of allowance for doubtful accounts of $5,652 and $5,478 at June 25, 2017 and December 25, 2016, respectively	125,631	138,115
Inventory	17,218	18,167
Prepaid expenses	22,824	18,720
Other current assets	20,869	19,694
Total current assets	344,275	370,348
Property, plant, and equipment, net of accumulated depreciation of $149,026 and $130,839 at June 25, 2017 and December 25, 2016, respectively	361,529	381,319
Goodwill	200,735	227,954
Intangible assets, net of accumulated amortization of $54,864 and $43,632 at June 25, 2017 and December 25, 2016, respectively	340,790	351,477
Other assets	5,991	4,932
Total assets	$1,253,320	$1,336,030
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$4,387	$14,387
Accounts payable	25,492	19,105
Accrued expenses	70,483	84,389
Deferred revenue	78,658	77,987
Total current liabilities	179,020	195,868
Long-term liabilities:		
Long-term debt	338,498	338,860
Long-term liabilities, less current portion	13,640	12,597
Deferred income taxes	8,877	7,786
Pension and other postretirement benefit obligations	25,038	25,946
Total liabilities	565,073	581,057
Stockholders' equity:		
Common stock, $0.01 par value, 2,000,000,000 shares authorized at June 25, 2017 and December 25, 2016; 53,350,746 and 53,543,226 issued at June 25, 2017 and December 25, 2016, respectively	527	531
Additional paid-in capital	719,957	742,543
Accumulated other comprehensive loss	(3,921)	(3,977)
(Accumulated deficit) retained earnings	(27,272)	16,293
Treasury stock, at cost, 112,809 and 46,438 shares at June 25, 2017 and December 25, 2016, respectively	(1,044)	(417)
Total stockholders' equity	688,247	754,973
Total liabilities and stockholders' equity	$1,253,320	$1,336,030

See accompanying notes to unaudited condensed consolidated financial statements.

NEW MEDIA INVESTMENT GROUP INC. AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income
(In thousands, except per share data)

	Three months ended June 25, 2017	Three months ended June 26, 2016	Six months ended June 25, 2017	Six months ended June 26, 2016
Revenues:				
Advertising	$167,381	$174,153	$322,946	$337,791
Circulation	110,563	104,094	221,368	207,971
Commercial printing and other	44,929	36,583	86,083	69,172
Total revenues	322,873	314,830	630,397	614,934
Operating costs and expenses:				
Operating costs	177,020	172,557	354,811	347,010
Selling, general, and administrative	106,497	106,029	212,529	206,113
Depreciation and amortization	18,760	17,258	36,364	33,349
Integration and reorganization costs	2,237	1,409	4,607	2,335
Impairment of long-lived assets	—	—	6,485	—
Goodwill and mastheads impairment	27,448	—	27,448	—
(Gain) loss on sale or disposal of assets	(2,634)	831	(2,546)	2,351
Operating (loss) income	(6,455)	16,746	(9,301)	23,776
Interest expense	7,217	7,524	14,435	14,878
Other expense (income)	60	(90)	12	(254)
(Loss) income before income taxes	(13,732)	9,312	(23,748)	9,152
Income tax expense (benefit)	7,955	(71)	1,624	(5,198)
Net (loss) income	$(21,687)	$9,383	$(25,372)	$14,350
(Loss) income per share:				
Basic:				
Net (loss) income	$(0.41)	$0.21	$(0.48)	$0.32
Diluted:				
Net (loss) income	$(0.41)	$0.21	$(0.48)	$0.32
Dividends declared per share	$0.35	$0.33	$0.70	$0.66
Comprehensive (loss) income	$(21,659)	$9,400	$(25,316)	$14,391

See accompanying notes to unaudited condensed consolidated financial statements.

NEW MEDIA INVESTMENT GROUP INC. AND SUBSIDIARIES
Unaudited Condensed Consolidated Statement of Stockholders' Equity
(In thousands, except share data)

	Common stock					Treasury stock		
	Shares	Amount	Additional paid-in capital	Accumulated other comprehensive income (loss)	(Accumulated deficit) retained earnings	Shares	Amount	Total
Balance at December 25, 2016	53,543,226	$ 531	$ 742,543	$ (3,977)	$ 16,293	46,438	$ (417)	$ 754,973
Net loss	—	—	—	—	(25,372)	—	—	(25,372)
Net actuarial loss and prior service cost, net of income taxes of $0	—	—	—	56	—	—	—	56
Restricted share grants	198,640	—	225	—	—	—	—	225
Non-cash compensation expense	—	—	1,595	—	—	—	—	1,595
Offering costs	—	—	(111)	—	—	—	—	(111)
Purchase of treasury stock	—	—	—	—	—	66,371	(627)	(627)
Repurchase of common stock	(391,120)	(4)	(4,997)	—	—	—	—	(5,001)
Common stock cash dividend	—	—	(19,298)	—	(18,193)	—	—	(37,491)
Balance at June 25, 2017	53,350,746	$ 527	$ 719,957	$ (3,921)	$ (27,272)	112,809	$ (1,044)	$ 688,247

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Six months ended June 25, 2017	Six months ended June 26, 2016
Cash flows from operating activities:		
Net (loss) income	$(25,372)	$14,350
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	36,364	33,349
Non-cash compensation expense	1,595	1,237
Non-cash interest expense	1,392	1,392
Deferred income taxes	1,091	(5,527)
(Gain) loss on sale or disposal of assets	(2,546)	2,351
Non-cash charge to investments	250	—
Impairment of long-lived assets	6,485	—
Goodwill and mastheads impairment	27,448	—
Pension and other postretirement benefit obligations	(877)	(973)
Changes in assets and liabilities:		
Accounts receivable, net	15,519	20,494
Inventory	1,043	(1,166)
Prepaid expenses	(4,012)	(3,087)
Other assets	(1,865)	(2,763)
Accounts payable	6,001	(1,164)
Accrued expenses	(13,619)	(28,693)
Deferred revenue	(301)	268
Other long-term liabilities	1,043	756
Net cash provided by operating activities	49,639	30,824
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(4,824)	(5,443)
Proceeds from sale of publications and other assets	14,663	3,076
Acquisitions, net of cash acquired	(22,060)	(82,819)
Net cash used in investing activities	(12,221)	(85,186)
Cash flows from financing activities:		
Repayments under term loans	(11,754)	(1,755)
Payment of offering costs	(431)	—
Purchase of treasury stock	(627)	(353)
Repurchase of common stock	(5,001)	—
Payment of dividends	(37,524)	(29,479)
Net cash used in financing activities	(55,337)	(31,587)
Net decrease in cash and cash equivalents	(17,919)	(85,949)
Cash and cash equivalents at beginning of period	172,246	146,638
Cash and cash equivalents at end of period	$154,327	$60,689

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 Securities and Exchange Commission (the “SEC”). Certain information and note disclosures normally included in comprehensive annual financial statements presented in accordance with GAAP have generally been condensed or omitted pursuant to SEC rules and regulations.

Management believes that the accompanying condensed consolidated financial statements contain all adjustments (which include normal recurring adjustments) that, in the opinion of management, are necessary to present fairly the Company’s consolidated financial condition, results of operations and cash flows for the periods presented. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the full year. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 25, 2016, included in the Company’s Annual Report on Form 10-K.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Media was formed as a Delaware corporation on June 18, 2013. New Media was capitalized by and issued 1,000 common shares to Newcastle Investment Corp. (“Newcastle”). New Media had no operations until November 26, 2013, when it assumed control of GateHouse Media, Inc. ("GateHouse") and Local Media Group Holdings LLC. GateHouse was determined to be the predecessor to New Media, as the operations of GateHouse comprise substantially all of the business operations of the combined companies. Newcastle owned approximately 84.6% of New Media until February 13, 2014, upon which date Newcastle distributed the shares that it held in New Media to its shareholders on a pro rata basis.

The Company’s operating segments (Eastern US Publishing ("East"), Central US Publishing ("Central"), Western US Publishing ("West"), and BridgeTower) are aggregated into one reportable segment.

The newspaper industry and the Company have experienced declining revenue and profitability over the past several years. As a result, the Company has implemented, and continues to implement, plans to reduce costs and preserve cash flow. This includes cost reduction programs and the sale of non-core assets. The Company believes these initiatives 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. However, the Company did recognize goodwill and mastheads impairments during the second quarter of 2017. Refer to Note 5 for further discussion.

Long-Lived Asset Impairment

As part of the ongoing cost reduction programs, the Company is consolidating print facilities, and during the six months ended June 25, 2017, the Company ceased printing operations at eleven facilities. As a result, the Company recognized an impairment charge of $6,485 and accelerated depreciation of $1,216 during the six months ended June 25, 2017. The Company will accelerate depreciation of approximately $1,400 related to machinery and equipment in the third quarter of 2017.

Dispositions

On June 2, 2017, the Company completed its sale of the Mail Tribune, located in Medford, Oregon, for approximately $14,700, including estimated working capital. As a result, a pre-tax gain of approximately $5,400, net of selling expenses, is included in (gain) loss on sale or disposal of assets on the Consolidated Statement of Operations and Comprehensive (Loss) Income since the disposition did not qualify for treatment as a discontinued operation.

Reclassifications

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

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers” (Topic 606). ASU No. 2014-09 will replace all current U.S. GAAP guidance on this topic and eliminate all industry-specific guidance. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In March 2016, the FASB issued ASU No. 2016-08, “Revenue from Contracts with Customers - Principal versus Agent Considerations” (Topic 606), which clarifies the implementation guidance on principal versus agent considerations. During 2016, the Company established a project team to identify potential differences that would result from the application of this standard. The Company is in the process of reviewing customer contracts, identifying contractual provisions that may result in a change in the timing or the amount of revenue recognized and assessing the enhanced disclosure requirements of the new guidance. The Company will adopt the requirements of the new standard on January 1, 2018 and anticipates using the modified retrospective transition method.

In February 2016, the FASB issued ASU No. 2016-02, “Leases” (Topic 842), which revises the accounting related to lessee accounting. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases with terms greater than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The provisions of ASU 2016-02 are effective for fiscal years beginning after December 15, 2018 and should be applied through a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Early adoption is permitted. The Company is currently evaluating the impact this accounting standard will have on the Company’s consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, “Restricted Cash” (Topic 230), which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents. The provisions of ASU 2016-18 are effective for fiscal years beginning after December 15, 2017 and should be applied using a retrospective transition method. Early adoption is permitted. Other than the revised statement of cash flows presentation, the adoption of ASU 2017-07 is not expected to have a material impact on the Company’s consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, “Business Combinations - Clarifying the Definition of a Business” (Topic 805), which clarifies the definition of a business for determining whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The new standard is effective for annual periods beginning after December 15, 2017 with early adoption permitted for transactions that occurred before the issuance date or effective date of the standard if the transactions were not reported in financial statements that have been issued or made available for issuance. The standard must be applied prospectively. The Company is currently evaluating the impact this accounting standard will have on the Company’s consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04 “Intangibles - Goodwill and Other - Simplifying the Test for Goodwill Impairment” (Topic 350), which simplifies subsequent goodwill measurement by eliminating Step 2 from the goodwill impairment test. Under this update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The new standard is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2019 with early adoption permitted for annual goodwill impairment tests performed after January 1, 2017. The standard must be applied prospectively. The Company early-adopted the guidance of this accounting standard during the second quarter of fiscal 2017 in connection with its annual impairment testing to reduce the complexity and costs of evaluating goodwill for impairment. It was adopted on a prospective basis. As a result of the adoption, a single step quantitative test was performed. Refer to Note 5 for further discussion.

