NEW YORK TIMES CO
Form 10-Q
November 07, 2008

# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d)**

**OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 28, 2008**

**Commission file number 1-5837**

# THE NEW YORK TIMES COMPANY

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **NEW YORK** | **13-1102020** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**620 EIGHTH AVENUE, NEW YORK, NEW YORK**

(Address of principal executive offices)

**10018**

(Zip Code)

Registrant s telephone number, including area code **212-556-1234**

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

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

Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o.

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

Number of shares of each class of the registrant s common stock outstanding as of October 31, 2008 (exclusive of treasury shares):

| | |
|---|---|
| Class A Common Stock | 142,966,008 shares |
| Class B Common Stock | 825,634 shares |

**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**THE NEW YORK TIMES COMPANY**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

(In thousands, except per share data)

| | For the Quarters Ended (13 weeks) | | For the Nine Months Ended (39 weeks) | |
|---|---|---|---|---|
| | September 28, 2008 | September 30, 2007 | September 28, 2008 | September 30, 2007 |
| Revenues | | | | |
| Advertising | $ 398,196 | $ 465,043 | $ 1,310,912 | $ 1,478,425 |
| Circulation | 225,689 | 223,420 | 676,486 | 664,538 |
| Other | 63,157 | 65,896 | 189,404 | 186,359 |
| Total revenues | 687,042 | 754,359 | 2,176,802 | 2,329,322 |
| Operating costs | | | | |
| Production costs: | | | | |
| Raw materials | 62,645 | 58,643 | 182,006 | 196,678 |
| Wages and benefits | 148,183 | 163,367 | 473,695 | 487,810 |
| Other | 111,418 | 109,952 | 331,508 | 318,421 |
| Total production costs | 322,246 | 331,962 | 987,209 | 1,002,909 |
| Selling, general and administrative costs | 320,929 | 342,503 | 1,006,392 | 1,029,045 |
| Depreciation and amortization | 33,881 | 51,789 | 108,454 | 142,871 |
| Total operating costs | 677,056 | 726,254 | 2,102,055 | 2,174,825 |
| Impairment of assets | 160,430 | | 178,721 | |
| Net loss on sale of assets | | | | 68,156 |
| Gain on sale of WQEW-AM | | | | 39,578 |
| Operating (loss)/profit | (150,444) | 28,105 | (103,974) | 125,919 |
| Net income from joint ventures | 6,892 | 5,412 | 15,264 | 8,004 |
| Interest expense, net | 11,658 | 10,470 | 35,507 | 28,924 |
| (Loss)/income from continuing operations before income taxes and minority interest | (155,210) | 23,047 | (124,217) | 104,999 |
| Income tax (benefit)/expense | (40,360) | 8,991 | (30,801) | 48,741 |
| Minority interest in net (income)/loss of subsidiaries | (54) | 54 | (371) | 39 |
| (Loss)/income from continuing operations | (114,904) | 14,110 | (93,787) | 56,297 |
| Discontinued operations, Broadcast Media Group: | | | | |
| Income from discontinued operations, net of income taxes | | | | 5,753 |
| Gain/(loss) on sale, net of income taxes | 8,611 | (671) | 8,300 | 93,659 |
| Discontinued operations, net of income taxes | 8,611 | (671) | 8,300 | 99,412 |
| Net (loss)/income | $ (106,293) | $ 13,439 | $ (85,487) | $ 155,709 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Average number of common shares outstanding | | | | | | | | |
| Basic | | 143,782 | | 143,902 | | 143,773 | | 143,901 |
| Diluted | | 143,782 | | 144,112 | | 143,773 | | 144,057 |
| | | | | | | | | |
| Basic (loss)/earnings per share: | | | | | | | | |
| (Loss)/income from continuing operations | $ | (0.80) | $ | 0.10 | $ | (0.65) | $ | 0.39 |
| Discontinued operations, net of income taxes | | 0.06 | | (0.01) | | 0.06 | | 0.69 |
| Net (loss)/income | $ | (0.74) | $ | 0.09 | $ | (0.59) | $ | 1.08 |
| | | | | | | | | |
| Diluted (loss)/earnings per share: | | | | | | | | |
| (Loss)/income from continued operations | $ | (0.80) | $ | 0.10 | $ | (0.65) | $ | 0.39 |
| Discontinued operations, net of income taxes | | 0.06 | | (0.01) | | 0.06 | | 0.69 |
| Net (loss)/income | $ | (0.74) | $ | 0.09 | $ | (0.59) | $ | 1.08 |
| | | | | | | | | |
| Dividends per share | $ | 0.230 | $ | 0.230 | $ | 0.690 | $ | 0.635 |

See Notes to Condensed Consolidated Financial Statements.

**THE NEW YORK TIMES COMPANY**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands)

| | September 28, 2008 (Unaudited) | December 30, 2007 |
|---|---|---|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | $ 45,848 | $ 51,532 |
| Accounts receivable-net | 364,637 | 437,882 |
| Inventories: | | |
| Newsprint and magazine paper | 21,376 | 21,929 |
| Other inventory | 6,163 | 4,966 |
| Total inventories | 27,539 | 26,895 |
| Deferred income taxes | 80,617 | 92,335 |
| Other current assets | 58,637 | 55,801 |
| Total current assets | 577,278 | 664,445 |
| Other Assets | | |
| Investment in joint ventures | 146,150 | 137,831 |
| Property, plant and equipment (less accumulated depreciation and amortization of $918,975 in 2008 and $1,138,837 in 2007) | 1,354,796 | 1,468,013 |
| Intangible assets acquired: | | |
| Goodwill | 664,274 | 683,440 |
| Other intangible assets acquired | 72,963 | 128,461 |
| Total intangible assets acquired | 737,237 | 811,901 |
| Deferred income taxes | 150,637 | 112,379 |
| Miscellaneous assets | 255,597 | 278,523 |
| TOTAL ASSETS | $ 3,221,695 | $ 3,473,092 |

See Notes to Condensed Consolidated Financial Statements.

**THE NEW YORK TIMES COMPANY**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except share and per share data)

| | September 28, 2008 (Unaudited) | December 30, 2007 |
|---|---|---|
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current Liabilities | | |
| Commercial paper outstanding | $ | $ 111,741 |
| Borrowings under revolving credit agreements | 397,850 | 195,000 |
| Accounts payable | 160,718 | 202,923 |
| Accrued payroll and other related liabilities | 100,195 | 142,201 |
| Accrued expenses | 158,510 | 193,222 |
| Unexpired subscriptions | 82,284 | 81,110 |
| Current portion of long-term debt and capital lease obligations | 49,549 | 49,539 |
| Total current liabilities | 949,106 | 975,736 |
| Other Liabilities | | |
| Long-term debt | 672,508 | 672,005 |
| Capital lease obligations | 6,650 | 6,694 |
| Pension benefits obligation | 284,281 | 281,517 |
| Postretirement benefits obligation | 214,424 | 213,500 |
| Other | 290,329 | 339,533 |
| Total other liabilities | 1,468,192 | 1,513,249 |
| Minority Interest | 7,325 | 5,907 |
| Stockholders Equity | | |
| Common stock of $.10 par value: | | |
| Class A authorized 300,000,000 shares; issued: 2008 148,057,158; 2007 148,057,158 (including treasury shares: 2008 5,091,299; 2007 5,154,989) | 14,806 | 14,806 |
| Class B convertible authorized and issued shares: 2008 825,634; 2007 825,634 | 83 | 83 |
| Additional paid-in-capital | 22,484 | 9,869 |
| Retained earnings | 975,989 | 1,170,288 |
| Common stock held in treasury, at cost | (160,178) | (161,395) |
| Accumulated other comprehensive loss, net of income taxes: | | |
| Foreign currency translation adjustments | 18,279 | 19,660 |
| Funded status of benefit plans | (74,391) | (75,111) |
| Total accumulated other comprehensive loss, net of income taxes | (56,112) | (55,451) |
| Total stockholders equity | 797,072 | 978,200 |
| TOTAL LIABILITIES AND STOCKHOLDERS EQUITY | $ 3,221,695 | $ 3,473,092 |

See Notes to Condensed Consolidated Financial Statements.

**THE NEW YORK TIMES COMPANY**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

(In thousands)

| | Nine Months Ended | |
|---|---|---|
| | September 28, 2008 | September 30, 2007 |
| | (39 weeks) | |
| OPERATING ACTIVITIES | | |
| Net cash provided by operating activities | $ 144,232 | $ 29,074 |
| | | |
| INVESTING ACTIVITIES | | |
| Capital expenditures | (134,067) | (301,176) |
| Proceeds from sale of the Broadcast Media Group | | 575,288 |
| Proceeds from the sale of WQEW-AM | | 40,000 |
| Proceeds from the sale of Edison, N.J., assets | | 90,819 |
| Payment for purchase of Edison N.J., printing facility | | (139,961) |
| Acquisitions, net of cash acquired of $2,353 in 2008 and $1,190 in 2007 | (5,737) | (34,087) |
| Other investing payments net | (2,309) | (3,169) |
| Net cash (used in)/provided by investing activities | (142,113) | 227,714 |
| FINANCING ACTIVITIES | | |
| Commercial paper repayments-net | (111,741) | (330,587) |
| Borrowings under revolving credit agreements-net | 202,850 | 205,000 |
| Long-term obligations: | | |
| Reductions | (46) | (102,422) |
| Capital shares: | | |
| Issuances | | 529 |
| Repurchases | (70) | (2,040) |
| Excess tax benefits from stock-based awards | | 165 |
| Dividends paid to stockholders | (99,855) | (91,824) |
| Other financing proceeds net | | 44,769 |
| Net cash used in financing activities | (8,862) | (276,410) |
| Decrease in cash and cash equivalents | (6,743) | (19,622) |
| Effect of exchange rate changes on cash and cash equivalents | 1,059 | 520 |
| Cash and cash equivalents at the beginning of the year | 51,532 | 72,360 |
| Cash and cash equivalents at the end of the quarter | $ 45,848 | $ 53,258 |