In March 2017, the FASB issued ASU No. 2017-07 “Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost” (Topic 715), which provides guidance that requires an employer to report the service cost component separate from the other components of net benefit pension costs. The employer is required to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside the subtotal of income from operations, if one is presented. If a separate line item is not used, the line item used in the income statement must be disclosed. The new standard is effective for annual reporting periods beginning after December 15, 2017 and interim periods within those years. Early adoption is permitted. Other than the revised statement of operations presentation, the adoption of ASU 2017-07 is not expected to have a material impact on the Company's consolidated financial statements.

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

(2) Acquisitions

2017 Acquisitions

The Company acquired substantially all the assets, properties and business of certain publications and businesses on January 31, 2017 and February 10, 2017 ("2017 Acquisitions"), which included five daily newspapers, fifteen weekly publications, eleven shoppers, and an event production business for an aggregate purchase price of $21,430, 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 event production business, and cash flows combined with cost saving and revenue-generating opportunities available.

The Company accounted for the 2017 Acquisitions under the acquisition method of accounting. The net assets, including goodwill, have been recorded in the consolidated balance sheet at their fair values in accordance with Accounting Standards Codification ("ASC") Topic 805, "Business Combinations" ("ASC 805"). The fair value determination of the assets acquired and liabilities assumed are preliminary based upon all information available to us at the present time and are subject to working capital and other adjustments. The value assigned to property, plant and equipment, intangible assets, liabilities and goodwill is preliminary and subject to 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 following table summarizes the preliminary fair values of the assets and liabilities:

Current assets	$2,823
Property, plant and equipment	17,610
Noncompete agreements	230
Advertiser relationships	790
Subscriber relationships	320
Customer relationships	202
Mastheads	810
Goodwill	1,381
Total assets	24,166
Current liabilities	2,736
Total liabilities	2,736
Net assets	$21,430

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 Company recorded approximately $25 and $178 of selling, general and administrative expense for acquisition-related costs for the 2017 Acquisitions during the three and six months ended June 25, 2017.

For tax purposes, the amount of goodwill that is expected to be deductible is $1,381.

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2016 Acquisitions

The Company acquired substantially all the assets, properties and business of certain publications and businesses on December 31, 2015, January 12, 2016, March 18, 2016, April 22, 2016, April 29, 2016, June 29, 2016, August 1, 2016, September 30, 2016, and November 30, 2016 ("2016 Acquisitions"), which included 68 business publications, seven daily newspapers, seven weekly publications, eleven shoppers, and digital platforms for an aggregate purchase price of $135,908, including 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 cash flows combined with cost saving and revenue-generating opportunities available.

The Company accounted for the 2016 Acquisitions under the acquisition method of accounting. 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 subject to working capital and other adjustments. The final calculation of working capital and other adjustments may result in different allocations among the various asset classes from those set forth below and any such differences could be material.

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

Current assets	$20,820
Other assets	4,195
Property, plant and equipment	36,105
Noncompete agreements	886
Advertiser relationships	32,312
Subscriber relationships	13,696
Customer relationships	5,113
Software	5,783
Trade names	2,448
Mastheads	9,217
Goodwill	56,749
Total assets	187,324
Current liabilities	26,532
Pension obligations	16,299
Other long-term liabilities	8,585
Total liabilities	51,416
Net assets	$135,908

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 obligation assumed for the defined benefit pension plan was measured in accordance with ASC 715-20, "Compensation-Retirement Benefits".

The Company recorded approximately $2,048 of selling, general and administrative expense for acquisition-related costs for the 2016 Acquisitions.

In a 2016 stock acquisition, the Company acquired goodwill with a tax cost basis of $50,325 and a net tax basis of $10,746. As a result, for tax purposes, the amount of goodwill that is expected to be deductible for the 2016 Acquisitions is $43,103.

(3) Share-Based Compensation

The Company recognized compensation cost for share-based payments of $764, $618, $1,595, and $1,237 during the three and six months ended June 25, 2017 and June 26, 2016, respectively. The total compensation cost not yet recognized related to non-vested awards as of June 25, 2017 was $4,904, which is expected to be recognized over a weighted average period of 1.96 years through May 2019.

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On February 3, 2014, the Board of Directors of New Media (the "Board" or "Board of Directors") adopted the New Media Investment Group Inc. Nonqualified Stock Option and Incentive Award Plan (the "Incentive Plan") that authorized up to 15,000,000 shares that can be granted under the Incentive Plan. On the same date, the Board adopted a form of the New Media Investment Group Inc. Non-Officer Director Restricted Stock Grant Agreement (the "Form Grant Agreement") to govern the terms of awards of restricted stock ("New Media Restricted Stock") granted under the Incentive Plan to directors who are not officers or employees of New Media (the "Non-Officer Directors"). On February 24, 2015, the Board adopted a form of the New Media Investment Group Inc. Employee Restricted Stock Grant Agreement (the "Form Employee Grant Agreement") to govern the terms of awards of New Media Restricted Stock granted under the Incentive Plan to employees of New Media and its subsidiaries (the "Employees"). Both the Form Grant Agreement and the Form Employee Grant Agreement provide for the grant of New Media Restricted Stock that vests in equal annual installments on each of the first, second and third anniversaries of the grant date, subject to continued service, and immediate vesting in full upon death or disability. If service terminates for any other reason, all unvested shares of New Media Restricted Stock will be forfeited. During the period prior to the lapse and removal of the vesting restrictions, a grantee of a restricted stock grant ("RSG") will have all the rights of a stockholder, including without limitation, the right to vote and the right to receive all dividends or other distributions. Any dividends or other distributions that are declared with respect to the shares of New Media Restricted Stock will be paid at the time such shares vest. The value of the RSGs on the date of issuance is recognized as selling, general and administrative expense over the vesting period with an increase to additional paid-in-capital.

During the three months ended March 26, 2017, grants of restricted shares totaling 182,035 shares were made to the Company's Employees, and 24,976 shares were forfeited. There were no grants or forfeited restricted shares during the three months ended June 25, 2017.

As of June 25, 2017 and June 26, 2016, there were 372,166 and 352,124 RSGs, respectively, issued and outstanding with a weighted average grant date fair value of $16.87 and $18.20, respectively. As of June 25, 2017, the aggregate intrinsic value of unvested RSGs was $4,968.

RSG activity during the six months ended June 25, 2017 was as follows:

	Number of RSGs	Weighted-Average Grant Date Fair Value
Unvested at December 25, 2016	335,593	$ 18.18
Granted	182,035	15.89
Vested	(120,486)	19.04
Forfeited	(24,976)	16.89
Unvested at June 25, 2017	372,166	$ 16.87

FASB ASC Topic 718, "Compensation – Stock Compensation", requires the recognition of share-based compensation for the number of awards that are ultimately expected to vest. The Company's estimated forfeitures are based on 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, and 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 geographic regions and are often influenced by the terms of union contracts within the region. All costs related to these programs, which primarily reflect severance expense, are accrued at the time of announcement or over the remaining service period.

A rollforward of the accrued restructuring costs, included in accrued expenses on the balance sheet, for the six months ended June 25, 2017 is outlined below.

	Severance and Related Costs	Other Costs (1)	Total
Balance at December 25, 2016	$ 1,178	$ 356	$1,534
Restructuring provision included in Integration and Reorganization	4,082	525	4,607
Cash payments	(3,379)	(805)	(4,184)
Balance at June 25, 2017	$ 1,881	$ 76	$1,957

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

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

The following table summarizes the costs incurred and cash paid in connection with these restructuring programs for the three and six months ended June 25, 2017 and June 26, 2016.

	Three months ended June 25, 2017	Three months ended June 26, 2016	Six months ended June 25, 2017	Six months ended June 26, 2016
Severance and related costs	$1,857	$ 822	$4,082	$1,690
Severance and other costs assumed from acquisition	—	—	—	95
Other costs	380	587	525	645
Cash payments	(2,070)	(1,578)	(4,184)	(3,883)

(5) Goodwill and Intangible Assets

Goodwill and intangible assets consisted of the following:

	June 25, 2017		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Advertiser relationships	$175,708	$30,510	$ 145,198
Customer relationships	25,140	4,030	21,110
Subscriber relationships	91,264	17,081	74,183
Other intangible assets	9,819	3,243	6,576
Total	$301,931	$54,864	$ 247,067
Nonamortized intangible assets:			
Goodwill	$200,735		
Mastheads	93,723		
Total	$294,458		

	December 25, 2016		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Advertiser relationships	$174,918	$24,618	$ 150,300
Customer relationships	24,938	3,153	21,785
Subscriber relationships	90,944	13,911	77,033
Other intangible assets	9,589	1,950	7,639
Total	$300,389	$43,632	$ 256,757
Nonamortized intangible assets:			
Goodwill	$227,954		
Mastheads	94,720		
Total	$322,674		

As of June 25, 2017, the weighted average amortization periods for amortizable intangible assets are 15.2 years for advertiser relationships, 15.2 years for customer relationships, 14.5 years for subscriber relationships and 5.0 years for other intangible assets. The weighted average amortization period in total for all amortizable intangible assets is 14.6 years.

Amortization expense for the three and six months ended June 25, 2017 and June 26, 2016 was $5,630, $5,291, $11,232, and $9,690, respectively. Estimated future amortization expense as of June 25, 2017, is as follows:

For the following fiscal years:	
2017	$11,272
2018	22,539
2019	20,881
2020	20,182
2021	20,176
Thereafter	152,017
Total	$247,067

The changes in the carrying amount of goodwill for the period from December 25, 2016 to June 25, 2017 are as follows:

Balance at December 25, 2016	$227,954
Goodwill acquired in business combinations	1,217
Goodwill impairment	(25,641)
Goodwill from divestitures	(2,795)
Balance at June 25, 2017	$200,735

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

The carrying value of goodwill and indefinite-lived intangible assets are evaluated for possible impairment on an annual basis or between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit or indefinite-lived intangible asset below its carrying value. The Company adopted ASU No. 2017-04 in the second quarter and performed a quantitative goodwill impairment test to identify the existence of impairment, if any, and the amount of impairment loss. 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.

As part of the annual impairment assessments, as of June 25, 2017, the fair values of the Company’s reporting units, which include East, West, Central and BridgeTower, for goodwill impairment testing and indefinite-lived intangible assets, 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 analyses provided the best estimate of the fair value of its reporting units. As a result of the annual assessment, the Company recorded a goodwill impairment in two of its reporting units, Central and West, for a total of $25,641. The impairment is primarily due to continuing economic pressures in the newspaper industry and a decline in the Company's stock price. 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 1%. Discount rates ranged from 16% to 17%. The effective tax rate was 40%.