SUPPLEMENTAL DATA

**Acquisitions**

- In March 2008, the Company acquired certain assets of the Winter Haven News Chief for $2.5 million and purchased additional Class A units of BehNeem, LLC, increasing its total investment to $4.3 million for a 53% ownership interest. In the first quarter of 2008, the Company also paid the remaining $0.5 million for UCompareHealthCare.com, which was acquired in March 2007, for a total of $2.3 million.

**Other**

- Financing activities  Other financing proceeds in 2007 include cash received from the Company s real estate development partner for repayment of the Company s loan receivable in connection with the construction of the Company s new headquarters.

See Notes to Condensed Consolidated Financial Statements.

**THE NEW YORK TIMES COMPANY**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

## NOTE 1. GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In the opinion of The New York Times Company s (the Company ) management, the Condensed Consolidated Financial Statements present fairly the financial position of the Company as of September 28, 2008, and December 30, 2007, and the results of operations and cash flows of the Company for the periods ended September 28, 2008, and September 30, 2007. All adjustments and reclassifications necessary for a fair presentation have been included and are of a normal and recurring nature. All significant intercompany accounts and transactions have been eliminated in consolidation. The financial statements were prepared in accordance with the requirements of the Securities and Exchange Commission for interim reporting. As permitted under those rules, certain notes or other financial information that are normally required by accounting principles generally accepted in the United States of America ( GAAP ) have been condensed or omitted from these interim financial statements. These statements, therefore, should be read in conjunction with the Consolidated Financial Statements and related Notes included in the Company s Annual Report on Form 10-K for the year ended December 30, 2007. Due to the seasonal nature of the Company s business, operating results for the interim periods are not necessarily indicative of a full year s operations. The fiscal periods included herein comprise 13 weeks for the third-quarter periods and 39 weeks for the nine-month periods.

As of September 28, 2008, the Company s significant accounting policies, which are detailed in the Company s Annual Report on Form 10-K for the year ended December 30, 2007, have not changed materially.

The Company adopted Emerging Issues Task Force ( EITF ) No. 06-4, Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements ( EITF 06-4 ), on December 31, 2007 (the first day of the Company s 2008 fiscal year). EITF 06-4 was issued to clarify the accounting for the deferred compensation and postretirement aspects of endorsement split-dollar life insurance arrangements. It required the Company to recognize a liability for future benefits in accordance with Statement of Financial Accounting Standards ( FAS ) No. 106, Employers Accounting for Postretirement Benefits Other Than Pensions ( FAS 106 ). Accordingly, the Company recorded a liability, which is included in Other Liabilities Other in the Company s Condensed Consolidated Balance Sheet, for its endorsement split-dollar life insurance arrangement of approximately $9 million through a cumulative-effect adjustment to retained earnings on December 31, 2007.

In September 2006, the Financial Accounting Standards Board ( FASB ) issued FAS No. 157, Fair Value Measurements ( FAS 157 ), which establishes a common definition for fair value in accordance with GAAP, and establishes a framework for measuring fair value and expands disclosure requirements about such fair value measurements.

In February 2008, the FASB issued FASB Staff Position ( FSP ) FAS 157-2, Effective Date of FASB Statement No. 157 ( FSP 157-2 ). FSP 157-2 delayed the effective date of FAS 157 to fiscal years beginning after

November 15, 2008, for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The partial delay is intended to provide all relevant parties more time to consider the effect of various implementation issues that have arisen, or that may arise, from the application of FAS 157.

In accordance with FSP 157-2, the Company partially adopted FAS 157 in the first quarter of 2008. Therefore, in 2008, the Company s financial statements will reflect the requirements of FAS 157 for any financial assets and liabilities and for any nonfinancial assets and liabilities recognized or disclosed at fair value in the financial statements on a recurring basis. As of September 28, 2008, the Company does not have any material nonfinancial assets or liabilities for which the requirements under FAS 157 were not applied because of the partial delay under FSP 157-2.

As of September 28, 2008, the Company does not have any assets measured at fair value that fall within the scope of FAS 157 and FSP 157-2. The Company does have a liability for a Company-sponsored deferred executive compensation plan (the DEC plan ) that falls within the scope of FAS 157 and FSP 157-2, as of September 28, 2008. The DEC plan enables certain eligible executives to defer a portion of their compensation on a pre-tax basis. Employees contributions earn income based on the performance of investment funds they select. The DEC plan liability is the amount due to the respective executives and is recorded at fair value on a recurring basis utilizing observable market data (Level 2 under FAS 157). The fair value of the liability, which is included in Other Liabilities Other in the Company s Condensed Consolidated Balance Sheet, was approximately $119 million as of September 28, 2008.

In February 2007, the FASB issued FAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115 ( FAS 159 ), which is effective in fiscal 2008 and permits entities to choose to measure many financial instruments and certain other items at fair value. The Company did not elect the fair value option for any items under FAS 159.

Recent Accounting Pronouncements

In December 2007, the FASB issued FAS No. 141(R), Business Combinations ( FAS 141(R) ) and FAS No. 160, Accounting and Reporting of Noncontrolling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin No. 51 ( FAS 160 ). Changes for business combination transactions pursuant to FAS 141(R) include, among others, expensing acquisition-related transaction costs as incurred, the recognition of contingent consideration arrangements at their acquisition date fair value and capitalization of in-process research and development assets acquired at their acquisition date fair value. Changes in accounting for noncontrolling (minority) interests pursuant to FAS 160 include, among others, the classification of noncontrolling interest as a component of consolidated stockholders equity and the elimination of minority interest accounting in results of operations. FAS 141(R) and FAS 160 are required to be adopted simultaneously and are effective for fiscal years beginning on or after December 15, 2008. The adoption of FAS 141(R) will affect the accounting for the Company s acquisitions that occur after the adoption date. Based on the Company s current structure, FAS 160 will be immaterial to the Company s financial statements.

**NOTE 2.** **DISCONTINUED OPERATIONS**

On May 7, 2007, the Company sold its Broadcast Media Group, which consisted of nine network-affiliated television stations, their related Web sites and a digital operating center, for approximately $575 million. In 2007, the Company recognized a pre-tax gain on the sale of approximately $190 million (approximately $94 million after tax). In accordance with FAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ( FAS 144 ), the Broadcast Media Group s results of operations and the gain on sale are presented as discontinued operations. Net income from discontinued operations of $8.6 million in the third quarter of 2008 was due to a reduction in income taxes on the gain on the sale, and net loss from discontinued operations of $0.7 million in the third quarter of 2007 was due to post-closing adjustments to the gain. The first nine months of 2008 also included post-closing adjustments to the gain on the sale. The results of operations presented as discontinued operations are summarized in the following table.

| | For the Quarters Ended | | For the Nine Months Ended | |
|---|---|---|---|---|
| **(In thousands)** | **September 28, 2008** | **September 30, 2007** | **September 28, 2008** | **September 30, 2007** |
| Revenues | $ | $ | $ | $ 46,702 |
| Operating costs | | | | 36,854 |
| Pre-tax income | | | | 9,848 |
| Income tax expense | | | | 4,095 |
| Income from discontinued operations, net of income taxes | | | | 5,753 |
| Gain/(loss) on sale, net of income taxes: | | | | |
| Gain/(loss) on sale, before taxes | (26) | (1,361) | (565) | 189,880 |
| Income tax (benefit)/expense | (8,637) | (690) | (8,865) | 96,221 |
| Gain/(loss) on sale, net of income taxes | 8,611 | (671) | 8,300 | 93,659 |
| Discontinued operations, net of income taxes | $ 8,611 | $ (671) | $ 8,300 | $ 99,412 |

**NOTE 3.** **IMPAIRMENT OF ASSETS**

In accordance with FAS No. 142, Goodwill and Other Intangible Assets ( FAS 142 ), the Company is required to perform an impairment test on goodwill and indefinite-lived intangible assets (mastheads and trade names) annually or if certain circumstances indicate a possible impairment may exist. The Company s policy is to complete the required annual impairment test in accordance with FAS 142 in its fiscal fourth quarter. In accordance with FAS 144, other long-lived assets that are amortized (customer lists, property, plant and equipment and other assets) are required to be tested for impairment if certain circumstances indicate that a possible impairment may exist. Due to certain impairment indicators, including the continued decline in print advertising revenue affecting the newspaper industry and lower-than-expected current and projected operating results, the Company was required to perform an interim impairment test in the third quarter of 2008 at the New England Media Group. The New England Media Group, which principally includes the Boston Globe (the Globe ), Boston.com and the Worcester Telegram & Gazette, is part of the News Media Group reportable segment. The assets tested include goodwill, indefinite-lived intangible assets, other long-lived assets being amortized and an equity method investment in Metro Boston LLC ( Metro Boston ), which publishes a free daily newspaper in the Greater Boston area.