The total Company’s estimate of reporting unit fair values was reconciled to its then 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 each reporting units' mastheads. The estimated fair value exceeded carrying value for mastheads except in the West reporting unit, which recognized an impairment charge of $1,807. This is primarily due to a decrease in sales, mostly related to the sale of the Mail Tribune in Medford, Oregon, and declining profitability. The fair value of mastheads exceeded carrying value by less than 10% in the East and Central reporting units. 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 1%. Discount rates ranged from 16% to 17%, and royalty rates ranged from 1.25% to 1.75%. The effective tax rate was 40%.

The Company considered the impairment of goodwill to be a potential indicator of impairment under ASC 360. The Company determined that the long-lived asset groups were the same as its reporting units. The Company performed an analysis of its undiscounted cash flows in the Central and West reporting units to determine if there was an impairment of long-lived assets. The sum of undiscounted cash flows over the primary asset’s weighted-average remaining useful life exceeded the groups’ carrying value, so there was no impairment.

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) Indebtedness

New Media Credit Agreement

On June 4, 2014, New Media Holdings II LLC (the "New Media Borrower"), a wholly owned subsidiary of New Media, entered into a credit agreement (the "New Media Credit Agreement") among the New Media Borrower, New Media Holdings I LLC ("Holdings I"), the lenders party thereto, RBS Citizens, N.A. and Credit Suisse Securities (USA) LLC as joint lead arrangers and joint bookrunners, Credit Suisse AG, Cayman Islands Branch as syndication agent and Citizens Bank of Pennsylvania as administration agent which provides for (i) a $200,000 senior secured term facility (the "Term Loan Facility" and any loan thereunder, including as part of the Incremental Facility, "Term Loans") and (ii) a $25,000 senior secured revolving credit facility, with a $5,000 sub-facility for letters of credit and a $5,000 sub-facility for swing loans, (the "Revolving Credit Facility" and together with the Term Loan Facility, the "Senior Secured Credit Facilities"). In addition, the New Media Borrower may request one or more new commitments for term loans or revolving loans from time to time up to an aggregate total of $75,000 (the "Incremental Facility") subject to certain conditions. On June 4, 2014, the New Media Borrower borrowed $200,000 under the Term Loan Facility (the "Initial Term Loans"). As of June 25, 2017, $0 was drawn under the Revolving Credit Facility. The Term Loans mature on June 4, 2020 and the maturity date for the Revolving Credit Facility is June 4, 2019. The New Media Credit Agreement was amended:

•on September 3, 2014, to provide for additional term loans under the Incremental Facility in an aggregate principal amount of $25,000 (the "2014 Incremental Term Loan");

•on November 20, 2014, to increase the amount of the Incremental Facility that may be requested after the date of the amendment from $75,000 to $225,000;

•on January 9, 2015, to provide for $102,000 in additional term loans (the "2015 Incremental Term Loan") and $50,000 in additional revolving commitments (the "2015 Incremental Revolver") under the Incremental Facility and to make certain amendments to the Revolving Credit Facility in connection with the purchase of the assets of Halifax Media;

•on February 13, 2015, to provide for the replacement of the existing term loans under the Term Loan Facility (including the 2014 Incremental Term Loan and the 2015 Incremental Term Loan) with a new class of replacement term loans;

•on March 6, 2015, to provide for $15,000 in additional revolving commitments under the Incremental Facility; and

•on May 29, 2015, to provide for $25,000 in additional term loans under the Incremental 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, plus an applicable margin equal to 6.25% per annum (subject to a floor of 1.00%) or (ii) an adjusted base rate, plus an applicable margin equal to 5.25% per annum (subject to a floor of 2.00%). 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 June 25, 2017 the New Media Credit Agreement had a weighted average interest rate of 7.29%.

The Senior Secured Credit Facilities are unconditionally guaranteed by Holdings I and 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 New Media Credit Agreement are secured, subject to certain exceptions, by substantially all of the New Media Borrower's assets and the assets of the Guarantors.

Repayments made under the Term Loans are equal to 1.0% annually of the original principal amount in equal quarterly installments for the life of the Term Loans, with the remainder due at maturity. The New Media Borrower is permitted to make voluntary prepayments at any time without premium or penalty.

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, and dividends and other distributions, and events of default. The New Media Credit Agreement contains a financial covenant that requires

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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 June 25, 2017, the Company is in compliance with all of the covenants and obligations under the New Media Credit Agreement.

Advantage Credit Agreements

In connection with the purchase of the assets of Halifax Media, which closed on January 9, 2015, certain subsidiaries of the Company (the "Advantage Borrowers") agreed to assume all of the obligations of Halifax Media and its affiliates in respect of each of (i) that certain Consolidated Amended and Restated Credit Agreement dated January 6, 2012 among Halifax Media Acquisition LLC, Advantage Capital Community Development Fund XXVIII, L.L.C., and Florida Community Development Fund II, L.L.C. (as amended, the "Halifax Florida Credit Agreement") and (ii) that certain Credit Agreement dated June 18, 2013 between Halifax Alabama, LLC and Southeast Community Development Fund V, L.L.C. (the "Halifax Alabama Credit Agreement" and, together with the Halifax Florida Credit Agreement, the "Advantage Credit Agreements"), respectively (the debt under the Halifax Florida Credit Agreement, the "Advantage Florida Debt"; and the debt under the Halifax Alabama Credit Agreement, the "Advantage Alabama Debt").

The Halifax Alabama Credit Agreement is in the principal amount of $8,000 and bears interest at the rate of LIBOR plus 6.25% per annum (with a minimum of 1% LIBOR) payable quarterly in arrears, maturing on March 31, 2019. The Advantage Alabama Debt is secured by a perfected second priority security interest in all the assets of the Advantage Borrowers and certain other subsidiaries of the Company, subject to the limitation that the maximum amount of secured obligations is $15,000. The Advantage Alabama Debt is unconditionally guaranteed by Holdings I and certain subsidiaries of the New Media Borrowers and is required to be guaranteed by all future material wholly-owned domestic subsidiaries, subject to certain exceptions. The Advantage Alabama Debt is subordinated to the New Media Credit Agreement pursuant to an intercreditor agreement. The Halifax Florida Credit Agreement was in the principal amount of $10,000, bore interest at the rate of 5.25% per annum, payable quarterly in arrears, and matured on December 31, 2016. On December 30, 2016, the Company paid the outstanding balance under the Advantage Florida Debt in the amount of $10,000 with cash on hand.

The Halifax Alabama Credit Agreement contains covenants substantially consistent with those contained in the New Media Credit Agreement in addition to those required for compliance with the New Markets Tax Credit program. The Advantage Borrowers are permitted to make voluntary prepayments at any time without premium or penalty and are subject to customary mandatory prepayment events including from proceeds from asset sales and certain debt obligations.

The Halifax Alabama Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants applicable to the Advantage Borrowers and certain of the Company subsidiaries, including, among other things, restrictions on indebtedness, liens, investments, fundamental changes, dispositions, and dividends and other distributions. The Halifax Alabama 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 3.75 to 1.00. The Halifax Alabama Credit Agreement contains customary events of default.

As of June 25, 2017, the Company is in compliance with all of the covenants and obligations under the Halifax Alabama Credit Agreement.

Fair Value

The fair value of long-term debt under the Senior Secured Credit Facilities and the Advantage Credit Agreements was estimated at $351,039 as of June 25, 2017, 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 risk with similar terms and average maturities. Accordingly, the Company's long-term debt under the Senior Secured Credit Facilities is classified within Level 3 of the fair value hierarchy.

Payment Schedule

As of June 25, 2017, scheduled principal payments of outstanding debt are as follows:

2017	$2,632
2018	2,632
2019	11,509
2020	334,266
	$351,039
Less:	
Short-term debt	4,387
Remaining original issue discount	6,197
Deferred financing costs	1,957
Long-term debt	$338,498

For further information, see Note 9 to the Consolidated Financial Statements, “Indebtedness,” in the Annual Report on Form 10-K for the fiscal year ended December 25, 2016.

(7) Related Party Transactions

As of December 29, 2013, Newcastle (an affiliate of FIG LLC (the “Manager”) beneficially owned approximately 84.6% of the Company’s outstanding common stock. On February 13, 2014, Newcastle completed the spin-off of the Company. On February 14, 2014, New Media became a separate, publicly traded company trading on the NYSE under the ticker symbol “NEWM”. As a result of the spin-off and listing, the fees included in the Management Agreement with the Company’s Manager became effective. As of June 25, 2017, Fortress and its affiliates owned approximately 1.3% of the Company’s outstanding stock and approximately 39.5% of the Company’s outstanding warrants. The Company’s Manager (or its affiliates) hold 2,307,562 stock options of the Company’s stock as of June 25, 2017. During the three and six months ended June 25, 2017 and June 26, 2016, Fortress and its affiliates were paid $239, $225, $477, and $450 in dividends, respectively.

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

The Company’s Chief Operating Officer owns an interest in a company, from which the Company recognized revenue of $172, $135, $312, and $233 during the three and six months ended June 25, 2017 and June 26, 2016, respectively, which is included in commercial printing and other on the Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income.

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

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. On March 6, 2015, the Company’s independent directors on the Board approved an amendment to the Management Agreement.

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. From the commencement date of "regular way" trading of the Company’s Common Stock on a major U.S. national securities exchange (the “Listing”), the Manager is (a) entitled to receive from the Company a management fee, (b) eligible to receive incentive compensation that is based on the Company’s performance and (c) eligible to receive options to purchase New Media Common Stock upon the successful completion of an offering of shares of the Company’s Common Stock or any shares of preferred stock with an exercise price equal to the price per share paid by the public or other ultimate purchaser in the offering, see Note 9. In addition, the Company is obligated to reimburse certain expenses incurred by the Manager. The Manager is also entitled to receive a termination fee from the Company under certain circumstances.

The Company recognized $2,422, $2,390, $5,318, and $4,779 for management fees and $1,866, $3,507, $1,866, and $3,706 for incentive compensation within selling, general and administrative expense during the three and six months ended June 25, 2017 and June 26, 2016, respectively. The Company paid to FIG LLC $1,930, $2,388, $6,280, and $3,185 in management fees and $0, $0, $5,915, and $20,938 in incentive compensation during the three and six months ended June 25, 2017 and June 26, 2016, respectively. In addition, the Company recognized expense reimbursement amounts of approximately $342, $620, $892, and $1,023 during the three and six months ended June 25, 2017 and June 26, 2016, respectively. The Company had an outstanding liability for all management agreement related fees of $4,736 and $10,080 at June 25, 2017 and December 25, 2016, respectively, included in accrued expenses.

Registration Rights Agreement with Omega

The Company entered into a registration rights agreement (the “Omega Registration Rights Agreement”) with Omega Advisors, Inc. and its affiliates (collectively, “Omega”). Under the terms of the Omega Registration Rights Agreement, upon request by Omega the Company is required to use commercially reasonable efforts to file a resale shelf registration statement providing for the registration and sale on a continuous or delayed basis by Omega of its New Media Common Stock acquired in connection with the restructuring of GateHouse (the “Registrable Securities”) (the “Shelf Registration”), subject to customary exceptions and limitations. Omega is entitled to initiate up to three offerings or sales with respect to some or all of the Registrable Securities pursuant to the Shelf Registration.

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

(8) Income 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 is supported by detailed forecasts and projections.

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The Company concluded that during the six months ended June 25, 2017, a net increase to the valuation allowance of $8,632 would be necessary to offset additional deferred tax assets. Of this amount, a $8,632 increase was recognized through the Unaudited Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income.