The Company has not finalized its interim impairment analysis due to the timing and complexity of the calculations required. However, the Company has recorded an estimated non-cash impairment charge in the third quarter of 2008 of $166.0 million ($112.8 million after tax, or $.78 per share) based on calculations performed to date. Any adjustment to the estimate recorded will be made in the fourth quarter of 2008 when the Company finalizes the interim third-quarter 2008 impairment test.

The impairment charge in the third quarter of 2008, which is included in the line items Impairment of assets and Net income from joint ventures in the Company s 2008 Condensed Consolidated Statements of Operations, is presented below by asset:

| **(In thousands)** | | **Pre-tax** | | **Tax** | | **After-tax** |
|---|---|---|---|---|---|---|
| Newspaper mastheads | $ | 38,312 | $ | 14,229 | $ | 24,083 |
| Goodwill | | 22,897 | | | | 22,897 |
| Customer list | | 8,336 | | 3,086 | | 5,250 |
| Property, plant and equipment | | 90,885 | | 33,809 | | 57,076 |
| Impairment of assets | | 160,430 | | 51,124 | | 109,306 |
| Metro Boston investment | | 5,600 | | 2,084 | | 3,516 |
| Total | $ | 166,030 | $ | 53,208 | $ | 112,822 |

The impairment mainly resulted from lower projected operating results and cash flows of the New England Media Group primarily due to the secular decline of print advertising revenue. These factors resulted in the carrying value of the assets being greater than their fair value, and therefore a write-down to fair value was required.

Goodwill is the excess of cost over the fair market value of tangible and other intangible assets acquired. The fair value of the New England Media Group s goodwill is the residual fair value after allocating the total fair value of the New England Media Group to its other assets, net of liabilities. The total fair value of the New England Media Group was estimated using a combination of a discounted cash flow model (present value of future cash flows) and a market approach model based on comparable businesses. The goodwill is not tax deductible because the 1993 acquisition of the Globe was structured as a tax-free stock transaction.

The fair value of the mastheads was calculated using a relief-from-royalty method and the fair value of the customer list was calculated by estimating the present value of associated future cash flows.

The property, plant and equipment of the New England Media Group has been estimated at fair value less cost to sell. The fair value was determined giving consideration to market and income approaches to value.

The carrying value of the investment in Metro Boston was written down to fair value because the business had experienced lower-than-expected growth and it anticipates lower growth compared to previous projections, leading the Company to conclude that the investment was other than temporarily impaired.

In connection with its required annual impairment test, the Company will test goodwill and indefinite-lived intangible assets in all other reporting units in the fourth quarter of 2008. Any impairment resulting from these tests would be recorded in the fourth quarter of 2008.

In the first quarter of 2008, the Company recorded a non-cash charge of $18.3 million for the write-down of assets for a systems project at the News Media Group.  The Company reduced the scope of a major advertising and circulation project to decrease capital spending, which resulted in the write-down of previously capitalized costs.

## NOTE 4. GOODWILL AND OTHER INTANGIBLE ASSETS

See Note 3 for information on an interim impairment test performed in the third quarter of 2008.

The changes in the carrying amount of goodwill were as follows:

| (In thousands) | | News Media Group | | About Group | | Total |
|---|---|---|---|---|---|---|
| Balance as of December 30, 2007 | $ | 313,459 | $ | 369,981 | $ | 683,440 |
| Goodwill acquired during year | | 4,416 | | | | 4,416 |
| Goodwill adjusted during the year | | | | (3) | | (3) |
| Foreign currency translation adjustments | | (682) | | | | (682) |
| Impairment (see Note 3) | | (22,897) | | | | (22,897) |
| Balance as of September 28, 2008 | $ | 294,296 | $ | 369,978 | $ | 664,274 |

In March 2008, the Company acquired certain assets of the Winter Haven News Chief ( News Chief ), a regional newspaper in Winter Haven, Fla., for $2.5 million.  Also in March 2008, the Company purchased additional Class A units of BehNeem, LLC ( BehNeem ), increasing its total investment to $4.3 million for a 53% ownership interest.  BehNeem licenses the Epsilen Environment, an integrated online course content, portfolio and communications tool for the education community.  The operating results of the News Chief are included in the results of the Regional Media Group, and the operating results of BehNeem are included in the results of The New York Times Media Group, both of which are part of the News Media Group.

Based on valuations of the News Chief and BehNeem, the Company has allocated the excess of the respective purchase prices over the carrying value of the net assets acquired of $1.3 million to goodwill and $0.6 million to other intangible assets (primarily customer lists) for the News Chief, and $3.1 million to goodwill for BehNeem.