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

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

The tax effects resulting from utilizing the annual effective tax rate for the six months ended June 25, 2017 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.

For the six months ended June 25, 2017, the expected federal tax benefit at 34% is $8,074. The difference between the expected tax benefit and the year-to-date tax expense of $1,624 is primarily attributable to the tax effect of the federal valuation allowance of $8,632, state taxes of $522 and a tax charge related to non-deductible expenses of $544.

The Company recorded an income tax benefit of $5,119 and $991 during the three months ended March 27, 2016 and June 26, 2016, respectively, related to its acquisition of certain legal entities acquired during those quarters. In accordance with

ASC 805, the Company released a portion of its valuation allowance, since it was able to utilize deferred tax assets against the deferred tax liabilities reflected in purchase accounting for the acquired entities.
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 2013 tax year and beyond. The Company's 2013 short tax year Federal returns were examined by the Internal Revenue Service with no changes made to the returns filed.
(9) Equity
(Loss) Earnings Per Share
The following table sets forth the computation of basic and diluted (loss) earnings per share ("EPS"):

	Three months ended June 25, 2017	Three months ended June 26, 2016	Six months ended June 25, 2017	Six months ended June 26, 2016
Numerator for earnings per share calculation:				
Net (loss) income	$(21,687)	$ 9,383	$(25,372)	$ 14,350
Denominator for earnings per share calculation:				
Basic weighted average shares outstanding	53,119,530	44,528,457	53,153,138	44,505,991
Effect of dilutive securities:				
Stock Options and Restricted Stock	—	384,237	—	384,931
Diluted weighted average shares outstanding	53,119,530	44,912,694	53,153,138	44,890,922

For the three and six months ended June 25, 2017, the Company excluded 1,362,479 and 1,362,479 common stock warrants, 372,166 and 372,166 RSGs, and 2,307,562 and 2,307,562 stock options, respectively, from the computation of diluted income per share because their effect would have been antidilutive. For the three and six months ended June 26, 2016, the Company excluded 1,362,479 and 1,362,479 common stock warrants and 700,000 and 700,000 stock options, respectively, from the computation of diluted income per share because their effect would have been antidilutive.
Equity
In March 2016, the Company issued 13,992 shares of its common stock to its Non-Officer Directors to settle a liability of $225 for 2015 services.
During the fourth quarter of 2016, the Company issued 8,625,000 shares of its common stock in a public offering at a price to the public of $16.00 per share for net proceeds of approximately $134,818. Certain of the Company's officers and directors participated in this offering and purchased an aggregate of 20,000 shares at a price of $16.00 per share. For the purpose of compensating the Manager for its successful efforts in raising capital for the Company, in connection with this offering, the Company granted options to the Manager to purchase 862,500 shares of the Company's common stock at a price of $16.00, which had an aggregate fair value of approximately $2,288 as of the grant date. The assumptions used in the Black-Scholes model to value the options were: a 2.2% risk-free rate, a 8.3% dividend yield, 36.1% volatility and an expected life of 10 years. The fair value of the options issued as compensation to the Manager was recorded as an increase in equity with an offsetting reduction in capital.
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. Under the Share Repurchase Program, the Company may purchase its shares from time to time in the open market or in privately negotiated transactions. During the three months ended June 25, 2017, the Company repurchased 391,120 shares at a weighted average price of $12.77 per share for a total cost, including transaction costs, of $5,001. The shares were subsequently retired. The cost paid to acquire the shares in excess of par was recorded in additional paid-in capital in the consolidated balance sheet.
Pursuant to the anti-dilution provisions of the Incentive Plan, the exercise price on the 745,062 options granted to the Manager in 2014 were equitably adjusted from $15.71 to $14.37 as a result of the 2016 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 from $21.70 to $20.36 as a result of the 2016 return of capital distributions.

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During the three months ended June 25, 2017, the Company issued 16,605 shares of its common stock to its Non-Officer Directors to settle a liability of $225 for 2016 services.
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 25, 2016	2,307,562	$ 4.07	$ 17.64	8.7	$ 186
Outstanding at June 25, 2017	2,307,562	$ 4.07	$ 16.80	8.2	$ —
Exercisable at June 25, 2017	1,619,229		$ 17.07	7.6	$ —

Accumulated Other Comprehensive Loss
The changes in accumulated other comprehensive loss by component for the six months ended June 25, 2017 and June 26, 2016 are outlined below.

	Net actuarial loss and prior service cost (1)
For the six months ended June 25, 2017:	
Balance at December 25, 2016	$ (3,977)
Other comprehensive income before reclassifications	—
Amounts reclassified from accumulated other comprehensive loss	56
Net current period other comprehensive income, net of taxes	56
Balance at June 25, 2017	$ (3,921)
For the six months ended June 26, 2016:	
Balance at December 27, 2015	$ (3,158)
Other comprehensive income before reclassifications	—
Amounts reclassified from accumulated other comprehensive loss	41
Net current period other comprehensive income, net of taxes	41
Balance at June 26, 2016	$ (3,117)

(1) This accumulated other comprehensive loss component is included in the computation of net periodic benefit cost. See Note 10.

The following table presents reclassifications out of accumulated other comprehensive loss for the three and six months ended June 25, 2017 and June 26, 2016.

	Amounts Reclassified from Accumulated Other Comprehensive Loss				
	Three months ended June 25, 2017	Three months ended June 26, 2016	Six months ended June 25, 2017	Six months ended June 26, 2016	Affected Line Item in the Consolidated Statements of Operations and Comprehensive (Loss) Income
Amortization of unrecognized loss	$28	$ 17	$ 56	$ 41	(1)
Amounts reclassified from accumulated other comprehensive loss	28	17	56	41	(Loss) income before income taxes
Income tax expense	—	—	—	—	Income tax benefit
Amounts reclassified from accumulated other comprehensive loss, net of taxes	$28	$ 17	$ 56	$ 41	Net (loss) income

(1) This accumulated other comprehensive loss component is included in the computation of net periodic benefit cost. See Note 10.

Dividends

On February 25, 2016, the Company announced a fourth quarter 2015 cash dividend of $0.33 per share of Common Stock, par value $0.01 per share, of New Media. The dividend was paid on March 17, 2016, to shareholders of record as of the close of business on March 9, 2016.

On April 28, 2016, the Company announced a first quarter 2016 cash dividend of $0.33 per share of Common Stock, par value $0.01 per share, of New Media. The dividend was paid on May 19, 2016, to shareholders of record as of the close of business on May 11, 2016.

On July 28, 2016, the Company announced a second quarter 2016 cash dividend of $0.33 per share of Common Stock, par value $0.01 per share, of New Media. The dividend was paid on August 18, 2016, to shareholders of record as of the close of business on August 10, 2016.

On October 27, 2016, the Company announced a third quarter 2016 cash dividend of $0.35 per share of Common Stock, par value $0.01 per share, of New Media. The dividend was paid on November 17, 2016, to shareholders of record as of the close of business on November 9, 2016.

On February 21, 2017, the Company announced a fourth quarter 2016 cash dividend of $0.35 per share of Common Stock, par value $0.01 per share, of New Media. The dividend was paid on March 16, 2017, to shareholders of record as of the close of business on March 8, 2017.

On April 27, 2017, the Company announced a first quarter 2017 cash dividend of $0.35 per share of Common Stock, par value $0.01 per share, of New Media. The dividend was paid on May 18, 2017, to shareholders of record as of the close of business on May 10, 2017.

(10) 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. The Enterprise News Media, LLC pension plan was amended to freeze all future benefit accruals as of December 31, 2008, except for a select group of union employees whose benefits were frozen during 2009. Also, during 2008, the medical and life insurance benefits were frozen, and the plan was amended to limit future benefits to a select group of active employees under the Enterprise News Media, LLC postretirement medical and life insurance plan. Benefits under the postretirement medical and life insurance plan assumed with the Copley Press, Inc. acquisition are only available to Brush-Moore employees hired before January 1, 1976. The Times Publishing pension plan was frozen prior to the acquisition.

The following provides information on the pension plans and postretirement medical and life insurance plans for the three and six months ended June 25, 2017 and June 26, 2016:

	Three months ended June 25, 2017		Three months ended June 26, 2016		Six months ended June 25, 2017		Six months ended June 26, 2016	
	Pension	Postretirement	Pension	Postretirement	Pension	Postretirement	Pension	Postretirement
Components of net periodic benefit costs:								
Service cost	$157	$ 1	$75	$ 4	$314	$ 2	$150	$ 10
Interest cost	780	27	814	56	1,560	54	1,618	111
Expected return on plan assets	(1,045)	—	(1,044)	—	(2,090)	—	(2,089)	—
Amortization of unrecognized loss (gain)	44	(16)	17	—	88	(32)	41	—
Total	$(64)	$ 12	$(138)	$ 60	$(128)	$ 24	$(280)	$ 121

For the three and six months ended June 25, 2017 and June 26, 2016, the Company recognized a total of $(52), $(78), $(104) and $(159) in pension and postretirement benefit, respectively. During the three and six months ended June 25, 2017, the Company contributed $349 and $663 to the pension plans, respectively. The Company is expected to pay an additional $852 in employer contributions to the pension plans during the remainder of the current fiscal year.

(11) 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 June 25, 2017				
Assets				
Cash and cash equivalents	$ 154,327	$ —	$ —	$ 154,327
Restricted cash	3,406	—	—	3,406
As of December 25, 2016				
Assets				
Cash and cash equivalents	$ 172,246	$ —	$ —	$ 172,246
Restricted cash	3,406	—	—	3,406

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 2017 acquisitions and 2016 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.

During the quarter ended June 25, 2017, certain goodwill and mastheads were written down to their implied fair value using Level 3 inputs. The valuation techniques and significant inputs and assumptions utilized to measure fair value are discussed in Note 5.

Refer to Note 6 for the discussion on the fair value of the Company's total long-term debt.

(12) 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 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 at June 25, 2017 and December 25, 2016, in the aggregate amount of $3,406 and $3,406, respectively, is used as cash collateral for certain business operations.

(13) Subsequent Events

New Media Credit Agreement

On July 14, 2017, the New Media Credit Agreement was amended to, among other things, (i) extend the maturity date of the outstanding term loans to July 14, 2022 (the "Extended Term Loans"), (ii) provide for a 1.00% prepayment premium for any prepayments of the Extended Term Loans made in connection with certain repricing transactions effected within six months of the date of the amendment, (iii) extend the maturity date of the revolving credit facility to July 14, 2021, (iv) provide for additional dollar-denominated term loans in an aggregate principal amount of

$20,000 (the “2017 Incremental Term Loans”) on the same terms as the Extended Term Loans and (v) increase the amount of the incremental facility that may be requested on or after the date of the amendment (inclusive of the 2017 Incremental Term Loans) to $100,000.

Acquisition

On June 30, 2017, the Company completed the acquisition of several newspapers and related assets from Calkins Media, Inc. (“Calkins”) for $17,500, in cash, plus working capital. We funded the acquisition with cash on hand. Calkins is comprised of four daily and one weekly publications in the Philadelphia and Pittsburgh, Pennsylvania suburbs with an average daily and Sunday circulation of over 75 and 108, respectively.

Dividends

On July 27, 2017, the Company announced a second quarter 2017 cash dividend of $0.35 per share of Common Stock, par value $0.01 per share, of New Media. The dividend will be paid on August 17, 2017, to shareholders of record as of the close of business on August 9, 2017.

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 and premier marketing and technology solutions for our small and medium businesses partners. We have a particular focus on owning and acquiring strong local media assets in small to mid-size markets. With our collection of assets, we focus on two large business categories: consumers and small to medium size businesses (“SMBs”).

Our portfolio of media assets today spans across 555 markets and 36 states. Our products include 636 community print publications, 555 websites and two yellow page directories. As of March 26, 2017 and June 25, 2017, we reach over 21 million people per week and serve over 225,000 business customers.

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

Our business strategy is to be the preeminent provider of local news, information, advertising, and digital and business services in the markets we operate in. We aim to grow our business organically through both our consumer and SMB strategies. We also plan to continue to pursue strategic acquisitions of high-quality local media and digital marketing assets at attractive valuation levels. Finally, we intend to distribute a substantial 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 and 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 gives 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 with a variety of products and services that we believe will help SMBs expand their marketing, advertising and other lead generation platforms.

Central to this business strategy is our wholly-owned subsidiary formerly known as Propel Business Services, the Company's SMB solutions provider, which has been rebranded as UpCurve, Inc. ("UpCurve"). In addition, the digital marketing services of UpCurve, previously known as Propel Marketing, will be marketed under the ThriveHive name. We launched the 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 in a position to continue as a key component to our overall organic growth strategy.

The opportunity UpCurve aims to seize upon is as follows:

There are approximately 27.9 million SMBs in the U.S. according to the 2011 U.S. Census data. Of these, approximately 26.7 million have 20 employees or less.

Many of the owners and managers of these SMBs do not have the resources or expertise to navigate the fast evolving digital marketing sector, but are increasingly aware of the need to establish and maintain a digital presence in order to stay connected with current and future customers.

UpCurve is designed to offer a complete set of turn-key digital marketing and business services to SMBs that provide transparent results to the business owners. UpCurve's products include marketing technology, business management solutions, IT/Infrastructure, voice and email communication offerings and small business financing. In a recent acquisition we acquired a turn-key proprietary software that enables SMB owners to run their own digital and contact marketing campaigns; UpCurve continues to evolve to meet the needs of the full spectrum of SMBs. UpCurve provides four broad categories of services: building businesses a presence, helping businesses to be located by consumers online, engaging with consumers, and growing their customer base.

Similarly, GateHouse Live, our event production business, specializes in delivering world class events for the media industry.

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

- our strong and trusted local brands, with 85% of our daily newspapers having been publishing 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 1,350 local, direct, in-market sales professionals with long standing relationships with small businesses in the communities we serve.

Our core products include:

- 125 daily newspapers as of June 25, 2017 with total paid circulation of approximately 1.5 million and 1.3 million as of March 26, 2017 and June 25, 2017, respectively;
- 313 weekly newspapers (published up to three times per week) with total paid circulation of approximately 329,000 and total free circulation of approximately 2.0 million;
- 130 “shoppers” (generally advertising-only publications) with total circulation of approximately 3.1 million;
- 555 locally focused websites, which extend our businesses onto the internet and mobile devices with approximately 258 million page views per month;
- two yellow page directories, with a distribution of approximately 230,000, that covers a population of approximately 411,000 people;
- 68 business publications; and
- UpCurve business services and ThriveHive digital marketing.

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. We also have a number of local and regional business-oriented publications that provide relevant and actionable news and analysis.
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 quarters of the year in terms of revenue. Correspondingly, our second and fourth fiscal quarters, historically, are our strongest quarters. We expect that this seasonality will continue to affect our advertising revenue in future periods.
We have experienced 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 2016.
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 usage of facilities and equipment while increasing the productivity of our labor force. We expect to continue to employ these steps as part of our business strategy.
The Company’s operating segments (Eastern US Publishing, Central US Publishing, Western US Publishing, and BridgeTower) are aggregated into one reportable business segment.

Acquisitions

On January 31, 2017 and February 10, 2017, we acquired substantially all the assets, properties, and business of certain publications/businesses, which included five daily newspapers, fifteen weekly publications, eleven shoppers, and an event production business for an aggregate purchase price of $21.4 million, including estimated working capital.
During 2016, we acquired substantially all the assets and assumed substantially all the liabilities of certain businesses, which included 68 niche publications, seven daily newspapers, seven weekly publications, eleven shoppers, and digital platforms for an aggregate purchase price of $135.9 million, including working capital.

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 a 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.
On February 14, 2017, Fortress announced that it had entered into the Merger Agreement with SB Foundation Holdings LP, a Cayman Islands exempted limited partnership (“SoftBank Parent”) and an affiliate of SoftBank Group Corp. (“SoftBank”), and Foundation Acquisition LLC, a Delaware limited liability company and wholly owned subsidiary of SoftBank Parent (“SoftBank Merger Sub”), pursuant to which SoftBank Merger Sub will merge with and into Fortress, with Fortress surviving as a wholly owned subsidiary of SoftBank Parent. While Fortress’s senior investment professionals are expected to remain in place, including those individuals who perform services for us, there can be no assurance that the SoftBank merger will not have an impact on us or our relationship with the Manager. Fortress informed the Company that it believes that under the Investment Advisers Act of 1940, as amended, the change of ownership resulting from the completion of the SoftBank merger will result in a deemed assignment of the Management Agreement, and that as a result, the Manager is required to obtain the Company’s

consent to the assignment. On April 27, 2017, the disinterested members of our board of directors unanimously approved the consent to the assignment. The disinterested members of our board of directors were advised by outside independent counsel.

Long-Lived Asset Impairment
As part of the ongoing cost reduction programs, we are consolidating print facilities, and during the six months ended June 25, 2017, the Company ceased printing operations at eleven facilities. As a result, we recognized an impairment charge of $6.5 million and accelerated depreciation of $1.2 million during the six months ended June 25, 2017. We will accelerate depreciation of approximately $1.4 million related to machinery and equipment in the third quarter of 2017.
Dispositions
On June 2, 2017, we completed the sale of the Mail Tribune, located in Medford, Oregon, for approximately $14.7 million, including estimated working capital. As a result, a pre-tax gain of approximately $5.4 million, net of selling expenses, is included in (gain) loss on sale or disposal of assets on the consolidated statement of operations and comprehensive (loss) income.
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, plans to reduce costs and preserve cash flow. We have also invested in potential growth opportunities, primarily in the digital space. We believe the cost reductions and the new digital initiatives 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, and other trends, have also impacted the markets in which we operate. Additionally, media companies continue to be impacted by the migration of consumers and businesses to an internet and mobile-based, digital medium. These conditions may continue to negatively impact print advertising and other revenue sources as well as increase operating costs in the future, even after an economic recovery. We expect that we will have adequate capital resources and liquidity to meet our working capital needs, borrowing obligations and all required capital expenditures for at least the next twelve months.
We periodically perform testing for impairment of goodwill and newspaper mastheads in which the fair value of our reporting units for goodwill impairment testing and individual newspaper mastheads 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.
A summary of our significant accounting policies are described in Note 1, of our consolidated financial statements, "Description of Business, Basis of Presentation, and Summary of Significant Accounting Policies", for the year ended December 25, 2016, included in our Annual Report on Form 10-K.
With the exception of the adoption of Accounting Standards Update No. 2017-04 “Intangibles - Goodwill and Other - Simplifying the Test for Goodwill Impairment” (Topic 350) described in Note 1 to the unaudited condensed consolidated financial statements, "Unaudited Financial Statements", 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 25, 2016.

Results of Operations

The following table summarizes our historical results of operations for New Media for the three and six months ended June 25, 2017 and June 26, 2016. References to “same store” results take into account material acquisitions and divestitures of the Company by adjusting prior year performance to include or exclude financial results as if the Company had owned or divested a business for the comparable period. The results of several acquisitions (“tuck-in acquisitions”) were funded from the Company's available cash and are not considered material.

The same store results for the three months ended June 25, 2017 are the same as reported, and the year-to-date same store results are not significantly different from actual results. Therefore, the revenue discussion below will focus on the as reported amounts only.

NEW MEDIA INVESTMENT GROUP INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Operations

(In thousands)

	Three months ended June 25, 2017	Three months ended June 26, 2016	Six months ended June 25, 2017	Six months ended June 26, 2016
Revenues:				
Advertising	$167,381	$174,153	$322,946	$337,791
Circulation	110,563	104,094	221,368	207,971
Commercial printing and other	44,929	36,583	86,083	69,172
Total revenues	322,873	314,830	630,397	614,934
Operating costs and expenses:				
Operating costs	177,020	172,557	354,811	347,010
Selling, general, and administrative	106,497	106,029	212,529	206,113
Depreciation and amortization	18,760	17,258	36,364	33,349
Integration and reorganization costs	2,237	1,409	4,607	2,335
Impairment of long-lived assets	—	—	6,485	—
Goodwill and mastheads impairment	27,448	—	27,448	—
(Gain) loss on sale or disposal of assets	(2,634)	831	(2,546)	2,351
Operating (loss) income	(6,455)	16,746	(9,301)	23,776
Interest expense	7,217	7,524	14,435	14,878
Other expense (income)	60	(90)	12	(254)
(Loss) income before income taxes	(13,732)	9,312	(23,748)	9,152
Income tax expense (benefit)	7,955	(71)	1,624	(5,198)
Net (loss) income	$(21,687)	$9,383	$(25,372)	$14,350

Three Months Ended June 25, 2017 Compared To Three Months Ended June 26, 2016

Revenue. Total revenue for the three months ended June 25, 2017 increased by $8.1 million, or 2.6%, to $322.9 million from $314.8 million for the three months ended June 26, 2016. The increase in total revenue was comprised of a $6.5 million, or 6.2%, increase in circulation revenue and an $8.4 million, or 22.8%, increase in commercial printing and other revenue, which was partially offset by a $6.8 million, or 3.9%, decrease in advertising revenue.

Advertising revenue declines were primarily driven by declines on the print side of our business in the local retail, classified, and preprint categories due to secular pressures and a continuing uncertain economic environment. These secular trends and economic conditions have also led to a decline in our print circulation volumes, which have been partially offset by price increases in select locations. The majority of the increase in commercial printing and other revenue is due to digital marketing services and events revenue.

Operating Costs. Operating costs for the three months ended June 25, 2017 increased by $4.4 million, or 2.5%, to $177.0 million from $172.6 million for the three months ended June 26, 2016. Operating costs include costs from acquisitions of $17.2

million, which was partially offset by a $12.8 million decrease in the costs related to the remaining operations. This decline in operating costs related to the remaining operations was primarily due to a decrease in compensation, hauling and delivery, newsprint and ink, outside services and postage expenses of $6.5 million, $2.0 million, $1.8 million, $1.4 million and $0.7 million, respectively. There were no other decreases greater than $0.5 million.

Selling, General and Administrative. Selling, general and administrative expenses for the three months ended June 25, 2017 increased by $0.6 million, or 0.6%, to $106.6 million from $106.0 million for the three months ended June 26, 2016. The increase includes selling, general and administrative expenses from acquisitions of $8.5 million, which was partially offset by a $7.9 million decrease in the costs related to the remaining operations. This decline in selling, general and administrative expenses related to the remaining operations was primarily due to a decrease in outside services, compensation, travel and entertainment, and telephone expenses of $2.8 million, $1.6 million, $1.0 million and $0.5 million, respectively. There were no other decreases greater than $0.5 million.