Other intangible assets acquired were as follows:

| | September 28, 2008 | | | | | | December 30, 2007 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (In thousands) | | Gross Carrying Amount | | Accumulated Amortization | | Net | | Gross Carrying Amount | | Accumulated Amortization | | Net |
| Amortized other intangible assets: | | | | | | | | | | | | |
| Customer lists | $ | 28,407 | $ | (16,738) | $ | 11,669 | $ | 222,267 | $ | (199,930) | $ | 22,337 |
| Other | | 62,434 | | (34,408) | | 28,026 | | 67,254 | | (32,841) | | 34,413 |
| Total | | 90,841 | | (51,146) | | 39,695 | | 289,521 | | (232,771) | | 56,750 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Unamortized other intangible assets: | | | | | | |
| Newspaper mastheads | 19,186 | | 19,186 | 57,638 | | 57,638 |
| Trade names | 14,082 | | 14,082 | 14,073 | | 14,073 |
| Total | 33,268 | | $ 33,268 | 71,711 | | 71,711 |
| Total other intangible assets acquired | $ 124,109 | $ (51,146) | $ 72,963 | $ 361,232 | $ (232,771) | $ 128,461 |

See Note 3 for additional information on an impairment of assets in the third quarter of 2008.

As of September 28, 2008, the remaining weighted-average amortization period was seven years for customer lists and six years for other amortizable intangible assets acquired included in the table above.

Amortization expense related to other intangible assets acquired that are subject to amortization was approximately $9 million in the first nine months of 2008, and is expected to be approximately $11 million for the fiscal year 2008.  Estimated annual amortization expense for the next five years related to these intangible assets is expected to be as follows:

| (In thousands) Year | Amount | |
|---|---|---|
| 2009 | $ | 8,600 |
| 2010 | $ | 8,100 |
| 2011 | $ | 7,600 |
| 2012 | $ | 5,300 |
| 2013 | $ | 2,100 |

## NOTE 5. DEBT OBLIGATIONS

The Company s total debt, including borrowings under revolving credit agreements and capital lease obligations, was $1.1 billion as of September 28, 2008, and including these items and commercial paper, was $1.0 billion as of December 30, 2007.

The Company s $800.0 million revolving credit agreements ($400.0 million credit agreement maturing in May 2009 and $400.0 million credit agreement maturing in June 2011) are used for general corporate purposes.  In addition, these revolving credit agreements provide a facility for the issuance of letters of credit.  Any borrowings under the revolving credit agreements bear interest at specified margins based on the Company s credit rating, over various floating rates selected by the Company.  The amount available under the Company s revolving credit agreements is summarized in the following table.

| (In thousands) | | September 28, 2008 | | December 30, 2007 |
|---|---|---|---|---|
| Revolving credit agreements | $ | 800,000 | $ | 800,000 |
| Less: | | | | |
| Amount outstanding under revolving credit agreements (weighted average interest rate of 3.1% as of September 28, 2008 and 5.3% as of December 30, 2007) | | 397,850 | | 195,000 |
| Letters of credit | | 35,885 | | 24,757 |
| Amount available under revolving credit agreements(1) | $ | 366,265 | $ | 580,243 |

*(1) Amount available under the revolving credit agreements also supports the Company s commercial paper program, of which $111.7 million was outstanding as of December 30, 2007.*

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The revolving credit agreements each contain a covenant that requires a specified level of stockholders equity, which, as defined by the agreements, does not include accumulated other comprehensive loss and excludes the impact of non-cash impairment charges. The required levels of stockholders equity (as defined by the agreements) is the sum of $950.0 million plus an amount equal to 25% of net income for each fiscal year ending after December 28, 2003 for which net income is positive. As of September 28, 2008, the amount of stockholders equity in excess of the required levels was approximately $564 million.

The Company did not have commercial paper outstanding as of September 28, 2008 and had $111.7 million outstanding as of December 30, 2007, with an annual weighted-average interest rate of 5.5% and an average of 10 days to maturity from original issuance.

Interest expense, net in the Company s Condensed Consolidated Statements of Operations was as follows:

| | For the Quarters Ended | | For the Nine Months Ended | |
|---|---|---|---|---|
| **(In thousands)** | **September 28, 2008** | **September 30, 2007** | **September 28, 2008** | **September 30, 2007** |
| Interest expense | $ 12,222 | $ 13,276 | $ 37,631 | $ 45,585 |
| Capitalized interest | (515) | (1,594) | (1,977) | (13,717) |
| Interest income | (49) | (1,212) | (147) | (2,944) |
| Interest expense, net | $ 11,658 | $ 10,470 | $ 35,507 | $ 28,924 |

## NOTE 6. INCOME TAXES

The income tax benefit for the third quarter and first nine months of 2008 was $40.4 million and $30.8 million, respectively, compared with an income tax expense of $9.0 million and $48.7 million for the third quarter and first nine months of 2007. The Company s effective income tax rate was 26.0% in the third quarter and 24.8% in the first nine months of 2008 compared with 39.0% in the third quarter and 46.4% in the first nine months of 2007.