Integration and Reorganization Costs. During the three months ended June 25, 2017 and June 26, 2016, we recorded integration and reorganization costs of $2.2 million and $1.4 million, respectively, primarily resulting from severance costs related to acquisition-related synergies and the continued consolidation of our operations resulting from ongoing implementation of our plans to reduce costs and preserve cash flow.

Goodwill and Mastheads Impairment. During the three months ended June 25, 2017, we recorded a $27.4 million goodwill and mastheads impairment due to softening business conditions and the related impact on the fair value of our reporting units. No such charge was recorded during the three months ended June 26, 2016.

Income Tax Expense (Benefit). During the three months ended June 25, 2017 and June 26, 2016, we recorded an income tax expense of $8.0 million and an income tax benefit of $0.1 million, respectively. The increase in income tax expense is due to our tax provision being calculated based upon year-to-date results and reversal of the income tax benefit of $6.3 million recorded in the first three months of 2017 where the Company calculated the tax provision using the full year effective tax rate.

Net (Loss) Income. Net loss for the three months ended June 25, 2017 was $21.7 million and net income for the three months ended June 26, 2016 was $9.4 million. The difference is related to the factors noted above.

Six Months Ended June 25, 2017 Compared To Six Months Ended June 26, 2016

Revenue. Total revenue for the six months ended June 25, 2017 increased by $15.5 million, or 2.5%, to $630.4 million from $614.9 million for the six months ended June 26, 2016. The increase in total revenue was comprised of a $13.4 million, or 6.4%, increase in circulation revenue and a $16.9 million, or 24.4%, increase in commercial printing and other revenue, which was partially offset by a $14.8 million, or 4.4%, decrease in advertising revenue.

Advertising revenue declines were primarily driven by declines on the print side of our business in the local retail, classified, and preprint categories due to secular pressures and a continuing uncertain economic environment. These secular trends and economic conditions have also led to a decline in our print circulation volumes, which have been partially offset by price increases in select locations. The majority of the increase in commercial printing and other revenue is due to digital marketing services and events revenue.

Operating Costs. Operating costs for the six months ended June 25, 2017 increased by $7.8 million, or 2.2%, to $354.8 million from $347.0 million for the six months ended June 26, 2016. Operating costs include costs from acquisitions of $34.2 million, which was partially offset by a $26.4 million decrease in the costs related to the remaining operations. This decline in operating costs related to the remaining operations was primarily due to a decrease in compensation, hauling and delivery, newsprint and ink, outside services, postage and travel and entertainment expenses of $14.8 million, $3.5 million, $3.2 million, $2.3 million, $1.5 million and $1.0 million, respectively.

Selling, General and Administrative. Selling, general and administrative expenses for the six months ended June 25, 2017 increased by $6.5 million, or 3.2%, to $212.6 million from $206.1 million for the six months ended June 26, 2016. The increase includes selling, general and administrative expenses from acquisitions of $19.2 million and an increase in bad debt expense of $0.8 million, which was partially offset by a $13.5 million decrease in the costs related to the remaining operations. This decline in selling, general and administrative expenses related to the remaining operations was primarily due to a decrease in compensation, outside services, travel and entertainment, web hosting and domain expense, telephone expenses, advertising

and promotions, bank and credit card fees and business insurance of $3.6 million, $3.0 million, $1.6 million, $1.1 million, $0.9 million, $0.9 million, $0.8 million and $0.5 million, respectively. There were no other decreases greater than $0.5 million.

Integration and Reorganization Costs. During the six months ended June 25, 2017 and June 26, 2016, we recorded integration and reorganization costs of $4.6 million and $2.3 million, respectively, primarily resulting from severance costs related to acquisition-related synergies and the continued consolidation of our operations resulting from ongoing implementation of our plans to reduce costs and preserve cash flow.

Impairment of Long-lived Assets. During the six months ended June 25, 2017, we recorded a $6.4 million impairment of long-lived assets due to eleven printing facilities ceasing operations during the six months ended June 25, 2017, and additional shut downs expected in the third quarter of 2017. No such charge was recorded during the six months ended June 26, 2016.

Goodwill and Mastheads Impairment. During the six months ended June 25, 2017, we recorded a $27.4 million goodwill and mastheads impairment due to softening business conditions and the related impact on the fair value of our reporting units. No such charge was recorded during the six months ended June 26, 2016.

Income Tax Expense (Benefit). During the six months ended June 25, 2017, we recorded an income tax expense of $1.6 million based upon year-to-date results. During the six months ended June 26, 2016, we recorded an income tax benefit of $5.2 million which was primarily due to the discrete income tax benefit recognized during the six months ended June 26, 2016 attributable to the release of a portion of the valuation allowance as deferred tax assets were utilized to offset deferred tax liabilities of two acquired entities.

Net (Loss) Income. Net loss for the six months ended June 25, 2017 was $25.4 million and net income for the six months ended June 26, 2016 was $14.4 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 2017 capital expenditures to total between $11 million and $13 million. The 2017 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 6 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.

As a holding company, we have no operations of our own and accordingly we have no independent means of generating revenue, and our internal sources of funds to meet our cash needs, including payment of expenses, are dividends and other permitted payments from our subsidiaries.

We expect to fund our operations through cash provided by our subsidiaries’ operating activities, the incurrence of debt or the issuance of additional equity securities. 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 July 27, 2017, we announced a second quarter 2017 cash dividend of $0.35 per share of Common Stock, par value $0.01 per share, of New Media. The dividend will be paid on August 17, 2017, to shareholders of record as of the close of business on August 9, 2017.

On April 27, 2017, we announced a first quarter 2017 cash dividend of $0.35 per share of Common Stock, par value $0.01 per share, of New Media. The dividend was paid on May 18, 2017, to shareholders of record as of the close of business on May 10, 2017.

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On February 21, 2017, we announced a fourth quarter 2016 cash dividend of $0.35 per share of Common Stock, par value $0.01 per share, of New Media. The dividend was paid on March 16, 2017, to shareholders of record as of the close of business on March 8, 2017.
On October 27, 2016, we announced a third quarter 2016 cash dividend of $0.35 per share of Common Stock, par value $0.01 per share, of New Media. The dividend was paid on November 17, 2016, to shareholders of record as of the close of business on November 9, 2016.
On July 28, 2016, we announced a second quarter 2016 cash dividend of $0.33 per share of Common Stock, par value $0.01 per share, of New Media. The dividend was paid on August 18, 2016, to shareholders of record as of the close of business on August 10, 2016.
On April 28, 2016, we announced a first quarter 2016 cash dividend of $0.33 per share of Common Stock, par value $0.01 per share, of New Media. The dividend was paid on May 19, 2016, to shareholders of record as of the close of business on May 11, 2016.
On February 25, 2016, we announced a fourth quarter 2015 cash dividend of $0.33 per share of Common Stock, par value $0.01 per share, of New Media. The dividend was paid on March 17, 2016, to shareholders of record as of the close of business on March 9, 2016.
New Media Credit Agreement
On June 4, 2014, New Media Holdings II LLC (the "New Media Borrower"), a wholly owned subsidiary of New Media, entered into a credit agreement (the "New Media Credit Agreement") among the New Media Borrower, New Media Holdings I LLC ("Holdings I"), the lenders party thereto, RBS Citizens, N.A. and Credit Suisse Securities (USA) LLC as joint lead arrangers and joint bookrunners, Credit Suisse AG, Cayman Islands Branch as syndication agent and Citizens Bank of Pennsylvania as administration agent which provides for (i) a $200 million senior secured term facility (the "Term Loan Facility" and any loan thereunder, including as part of the Incremental Facility, "Term Loans") and (ii) a $25 million senior secured revolving credit facility, with a $5 million sub-facility for letters of credit and a $5 million sub-facility for swing loans, (the "Revolving Credit Facility" and together with the Term Loan Facility, the "Senior Secured Credit Facilities"). In addition, the New Media Borrower may request one or more new commitments for term loans or revolving loans from time to time up to an aggregate total of $75 million (the "Incremental Facility") subject to certain conditions. On June 4, 2014, the New Media Borrower borrowed $200 million under the Term Loan Facility (the "Initial Term Loans"). As of June 26, 2016, $0 was drawn under the Revolving Credit Facility. The Term Loans mature on June 4, 2020 and the maturity date for the Revolving Credit Facility is June 4, 2019. The New Media Credit Agreement was amended;
•on September 3, 2014, to provide for additional term loans under the Incremental Facility in an aggregate principal amount of $25 million (the "2014 Incremental Term Loan");
•on November 20, 2014, to increase the amount of the Incremental Facility that may be requested after the date of the amendment from $75 million to $225 million;
•on January 9, 2015, to provide for $102 million in additional term loans (the "2015 Incremental Term Loan") and $50 million in additional revolving commitments (the "2015 Incremental Revolver") under the Incremental Facility and to make certain amendments to the Revolving Credit Facility in connection with the purchase of the assets of Halifax Media;
•on February 13, 2015, to provide for the replacement of the existing term loans under the Term Loan Facility (including the 2014 Incremental Term Loan and the 2015 Incremental Term Loan) with a new class of replacement term loans. This amendment was considered a modification, and the related $0.1 million of fees were expensed during the first quarter of 2015;
•on March 6, 2015, to provide for $15 million in additional revolving commitments under the Incremental Facility and in connection with this transaction, the Company incurred approximately $0.2 million of fees and expenses which were capitalized as deferred financing costs; and
•on May 29, 2015, to provide for $25 million in additional term loans under the Incremental 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, and

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 June 25, 2017, we are in compliance with all of the covenants and obligations under the New Media Credit Agreement.

On July 14, 2017, the New Media Credit Agreement was amended to, among other things, (i) extend the maturity date of the outstanding term loans to July 14, 2022 (the "Extended Term Loans"), (ii) provide for a 1.00% prepayment premium for any prepayments of the Extended Term Loans made in connection with certain repricing transactions effected within six months of the date of the amendment, (iii) extend the maturity date of the revolving credit facility to July 14, 2021, (iv) provide for additional dollar-denominated term loans in an aggregate principal amount of $20 million (the "2017 Incremental Term Loans") on the same terms as the Extended Term Loans and (v) increase the amount of the incremental facility that may be requested on or after the date of the amendment (inclusive of the 2017 Incremental Term Loans) to $100 million.

Refer to Note 6 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 25, 2016, for further discussion of the New Media Credit Agreement.

Advantage Credit Agreements

In connection with the purchase of the assets of Halifax Media, which closed on January 9, 2015, certain subsidiaries of the Company (the "Advantage Borrowers") agreed to assume all of the obligations of Halifax Media and its affiliates in respect of each of (i) that certain Consolidated Amended and Restated Credit Agreement dated January 6, 2012 among Halifax Media Acquisition LLC, Advantage Capital Community Development Fund XXVIII, L.L.C., and Florida Community Development Fund II, L.L.C. (as amended, the "Halifax Florida Credit Agreement") and (ii) that certain Credit Agreement dated June 18, 2013 between Halifax Alabama, LLC and Southeast Community Development Fund V, L.L.C. (the "Halifax Alabama Credit Agreement" and, together with the Halifax Florida Credit Agreement, the "Advantage Credit Agreements"), respectively (the debt under the Halifax Florida Credit Agreement, the "Advantage Florida Debt"; and the debt under the Halifax Alabama Credit Agreement, the "Advantage Alabama Debt").