In 2008, the effective income tax rates were low because the goodwill portion of the non-cash impairment charge and losses on investments in corporate-owned life insurance policies were non-deductible for tax purposes and a change in Massachusetts state tax law had an unfavorable effect. In 2007, the effective income tax rates were affected by the asset sales in the second quarter of 2007 (see Notes 2 and 8) and an unfavorable tax adjustment for a change in New York State tax law.

## NOTE 7. PENSION AND POSTRETIREMENT BENEFITS

See Note 13 for changes made to the Company s pension and postretirement benefits in the fourth quarter of 2008.

Pension

The Company sponsors several pension plans, participates in The New York Times Newspaper Guild pension plan, a joint Company and Guild-sponsored plan, and makes contributions to several other plans, in connection with collective bargaining agreements, that are considered multi-employer pension plans. These plans cover substantially all employees.

The Company-sponsored plans include qualified (funded) plans as well as non-qualified (unfunded) plans. These plans provide participating employees with retirement benefits in accordance with benefit formulas detailed in each plan. The Company s non-qualified plans provide retirement benefits only to certain highly compensated employees of the Company.

The Company also has a foreign-based pension plan for certain International Herald Tribune ( IHT ) employees (the Foreign plan ). The information for the Foreign plan is combined with the information for U.S. non-qualified plans. The benefit obligation of the Foreign plan is immaterial to the Company s total benefit obligation.

The components of net periodic pension cost of all Company-sponsored plans and The New York Times Newspaper Guild pension plan were as follows:

| | For the Quarters Ended | | | | | |
|---|---|---|---|---|---|---|
| | September 28, 2008 | | | September 30, 2007 | | |
| (In thousands) | Qualified Plans | Non-Qualified Plans | All Plans | Qualified Plans | Non-Qualified Plans | All Plans |
| Service cost | $ 10,110 | $ 710 | $ 10,820 | $ 11,403 | $ 519 | $ 11,922 |
| Interest cost | 25,078 | 3,463 | 28,541 | 23,500 | 3,574 | 27,074 |
| Expected return on plan assets | (31,915) | | (31,915) | (30,335) | | (30,335) |
| Amortization of prior service cost | 462 | 17 | 479 | 360 | 18 | 378 |
| Recognized actuarial loss | 729 | 1,238 | 1,967 | 1,571 | 1,982 | 3,553 |
| Net periodic pension cost | $ 4,464 | $ 5,428 | $ 9,892 | $ 6,499 | $ 6,093 | $ 12,592 |

| | For the Nine Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | September 28, 2008 | | | September 30, 2007 | | |
| (In thousands) | Qualified Plans | Non-Qualified Plans | All Plans | Qualified Plans | Non-Qualified Plans | All Plans |
| Service cost | $ 30,330 | $ 2,130 | $ 32,460 | $ 34,210 | $ 1,557 | $ 35,767 |
| Interest cost | 75,234 | 10,389 | 85,623 | 70,501 | 10,722 | 81,223 |
| Expected return on plan assets | (95,745) | | (95,745) | (91,006) | | (91,006) |
| Amortization of prior service cost | 1,186 | 51 | 1,237 | 1,082 | 53 | 1,135 |
| Recognized actuarial loss | 2,187 | 3,714 | 5,901 | 4,715 | 5,947 | 10,662 |
| Effect of curtailment | | | | 15 | | 15 |
| Special termination benefits | | | | | 908 | 908 |
| Net periodic pension cost | $ 13,192 | $ 16,284 | $ 29,476 | $ 19,517 | $ 19,187 | $ 38,704 |

Recent declines in domestic and foreign equity markets have negatively affected the year-to-date returns on the Company s pension plan assets. The Company completes an annual valuation of its pension plans as of its fiscal year-end. If markets do not recover by this valuation date, the lower asset values will result in charges to comprehensive (loss)/income, will likely increase pension expense in the next fiscal year, and could lead to greater cash contributions in future years.

The Company does not have any quarterly funding requirements for Company-sponsored pension plans in 2008 (under the Employee Retirement Income Security Act of 1974, as amended, and Internal Revenue Code requirements), although it will make contractual funding contributions of \$16.5 million (approximately \$8 million was made in the first nine months of 2008) for The New York Times Newspaper Guild pension plan. The Company is currently evaluating the amount of its pension funding for the remainder of 2008 in light of recent market performance and may make a discretionary contribution in the fourth quarter of 2008. The Company currently expects that pension contributions will not be required in 2009, due to funding credits accrued from contributions in prior years, but will continue to assess whether to make discretionary contributions after considering the funded status of its plans, movements in discount rate, investment performance and other factors.

Postretirement Benefits

The Company provides health and life insurance benefits to retired employees and their eligible dependents, who are not covered by any collective bargaining agreements, if the employees meet specified age and service requirements. In addition, the Company contributes to a postretirement plan under the provisions of a collective bargaining agreement. The Company s policy is to pay its portion of insurance premiums and claims from Company assets.

In accordance with FAS 106, the Company accrues the costs of postretirement benefits during the employees active years of service.

The components of net periodic postretirement benefit cost were as follows:

| | For the Quarters Ended | | For the Nine Months Ended | |
|---|---|---|---|---|
| **(In thousands)** | **September 28, 2008** | **September 30, 2007** | **September 28, 2008** | **September 30, 2007** |
| Service cost | $ 881 | $ 2,022 | $ 2,643 | $ 6,066 |
| Interest cost | 3,514 | 3,748 | 10,542 | 11,246 |
| Amortization of prior service cost | (2,908) | (1,983) | (8,724) | (5,949) |
| Recognized actuarial loss | 1,041 | 785 | 3,123 | 2,354 |
| Effect of curtailment | | | | (4,717) |
| Special termination benefits | | | | 703 |
| Net periodic postretirement cost | $ 2,528 | $ 4,572 | $ 7,584 | $ 9,703 |

**NOTE 8. OTHER**

City & Suburban Closure

In September 2008, the Company announced the shutdown of City & Suburban ( C&S ), its retail and newsstand distribution subsidiary, which distributes The New York Times ( The Times ) and other publications in the New York metropolitan area. Going forward, The Times will be distributed to newsstands and retail outlets through a combination of third-party wholesalers and the Company s own drivers. Approximately 550 full-time equivalent employees will be affected by the closure. The closure of C&S is expected to be completed in January 2009. The primary cost to close C&S is severance costs, of which approximately $9 million was recorded in the third quarter of 2008. The Company expects to incur additional severance costs and may incur a charge related to the abandonment of various leased properties.

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Plant Closing - Billerica, Mass.

In September 2008, the Company announced that it plans to close its printing plant in Billerica, Mass., and consolidate the printing of the Globe into its main printing plant in Dorchester, Mass. While the exact timing of the closing has not yet been set, it is expected to occur in the second half of 2009. The plant is being closed because the Company no longer needs as many presses to print all copies of the Globe. The cost savings and one-time costs related to the closing and the capital expenditures related to the consolidation cannot be estimated at this time because this information is dependent on ongoing negotiations with labor unions and certain production decisions not yet made. Certain property, plant and equipment located at the Billerica plant was impaired and a related write-down is included within the Company s total New England Media Group impairment charge (see Note 3).

Severance Costs

The Company recognized severance costs of $18.1 million in the third quarter of 2008 and $56.9 million in the first nine months of 2008. In the third quarter and first nine months of 2007, the Company recognized severance costs of $4.9 million and $17.6 million, respectively. Most of the costs in these periods were recognized at the News Media Group. These costs are primarily recorded in Selling, general and administrative costs in the Company s Condensed Consolidated Statements of Operations. As of September 28, 2008, the Company had a severance liability of approximately $32 million included in Accrued expenses in the Company s Condensed Consolidated Balance Sheet.

Plant Consolidation

In 2006, the Company announced plans to consolidate the printing operations of a facility it leased in Edison, N.J., into its newest facility in College Point, N.Y. As part of the consolidation, the Company purchased the Edison facility and then sold it, with two adjacent properties it already owned, to a third party. The purchase and sale of the Edison facility closed in the second quarter of 2007, relieving the Company of rental terms that were above market as well as certain restoration obligations under the original lease. As a result of the sale, the Company recognized a pre-tax loss of $68.2 million ($41.3 million after tax) in the second quarter of 2007.

The Edison facility was closed in March 2008. The costs to close the Edison facility were approximately $89 million, principally consisting of accelerated depreciation charges (approximately $69 million), severance costs (approximately $15 million) and plant restoration costs (approximately $5 million).

Sale of WQEW-AM

On April 26, 2007, the Company sold WQEW-AM to Radio Disney, LLC (which had been providing substantially all of WQEW-AM programming through a time brokerage agreement) for $40 million. The Company recognized a pre-tax gain of $39.6 million ($21.2 million after tax) in the second quarter of 2007.

**NOTE 9. EARNINGS PER SHARE**

Basic and diluted earnings per share have been computed as follows:

| | For the Quarters Ended | | For the Nine Months Ended | |
|---|---|---|---|---|
| (In thousands, except per share data) | September 28, 2008 | September 30, 2007 | September 28, 2008 | September 30, 2007 |
| Basic (loss)/earnings per share computation: | | | | |
| Numerator | | | | |
| (Loss)/income from continuing operations | $ (114,904) | $ 14,110 | $ (93,787) | $ 56,297 |
| Discontinued operations, net of income taxes Broadcast Media Group | 8,611 | (671) | 8,300 | 99,412 |
| Net (loss)/income | | | | |