The Halifax Alabama Credit Agreement is in the principal amount of $8 million and bears interest at the rate of LIBOR plus 6.25% per annum (with a minimum of 1% LIBOR) payable quarterly in arrears, maturing on March 31, 2019. The Advantage Alabama Debt is secured by a perfected second priority security interest in all the assets of the Advantage Borrowers and certain other subsidiaries of the Company, subject to the limitation that the maximum amount of secured obligations is $15 million. The Advantage Alabama Debt is unconditionally guaranteed by Holdings I and certain subsidiaries of the New Media Borrowers and is required to be guaranteed by all future material wholly-owned domestic subsidiaries, subject to certain exceptions. The Advantage Alabama Debt is subordinated to the New Media Credit Agreement pursuant to an intercreditor agreement. The Halifax Florida Credit Agreement was in the principal amount of $10 million, bore interest at the rate of 5.25% per annum, payable quarterly in arrears, and matured on December 31, 2016. On December 30, 2016, we paid the outstanding balance under the Advantage Florida Debt in the amount of $10 million with cash on hand.

The Halifax Alabama Credit Agreement contains covenants substantially consistent with those contained in the New Media Credit Agreement in addition to those required for compliance with the New Markets Tax Credit program. The Advantage Borrowers are permitted to make voluntary prepayments at any time without premium or penalty and are subject to customary mandatory prepayment events including from proceeds from asset sales and certain debt obligations.

The Halifax Alabama Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants applicable to the Advantage Borrowers and certain of the Company subsidiaries, including, among other things, restrictions on indebtedness, liens, investments, fundamental changes, dispositions, and dividends and other distributions. The Halifax Alabama 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 3.75 to 1.00. The Halifax Alabama Credit Agreement contains customary events of default.

As of June 25, 2017, we are in compliance with all of the covenants and obligations under the Halifax Alabama Credit Agreement.

Refer 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 25, 2016, for further discussion of the Advantage Credit Agreements.

Cash Flows

The following table summarizes our historical cash flows.

	Six months ended June 25, 2017	Six months ended June 26, 2016
Cash provided by operating activities	$49,639	$30,824
Cash used in investing activities	(12,221)	(85,186)
Cash used in financing activities	(55,337)	(31,587)

The discussion of our cash flows that follows is based on our historical cash flows for the six months ended June 25, 2017 and June 26, 2016.

Cash Flows from Operating Activities. Net cash provided by operating activities for the six months ended June 25, 2017 was $49.6 million, an increase of $18.8 million when compared to $30.8 million of cash provided by operating activities for the six months ended June 26, 2016. This $18.8 million increase was the result of an increase in adjustments for non-cash charges of $39.3 million and an increase in cash provided by working capital of $19.2 million, which was partially offset by a decrease in operating results of $39.7 million.

The $19.2 million increase in cash provided by working capital for the six months ended June 25, 2017 when compared to the six months ended June 26, 2016, is primarily attributable to an increase in accrued expenses, an increase in accounts payable, and a decrease in inventory, which was partially offset by an increase in accounts receivable.

The $39.3 million increase in adjustments to net income for non-cash charges when compared to the six months ended June 26, 2016, primarily consisted of a $27.4 million goodwill and mastheads impairment, a $6.6 million increase in deferred income taxes, a $6.5 million increase in impairment of long-lived assets, a $3.0 million increase in depreciation and amortization, a $0.4 million increase in non-cash compensation expense, a $0.2 million increase in non-cash charge to investments, and a $0.1 million increase in pension and other postretirement benefit obligations, which was partially offset by a $4.9 million increase in gain on sale or disposal of assets.

Cash Flows from Investing Activities. Net cash used in investing activities for the six months ended June 25, 2017 was $12.2 million. During the six months ended June 25, 2017, we used $22.1 million, net of cash acquired, for acquisitions and $4.8 million for capital expenditures, which was partially offset by $14.7 million we received from the sale of publications and other assets.

Net cash used in investing activities for the six months ended June 26, 2016 was $85.2 million. During the six months ended June 26, 2016, we used $82.8 million, net of cash acquired, for acquisitions and $5.4 million for capital expenditures, which was partially offset by $3.1 million we received from the sale of publications and other assets.

Cash Flows from Financing Activities. Net cash used in financing activities for the six months ended June 25, 2017 was $55.3 million primarily due to the payment of dividends of $37.5 million, repayments under term loans of $11.8 million, $5.0 million in repurchases of common stock under the Share Repurchase Program, a $0.6 million purchase of treasury stock, and $0.4 million payment of offering costs.

Net cash used in financing activities for the six months ended June 26, 2016 was $31.6 million primarily due to the payment of dividends of $29.5 million, and repayments under term loans of $1.8 million, and a $0.4 million purchase of treasury stock.

Changes in Financial Position

The discussion that follows highlights significant changes in our financial position and working capital from December 25, 2016 to June 25, 2017.

Accounts Receivable. Accounts receivable decreased $12.5 million from December 25, 2016 to June 25, 2017, which primarily relates to seasonality and the timing of cash collections, which was partially offset by $2.4 million of assets acquired in the six month period ending June 25, 2017.

Prepaid Expenses. Prepaid expenses increased $4.1 million from December 25, 2016 to June 25, 2017, which primarily relates to the timing of payments.

Property, Plant, and Equipment. Property, plant, and equipment decreased $19.8 million from December 25, 2016 to June 25, 2017, of which $25.1 million relates to depreciation, $10.5 million relates to assets sold or disposed of during the first six months of 2017, and $6.4 million relates to an impairment of long-lived assets, which was partially offset by $17.4 million of assets acquired in 2017 and $4.8 million of capital expenditures.

Goodwill. Goodwill decreased $27.2 million from December 25, 2016 to June 25, 2017, which is primarily due to a $25.6 million goodwill impairment and $2.8 million relates to assets sold, which was partially offset by $1.4 million of assets acquired in 2017.

Intangible Assets. Intangible assets decreased $10.7 million from December 25, 2016 to June 25, 2017, of which $11.2 million relates to amortization, and $1.8 million relates to a mastheads impairment, which was partially offset by $2.4 million of assets acquired in 2017.

Current Portion of Long-term Debt. Current portion of long-term debt decreased $10.0 million from December 25, 2016 to June 25, 2017, due to $10.0 million repayment of debt that was assumed in the Halifax Media acquisition in 2015.

Accounts Payable. Accounts payable increased $6.4 million from December 25, 2016 to June 25, 2017, which relates primarily to the timing of vendor payments and acquisitions in 2017.

Accrued Expenses. Accrued expenses decreased $13.9 million from December 25, 2016 to June 25, 2017, which primarily relates to a decrease in the accrual for all management agreement related fees of $5.3 million, accrued bonuses of $5.0 million, and a $4.4 million decrease in accrued interest due to the timing of interest payments.

Deferred Income Taxes. Deferred income taxes increased $1.1 million from December 25, 2016 to June 25, 2017, which primarily relates to deferred taxes attributable to indefinite lived intangible assets.

Additional Paid-In Capital. Additional paid-in capital decreased $22.6 million from December 25, 2016 to June 25, 2017, due to dividends of $19.3 million and $5.0 million in repurchases of common stock under the Share Repurchase Program, which was partially offset by non-cash compensation expense of $1.6 million.

(Accumulated Deficit) Retained Earnings. Accumulated deficit increased $43.6 million from December 25, 2016 to June 25, 2017, due to a net loss of $25.4 million and dividends of $18.2 million.

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 25, 2016.

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 25, 2016 to June 25, 2017.

Non-GAAP Financial Measures

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

Adjusted EBITDA

We define Adjusted EBITDA as follows:

Income (loss) from continuing operations before:

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

Management’s Use of Adjusted EBITDA

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

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 income (loss), include: the cash portion of interest/financing expense, income tax (benefit) provision 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 income (loss) from continuing operations to Adjusted EBITDA, along with our consolidated financial statements included elsewhere in this report. We also strongly urge readers of our financial statements to not rely on any single financial measure to evaluate our business. In addition, because Adjusted EBITDA is not a measure of financial performance under GAAP and is susceptible to varying calculations, the Adjusted EBITDA measure, as presented in this report, may differ from and may not be comparable to similarly titled measures used by other companies.

We use Adjusted EBITDA as a measure of our 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 unrealized (gain) loss on derivative instruments and 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

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financing related costs such as the early extinguishment of debt because they represent the write-off of deferred financing costs and we believe these non-cash write-offs are similar to interest expense and amortization of financing fees, which by definition are excluded from Adjusted EBITDA. Additionally, the non-cash gains (losses) on derivative contracts, which are related to interest rate swap agreements to manage interest rate risk, are financing costs associated with interest expense. Such charges are incidental to, but not reflective of, our day-to-day operating performance and it is appropriate to exclude charges related to financing activities such as the early extinguishment of debt and the unrealized (gain) loss on derivative instruments which, depending on the nature of the financing arrangement, would have otherwise been amortized over the period of the related agreement and does not require a current cash settlement. Such charges are incidental to, but not reflective of our day-to-day operating performance of the business that management can impact in the short term.

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

	Three months ended June 25, 2017	Three months ended June 26, 2016	Six months ended June 25, 2017	Six months ended June 26, 2016
	(in thousands)			
Net (loss) income	$(21,687)	$9,383	$(25,372)	$14,350
Income tax expense (benefit)	7,955	(71)	1,624	(5,198)
Interest expense	7,217	7,524	14,435	14,878
Impairment of long-lived assets	—	—	6,485	—
Goodwill and mastheads impairment	27,448	—	27,448	—
Depreciation and amortization	18,760	17,258	36,364	33,349
Adjusted EBITDA from continuing operations	$39,693 (a)	$34,094 (b)	$60,984 (c)	$57,379 (d)

(a) Adjusted EBITDA for the three months ended June 25, 2017 included net expenses of $3,583, related to transaction and project costs, non-cash compensation, and other expense of $3,980, integration and reorganization costs of $2,237 and a $2,634 gain on the sale or disposal of assets.

(b) Adjusted EBITDA for the three months ended June 26, 2016 included net expenses of $5,990, related to transaction and project costs, non-cash compensation, and other expense of $3,750, integration and reorganization costs of $1,409 and a $831 loss on the sale or disposal of assets.

(c) Adjusted EBITDA for the six months ended June 25, 2017 included net expenses of $8,983, related to transaction and project costs, non-cash compensation, and other expense of $6,922, integration and reorganization costs of $4,607 and a $2,546 gain on the sale or disposal of assets.

(d) Adjusted EBITDA for the six months ended June 26, 2016 included net expenses of $11,799, related to transaction and project costs, non-cash compensation, and other expense of $7,113, integration and reorganization costs of $2,335 and a $2,351 loss on the sale or disposal of assets.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

During the six month period ended June 25, 2017, 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 25, 2016.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

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

Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control

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

Part II. — OTHER INFORMATION

Item 1. Legal Proceedings
There have been no material changes to the legal proceedings previously disclosed under "Legal Proceedings" included in our Annual Report on Form 10-K filed with the SEC on February 21, 2017.

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, 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. 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, 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, the Midwest, and the Southeast. During the six months ended June 25, 2017, approximately 29% of our total revenues were generated in three states in the Northeast: Massachusetts, Rhode Island, and New York. During the same period, approximately 21% of our total revenues were generated in two states in the Southeast: Florida and North Carolina. Also during the same period, approximately 21% of our total revenues were generated in two states in the Midwest: Ohio and Illinois. 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.

As of June 25, 2017, New Media's outstanding indebtedness consists primarily of the New Media Credit Agreement. The New Media Credit Agreement provides for (i) a $200 million senior secured term facility and (ii) a $25 million senior secured revolving credit facility, with a $5 million sub-facility for letters of credit and a $5 million sub-facility for swing loans. In addition, we may request one or more new commitments for term loans or revolving loans from time to time up to an aggregate total of $75 million (the "Incremental Facility"), subject to certain conditions. On September 3, 2014, the New Media Credit Agreement was amended to provide for additional term loans under the Incremental Facility in an aggregate principal amount of $25 million. On November 20, 2014, the New Media Credit Agreement was further amended to increase the amount available thereunder for incremental term loans from $75 million to $225 million in order to facilitate the financing of the acquisition of substantially all of the assets from Halifax Media Group LLC. On January 9, 2015, the New Media Credit Agreement was amended to provide for additional term loans and revolving commitments under the Incremental Facility in a combined aggregate principal amount of $152 million and to make certain amendments to the Revolving Credit Facility. On February 13, 2015, the New Media Credit Agreement was amended to, amongst other things, replace the existing term loans with a new class of replacement term loans with extended call protection. On March 6, 2015, the New Media Credit Agreement was amended to provide for $15 million in additional revolving commitments under the Incremental Facility. On May 29, 2015, the New Media Credit Agreement was amended to provide for $25 million in additional term loans under the Incremental Facility. As of June 25, 2017, $0 was drawn under the Revolving Credit Facility. On July 14, 2017, the New Media Credit Agreement was amended to, among other things, (i) extend the maturity date of the outstanding term loans to July 14, 2022 (the “Extended Term Loans”), (ii) provide for a 1.00% prepayment premium for any prepayments of the Extended Term Loans made in connection with certain repricing transactions effected within six months of the date of the amendment, (iii) extend the maturity date of the revolving credit facility to July 14, 2021, (iv) provide for additional dollar-denominated term loans in an aggregate principal amount of $20 million (the “2017 Incremental Term Loans”) on the same terms as the Extended Term Loans and (v) increase the amount of the incremental facility that may be requested on or after the date of the amendment (inclusive of the 2017 Incremental Term Loans) to $100 million.

The Halifax Alabama Credit Agreement, which arose from debt obligations assumed by us in connection with our acquisition of substantially all of the assets from Halifax Media Group LLC on January 9, 2015, is comprised of debt in the principal amount of $8 million that bears interest at the rate of LIBOR plus 6.25% per annum (with a minimum of 1% LIBOR) payable quarterly in arrears, maturing on March 31, 2019. As of June 25, 2017, $8 million was outstanding under the Halifax Alabama Credit Agreement.

All of the above 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.

Each of the New Media Credit Agreement and Advantage Credit Agreements 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 Halifax Alabama Credit Agreement contains covenants substantially consistent with those contained in the New Media Credit Agreement in addition to those required for compliance with the New Markets Tax Credit program.
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 and any resulting acceleration of obligations under any of the New Media Credit Agreement or Halifax Alabama Credit Agreement could also result in an event of default and declaration of acceleration under our other existing debt agreements. Such an acceleration of our debt would have a material adverse effect on our liquidity and our ability to continue as a going concern. A default under any of the New Media Credit Agreement or Halifax Alabama Credit Agreement could also significantly limit our alternatives to refinance both the debt under which the default occurred and other indebtedness. 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 substantial 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 paid a first quarter 2017 cash dividend of $0.35 per share of Common Stock and have regularly paid 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

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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.

As a holding company, we are also dependent on our subsidiaries being able to pay dividends to us. 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. 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 businesses will be adversely affected.

Given the ever-growing and rapidly changing number of digital media options available on the internet, 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.

In addition, the ever-growing and rapidly changing number of digital media options available on the internet 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.

The basic raw material for our publications is newsprint. We generally maintain only a 45 to 55-day inventory of newsprint, although our participation in a newsprint-buying consortium has helped ensure adequate supply. An inability to obtain an adequate supply of newsprint at a favorable price or at all in the future could have a material adverse effect on our ability to produce our publications. Historically, the price of newsprint has been volatile, reaching a high of approximately $823 per metric ton in 2008 and experiencing a low of almost $410 per metric ton in 2002. The average price of newsprint during 2016 was approximately $626 per metric ton. Recent and future consolidation of major newsprint suppliers may adversely affect price competition among suppliers. 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, 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 midsize markets in the United States. Our revenues primarily consist of advertising and paid circulation. Competition for advertising revenues and paid circulation comes from direct mail, directories, radio, television, outdoor advertising, other newspaper publications, the internet and other media. For example, as the use of the internet 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, such as the internet. 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.

Overall daily newspaper circulation, including national and urban newspapers, has declined in recent years. For the year ended December 25, 2016, our circulation revenue increased by $43.2 million, or 11.4%, as compared to the year ended December 27, 2015, of which $32.0 million relates to acquisitions. There can be no assurance that our circulation revenue will not decline again 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 circulation. Further declines in circulation could impair our ability to maintain or increase our advertising prices, cause purchasers of advertising in our publications to reduce or discontinue those purchases and discourage potential new advertising customers, 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 could also adversely affect circulation of our newspapers, which may decrease circulation revenue and cause more marked declines in print 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 June 25, 2017 the carrying value of our goodwill is $200.7 million, mastheads is $93.7 million, and amortizable intangible assets is $247.1 million. These assets 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.
As a result of the annual impairment assessment, as of June 25, 2017, we recorded a goodwill impairment in two of our reporting units, Central US Publishing and Western US Publishing ("West"), for a total of $25.6 million. Additionally, the estimated fair value exceeded carrying value for mastheads except in the West reporting unit, which recognized an impairment charge of $1.8 million.
During the fourth quarter of 2015, we reorganized our management structure to align with the geography of the market served. As a result, an additional impairment analysis was performed. The analysis of masthead values suggested impairment, and a charge of $4.8 million was recorded in December 2015.
For further information on goodwill and intangible assets, see Note 5 to the consolidated financial statements, "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 medical 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 $25.4 million at June 25, 2017. Our pension plan invests in a variety of equity and debt securities, many of which were affected by the disruptions in the credit and capital markets in 2009 and 2010. Future volatility and disruption in the stock markets could cause further declines in the asset values of our pension plans. In addition, a decrease 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 services, which we attempt to protect through patents, copyrights, trade laws and contractual restrictions, such as confidentiality agreements. We believe our proprietary and other intellectual property rights are important to our 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 June 25, 2017, we employed 9,673 employees, of whom 1,250 (or approximately 13%) were represented by 39 unions. 83% of the unionized employees are in four states: Ohio, Rhode Island, Massachusetts and Illinois and represent 29%, 24%, 15% and 15% of all our union employees, respectively. Most of our unionized employees work under collective bargaining agreements that expire in 2017.

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

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 2016, we generated approximately 6.7% 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 and 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.

On February 14, 2017, Fortress announced that it had entered into the Merger Agreement with SB Foundation Holdings LP, a Cayman Islands exempted limited partnership ("SoftBank Parent") and an affiliate of SoftBank, and Foundation Acquisition LLC, a Delaware limited liability company and wholly owned subsidiary of SoftBank Parent ("SoftBank Merger Sub"), pursuant to which SoftBank Merger Sub will merge with and into Fortress, with Fortress surviving as a wholly owned subsidiary of SoftBank Parent. While Fortress's senior investment professionals are expected to remain in place, including those individuals who perform services for us, there can be no assurance that the SoftBank merger will not have an impact on us or our relationship with the Manager.

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, although approved by the independent directors of both Newcastle (our parent prior to the spin-off of the Company) and New Media as fair, 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 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 be 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 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. Fortress had approximately $72.2 billion of assets under management as of June 30, 2017. 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 which 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 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.

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 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.

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 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 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;
- 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 of substantial amounts of shares of our Common Stock in the public market, or the perception that such sales 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, leading to 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 Newcastle's 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.
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. 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 2017 and 2016, the number of shares reserved for issuance under the Incentive Plan was increased by 107,023 and 94,400, representing 10% of the shares of Common Stock newly issued in fiscal year 2016 and 2015, 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:

- a classified board of directors with staggered three-year terms;
- 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 17, 2018. 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
Total through December 25, 2016	26,749		$ 15.63	—	115,636
December 26, 2016 through January 29, 2017	—		$ —	—	107,632
January 30, 2017 through February 26, 2017	39,879	(1)	$ 15.21	—	135,316
February 27, 2017 through March 26, 2017	—		$ —	—	135,316
March 27, 2017 through April 30, 2017	1,516	(1)	$ 13.16	—	134,013
May 1, 2017 through May 28, 2017	391,120	(2)	$ 12.77	391,120	7,584,013
May 29, 2017 through June 25, 2017	—		$ —	—	7,584,013
Total	459,264		$ 13.15	391,120	7,584,013

(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.

(2) On May 17, 2017, the Company announced that the Company's Board of Directors authorized the repurchase of up to $100 million of the Company's common stock in the next 12 months.

Item 3. Defaults Upon Senior Securities
Not applicable

Item 4. Mine Safety Disclosures
Not applicable

Item 5. Other Information
Not applicable

Item 6. Exhibits
See Index to Exhibits on page 55 of this Quarterly Report on Form 10-Q.

SIGNATURES

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

NEW MEDIA INVESTMENT GROUP INC.

Date: July 27, 2017 /s/ Gregory W. Freiberg

Gregory W. Freiberg

Chief Financial Officer

(Principal Financial and Accounting Officer)

Exhibit No.	Description
10.42	Seventh Amendment to Credit Agreement, dated as of July 14, 2017, among New Media Holdings I LLC, New Media Holdings II LLC, the loan parties party thereto, the several banks and other financial institutions party thereto and Citizens Bank of Pennsylvania, as administrative agent (incorporated by reference to Exhibit 10.1 to New Media Investment Group Inc.'s Current Report on Form 8-K, filed July 18, 2017).
* 31.1	Rule 13a-14(a)/15d-14(d) Certification of Principal Executive Officer under the Securities Exchange Act of 1934 (included herewith).
* 31.2	Rule 13a-14(a)/15d-14(d) Certification of Principal Financial Officer under the Securities Exchange Act of 1934 (included herewith).
* 32.1	Section 1350 Certifications (included herewith).
* 101.INS	XBRL Instance Document
* 101.SCH	XBRL Taxonomy Extension Schema
* 101.CAL	XBRL Taxonomy Extension Calculation Linkbase
* 101.DEF	XBRL Taxonomy Extension Definition Linkbase
* 101.LAB	XBRL Taxonomy Extension Label Linkbase
* 101.PRE	XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith.