Timothy A. Keefe, Class of 2008
timothy.keefe@yale.edu
Jennifer H. McFadden, Class of 2008
jennifer.mcfadden@yale.edu

December 3, 2007
Newspaper Companies:

Journal Register Co. (JRC)

Recommendation: SELL
Outlook: 12 Months

Current Price US$ 2.20
Price Objective US $0.81

Key Stock Statistics

52-Week Range	US$ 1.88 – 8.16
Market Cap (intraday):	86.1M
Enterprise Value:	724.5M
Trailing P/E (ttm, intraday):	4.15
Forward P/E (fye 31-Dec-08) :	5.79
PEG Ratio (5 yr expected):	1.44
Price/Sales (ttm):	0.16
Price/Book (mrq):	0.33
Enterprise Value/Revenue (ttm):	1.50
Enterprise Value/EBITDA (ttm):	6.96

Source: Yahoo! Finance; Close, 11/30/07

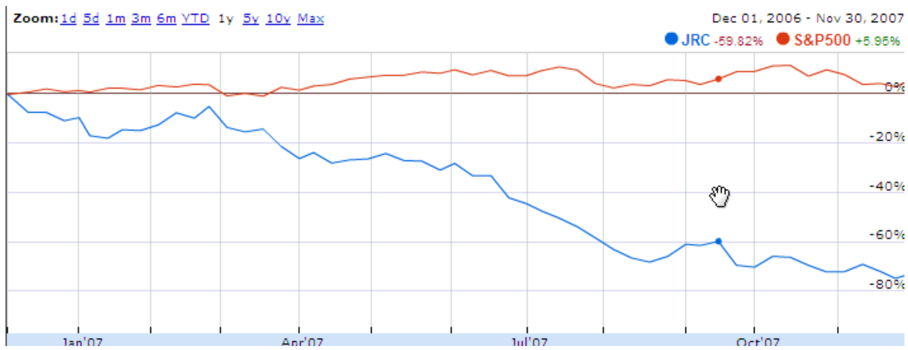
Quarterly Earnings Per Share

	2007	2006
Q1	0.04	0.03
Q2	0.14	0.22
Q3	0.28	0.17
Q4	0.16E	(0.70)

Source: Reuters

Value trap, not undervalued

1. Secular trends for the newspaper industry are still in decline as ads shift to the internet and to national retailers.
2. The economic outlook is still grim with a possible recession, credit crunch, and continued real estate downturn squeezing profitability of classified ads categories.
3. JRC is over-exposed to unattractive markets in OH, MI, and PA. Exposure to slow growth Michigan and Northern Ohio accounts for 68% of daily circulation.
4. JRC has $642M in debt, levering it to 7.5x equity. There is little financial flexibility left with $30M available in a revolver and $50M due in 2009.
5. Credit downgrade to B+ from BB- (S&P).



Source: Yahoo Finance

Profile:

Journal Register Company (JRC) is an $86 million market cap newspaper publisher that owns 22 daily newspapers strategically clustered in six geographic areas: Greater Philadelphia, Michigan, Connecticut, Greater Cleveland, and the Capital-Saratoga and Mid-Hudson regions of New York.

Price Sensitivity to Assumptions	
With Bankruptcy Costs	
With $18M GW Writeoff	$0.81
W/out $18M GW Writeoff	$1.05
W/out Bankruptcy Costs	
With $18M GW Writeoff	$1.67
W/out $18M GW Writeoff	$1.93

Please see the disclaimer at the back of this report for important information

Investment Thesis

We initiate coverage on Journal Register Company (NYSE: JRC) with a **SELL RATING**. We expect that the company will continue to experience declining revenues from circulation and advertising in the short- and long-terms. Additionally, we think that the market is currently overvaluing the company by not including the potential for bankruptcy or further write-downs of Goodwill in current valuations. JRC's relentless focus on local advertising and exposure to economically-distressed Rust Belt economies increases the potential for significant revenue declines.

For the near future, we expect that advertising revenues will continue to migrate from offline publications onto the web. To compete, the company will need to devote significant resources to its web presence and associated technology. However, the company is currently over-levered, meaning that any additional free cash flow will need to be devoted to debt service. Even if JRC is able to take on additional debt to fund technology upgrades, the company's B+ debt rating will make these additional investments extremely expensive.

Without the additional investments in technology necessary to deploy a competitive web-based product, the company will fail in its efforts to drive customers online. Without high net ratings, the company will be unable to attract advertising dollars. This will lead to further declines in revenue growth, making additional investments in technology even more remote.

Even without financial constraints, we find it unlikely that the current senior management have the qualifications to operate in an increasingly competitive online world. The newly-appointed CEO has been with the company since July 2003.[1] Outside of this internal "shift," there have been no recent significant changes to top management. Given management's history of poor decision-making, particularly with regard to the Michigan Cluster, and lack of expertise in the online arena, we have serious doubts about their ability to execute a top-rated online strategy.

Without a strong increase in revenues from its online newspapers, JRC will not be able to stem continued losses in its offline newspapers. As revenues continue to decline, the company will not have the cash flow to support technology upgrades and local journalism. Without technology upgrades and local news stories, the company will not be able to attract readers. Without readers, JRC will not be able to attract advertising revenues. Without strong and experienced management, the company will not be able to break this cycle.

[1] http://www.reuters.com/

3Q07 Financial Highlights

Though JRC reported higher third quarter profit vs. a year ago, with Net Income of $11.2M vs. $7.2M, $6.1M of the profit was the result of a tax benefit. Adjusting for this, net margin was only 4.5% which is 1.4% or $5.4M *less* than last year.[2]

- Total revenues were down 7.4% over Q3 2006 to $113.0M.
    - Classified ads fell 10.3% in Q3 YOY and not including MI, fell 7.9%.
    - Classified real estate ads fell 19.1%, Classified Other fell 2.6%, Classified Employment fell 4.6%, Classified Autos fell 16.6%.
    - Retail ads fell 7.9%.
    - National ads fell 20.4% though they only comprised 4% of total ad revenue.
    - Circulation was flat because price increases compensated for circulation declines.
    - Online revenue increased 23.1% accounting for 5.6% of advertising revenue, and page views were up 12.7%.
- Total operating expenses fell 5.9%.
    - Newsprint expense was down 16.6% from decreases in unit costs and consumption due to declining circulation.
    - Headcount was down 12.1% in Q3.
- Most large newspapers tend to have equity interests in paper and pulp companies to hedge against cyclical trends in the paper industry. JRC does not have interests in newsprint and will likely suffer more than the industry in the event of cyclical paper price spikes.

Short interest[3] is 5.6M shares, or 14% of common stock outstanding at Q3 2007. JRC announced in October that they will stop paying dividends in order to focus on paying down debt and to invest in the business.

	For the Quarter Ended				
(Dollars in thousands)	**Sept 30, 2007**	**% of Total**	**Sept 24, 2006**	**% of Total**	**%(Decrease)**
Advertising revenue	$ 85,755	75.9	$ 94,673	77.6	(9.4)
Circulation revenue	22,852	20.2	22,860	18.7	-
Newspaper revenue	108,607	96.1	117,533	96.3	(7.6)
Commercial print and other revenue	4,387	3.9	4,501	3.7	(2.5)
Total revenues	$ 112,994	100.0	$ 122,034	100.0	(7.4)

Source: JRC 3Q07 10-Q

For the newspaper industry as a whole, classified advertising fell 17% in the third quarter to $3.4 billion, retail declined 4.9% to $5.1 billion, and national advertising dropped 2.5% to $1.7 billion. Within the classified advertising category, real estate ad revenue decreased 24.4% to $1 billion, employee recruitment dropped 19.7% to $882.4 million, and automotive fell 17.7% to $796.6 million. All other classifieds were up 2.7% to $713.3 million.[4]

[2] JRC Q3 earnings call, 10/18/07.
[3] http://bloomberg.com
[4] "Ad Spending On Newspaper Web Sites Up, But Bleeding Continues Offline." *TechWeb*, November 21, 2007.

The company acknowledged recent poor performance and stressed that it expects to generate additional revenues in the future as it becomes a diversified print and online media company. We do not believe that the company will be successful in creating an online presence that will be competitive with other local, regional and national websites for several reasons. First, a significant internal cultural shift would have to occur in order for the firm to become a cutting-edge, highly-competitive online media company. The internet is a rapidly evolving market, and we do not think that it is likely that JRC will be able to quickly adapt to compete in the market. Second, significant resources will need to be deployed in order to create an online presence which will attract consumers and advertisers. Given the fact that the company is already over-levered, we do not think that it will have the cash to execute the online strategy it devises. Given these factors, we think that the company will continue to lose money in both its online and offline divisions.

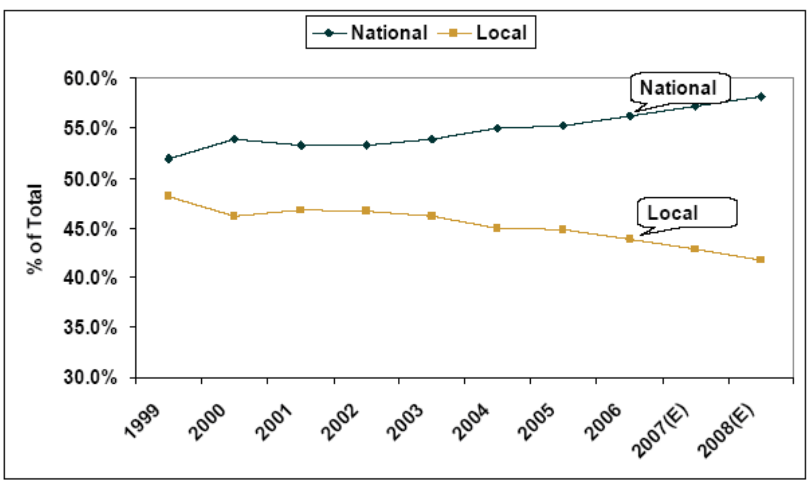
Looking Forward

The Company's relentless focus on local advertising will continue to adversely affect revenues:

The Company focuses the majority of its advertising sales efforts on the local market. According to the 2006 10-K, "no single advertiser accounted for more than one percent of the Company's total fiscal 2006 revenues."[5] This means that the Company will suffer exaggerated declines in advertising revenues in the event of local economic slowdowns in their geographic clusters.

Local paper advertising is expected to remain low vs. national advertising as more companies shift towards large nationalized domestic brands.

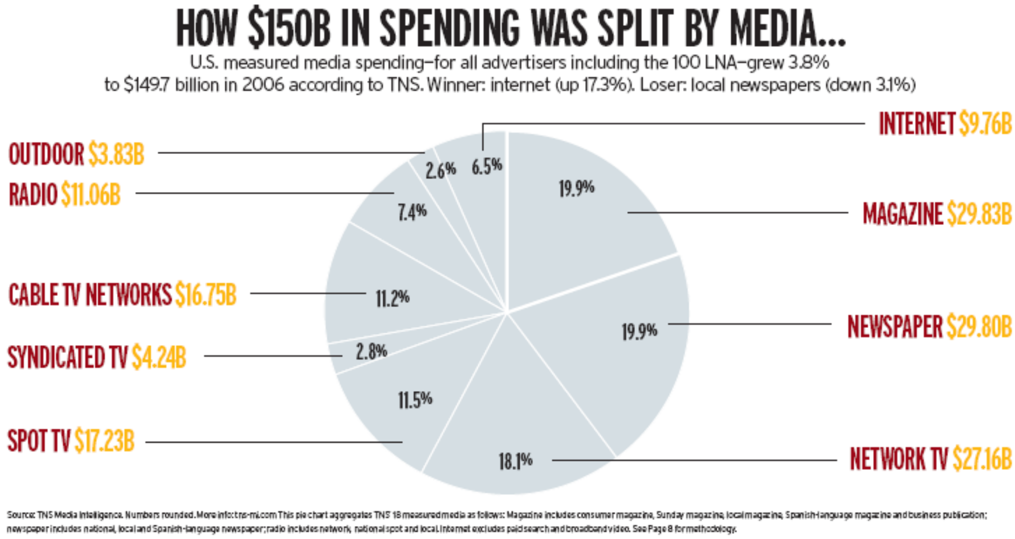
Shift in Advertising Mix Towards National, 1999 – 2008E



Sources: Advertising Age by Robert J. Coen, McCann-Erickson, Inc; Newspaper Association of America; Radio Advertising Bureau; Simba Information; Interactive Advertising Bureau (IAB); Lehman Brothers

Competition from internet search, other newspapers' internet portals, print yellow pages, and online yellow pages will further stress local newspaper platforms as consumers and advertisers are drawn towards fragmented outlets. Pricing power in retail and classified categories has already diminished so JRC has had to lower their prices and sell fewer ads.

[5] Journal Register Company 2006 Annual Report.



Local newspaper advertising spend was down 3.1% in 2006. The secular and cyclical declines in newspaper advertising and readership will continue to hurt newspaper companies such as JRC that don't have diversified media platforms, don't have large market or wide geographic representation especially those exposed to housing market contractions, and have significant local ad revenue. Although we believe that innovative, multi-media companies such as Gannett and the New York Times will continue to capture an increasingly large share of diversified media spend, dinosaurs like JRC will have a difficult time competing in an increasingly crowded market where there is ongoing convergence of information platforms (internet, newspaper, mobile, TV, etc.).

	For the Thirty-nine Weeks Ended				
(Dollars in thousands)	**Sept 30, 2007**	**% of Total**	**Sept 24, 2006**	**% of Total**	**% Increase (Decrease)**
Advertising revenue	$ 264,767	76.1	$ 291,005	77.8	(9.0)
Circulation revenue	68,763	19.8	69,045	18.4	(0.4)
Newspaper revenue	333,530	95.9	360,050	96.2	(7.4)
Commercial print and other revenue	14,275	4.1	14,112	3.8	1.2
Total revenues	$ 347,805	100.0	$ 374,162	100.0	(7.0)

Source: JRC 3Q07 10-Q

Significant declines from local advertising revenues will only be compounded by the fact that the company is currently over-exposed to geographic areas which might be most prone to economic slowdowns in the near future. According to the "Summary of Commentary on Current Economic Conditions by Federal Reserve District," the Philadelphia Fed noted that retailers in the area expect sales to increase "only slightly" year-over-year for the fourth quarter 2007, primarily driven by sales of electronics.[6,7] Auto sales are expected to be weak over the period and into next year.[8] Surveys of home builders and residential real estate agents indicate that they expect sales to remain weak through the winter, and are uncertain that they

[6] The Federal Reserve Bank of Philadelphia is responsible for the Third District, which covers eastern Pennsylvania, southern New Jersey, and Delaware.
[7] http://www.federalreserve.gov/FOMC/BEIGEBOOK/2003/20031126/default.htm;
[8] http://www.federalreserve.gov/FOMC/BEIGEBOOK/2003/20031126/default.htm

will improve appreciably next spring.[9] "According to one agent 'the glory days are over,' and a builder said 'the pipeline for next year is anemic.'"[10]

	Number of Publications	Daily Circulation	Sunday Circulation	Non-Daily Distribution
Philadelphia	148	171,858	153,211	1,419,580
% of Total	37.5%	27.9%	24.1%	22.2%
Michigan Cluster	96	132,992	166,211	1,921,344
% of Total	24.3%	21.6%	26.2%	30.0%
Ohio Cluster	7	73,503	84,866	121,023
% of Total	1.8%	11.9%	13.4%	1.9%
Connecticut	85.0	125,727	126,214	2,134,270
% of Total	21.5%	20.4%	19.9%	33.4%
Capital-Saratoga (New York)	10	34,319	30,154	125,972
% of Total	2.5%	5.6%	4.8%	2.0%
Total Mid-Hudson	20	20,391	25,479	338,677
% of Total	5.1%	3.3%	4.0%	5.3%
New England***	29	56,779	48,523	336,035
% of Total	7.3%	9.2%	7.6%	5.3%
Total Journal Register Company	395	615,569	634,658	6,396,901

Source: JRC 10-Q 3Q2007

****Note: The New England Cluster Operations were sold in the first quarter of 2007.*

Michigan: Questionable management performance and poor cluster outlook:
Intangible impairment from the acquisition in 2004… will there be more?

Optimism relayed in the earnings call about a turnaround in 2008 in the Michigan economy is hard to believe. Management's source for their optimism is state leaders. When asked about what they'll do if the economy does not rebound, JRC responded that it was "way too soon to be thinking about that."[11] This causes us to seriously question the management of JRC and their ability to formulate forward-looking strategies. The MI papers are not legacy papers, but were added in 2004 for $415M, or $3,000 per paid daily subscription. In contrast, the two daily and five non-daily papers JRC sold in New England earlier in 2007 sold for $70M for 56,779 in daily circulation or $1,233 per daily copy.[12]

JRC has daily circulation of 559k *excluding* New England, with 133k in the Michigan cluster (24%). Assuming that ALL of the clusters could be sold for the same price per daily copy as the New England cluster values the remaining clusters at $689M. That is only $50M above the current net debt value of $638M.

[9] http://www.federalreserve.gov/FOMC/BEIGEBOOK/2003/20031126/default.htm
[10] http://www.federalreserve.gov/FOMC/BEIGEBOOK/2003/20031126/default.htm
[11] JRC Q3 earnings call, 10/18/07.
[12] Colin Peterson, http://www.creditbubblestocks.com/

A problem with this scenario is that Detroit reached its peak population in 1950, and has dropped to about half of that now. The outlook for the job and real estate markets is grim. As a result, we expect circulation, classified ads, and local ads to continue to be weak going forward, leading to a lower value per reader. According to the Bureau of Labor Statistics, in October the Detroit-Livonia-Dearborn area posted the **highest unemployment rate**, 7.8%, of all 49 major metropolitan areas.[13] This compares with a national average of 4.4%.[14] The Bureau of Labor Statistics projects total job growth in Michigan to increase just 7% over 2004 figures in 2012.[15] Statewide, total nonfarm employment dropped from 4.382 million jobs in October 2006 to 4.306 million jobs in October 2007, for a total decline of 1.7%. These figures have been steadily declining since a 2000 peak of 4.729 million non-farm jobs.[16] By October 2008, Ohio is projecting a loss of 4.7% in the number of manufacturing jobs over October 2006 numbers. Michigan also ranks 4th in the country in foreclosures. Additionally, Michigan Legislature voted in October to raise income tax[17] from 3.90% to 4.35% and certain sales taxes which will decrease consumers' disposable income. These factors will lead to continued declines in advertising revenues for the MI cluster. Any optimism on the part of management is misguided, at best, and makes us seriously doubt their judgment and decision-making capabilities.

New Management:

Chairman and CEO Robert Jelenic resigned effective November 1, 2007 and will be receiving $4.76M in severance along with his country club membership until 2010, car, computer, printer, fax, and similar items for $1 each. Was that really helpful for long term shareholder value? To date, few senior insiders have left, indicating a commitment to the company, if not an absence of better options. The question that should be asked is whether they are committed to completely overhauling the news distribution model (a la Gannett) in order to compete more effectively in an industry dominated by multi-media players? On the Q3 earnings call management acknowledged that they need to be, and have been, actively attempting to change their business model. However, they still have a considerable amount of work ahead of them to catch up to the competition.

The compensation package of James Hall, the new CEO was recently revealed. He has initially signed a one-year contract and will be commuting from Canada to Yardley, PA. Included in his package are allowances for a Chevrolet Envoy, $6,000/mo to commute from Canada, $675k in salary, a bonus up to $1.35M, 250,000 stock options in 2007, another 250,000 options in 2008, lodging expenses of up to $5,500/mo, travel expenses for his spouse to attend business functions, $37,500 to alleviate tax differences between our countries, and $12,500 for tax planning and preparation. If he leaves he receives generous compensation for part-time consulting work. Considering that Mr. Hall has been with JRC since at least July 2003, we doubt that he will have a positive impact on shareholder value, despite the generous incentives he receives.

Debt and Intangible Assets:

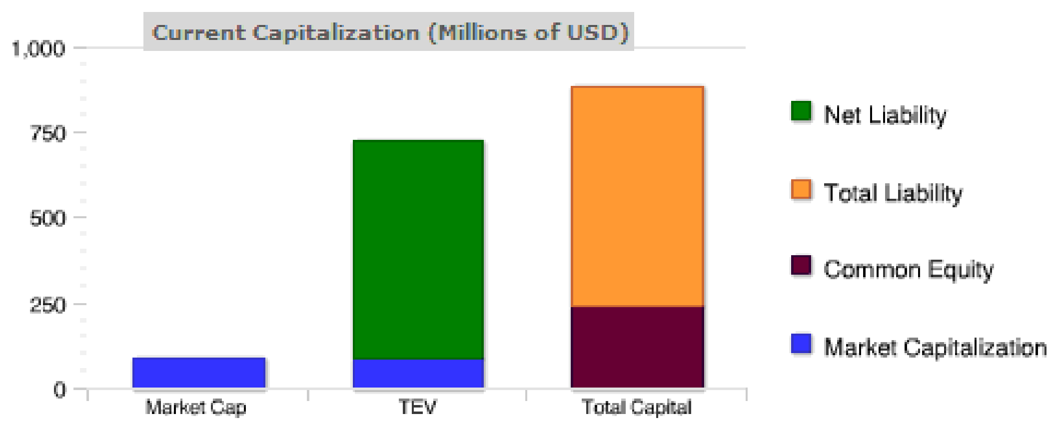
Intangible assets represent 78% of total assets in Q3 2007, with net tangible assets (net tangible assets = total assets – intangible assets – debt) totaling *negative* $395M. This is problematic due to the threat of

[13] Note that major metropolitan areas are defined as having Census 2000 populations of over 1 million.
[14] http://www.bls.gov/news.release/metro.nr0.htm
[15] http://www.projectionscentral.com/projections.asp?page=DisplayResults
[16] http://www.milmi.org/cgi/dataanalysis/cesReport.asp?menuchoice=ces
[17] http://www.michigan.gov/taxes/0,1607,7-238-43513_44135-177505--,00.html

goodwill impairment, the possibility of a buyout, and the possibility of selling assets to pay down debt, especially in this unfriendly market for newspaper companies that's coupled with a credit crunch.

Standard & Poor's lowered JRC's corporate credit and senior secured debt ratings to 'B+' from 'BB-' with a negative outlook in October 2007. S&P said this reflects the company's weakening financial profile, and deteriorating profitability and cash flow generation due to declining newspaper advertising revenue.

Debt to assets is very high at 57%, but debt to tangible assets is 260%. If JRC does not breach its debt covenants there will be little left over for shareholders. Currently there is only $30M available in their revolving credit facility out of $289M that should be available due to restrictions in the credit agreement. JRC has initiated discussions with their bank group to modify their credit agreement and we think it unlikely that JRC will breach its covenants or cause an accelerated payment scenario, but given the tone of managements responses in the earnings call to questions about its debt covenants and the banker discussions, it's likely that a new credit agreement would have a higher rate or be more restrictive. While this debt seems to be privately placed, our equity report indicates that this company could be a candidate for a distressed debt investor.



Total Liability includes Total Debt, Minority Interest and Pref. Equity.
Net Liability includes Total Liability, net of Cash and Short Term Investments.
TEV includes Market Cap and Net Liability.
Total Capital includes Common Equity and Total Liability.

Source: Capital IQ as of 11/30/07

Debt Repayment:

JRC has already turned to asset dispositions to pay down debt. We think that Gannett or other players might continue to buy some clusters. Unlike many of the other major newspaper brands, including McClatchy, New York Times, Belo, and Media General, JRC does not have a dual class structure. At first glance, this might make the company appear to be a more attractive acquisition target. However, the company's high debt balance will likely keep most suitors away.

Management had "no comment" on whether more cluster sales were in the pipeline, but noted that they are not opposed to it. Any sales would need to be accretive to banking ability, and it is not a sellers market in newspaper publishing so sales in the near term are unlikely. One good choice management has made was the decision to **stop paying dividends,** allowing JRC to reinvest any profits in order to maximize long term shareholder value, or at least meet debt obligations.

*[**12/11/07 Addendum**: JRC finalized negotiations with JPMorgan Chase to alter its Credit Agreement.*

1. *JRC must now use proceeds from asset sales to pay down debt, which is indicative of a company in severe distress.*
2. *JRC is not allowed to pay dividends any more or buy back stock.*
3. *Their revolver limit was reduced from $375M to $200M and Incremental Loan Commitments reduced from $500 to $250M.*
4. *The new loan margins are 250bp over LIBOR, which for the 3-month puts their debt at 7.61% for Eurodollar loans, and 150bp over "base rate" for Base Rate Loans]*

Additional Factors

Other Pros:

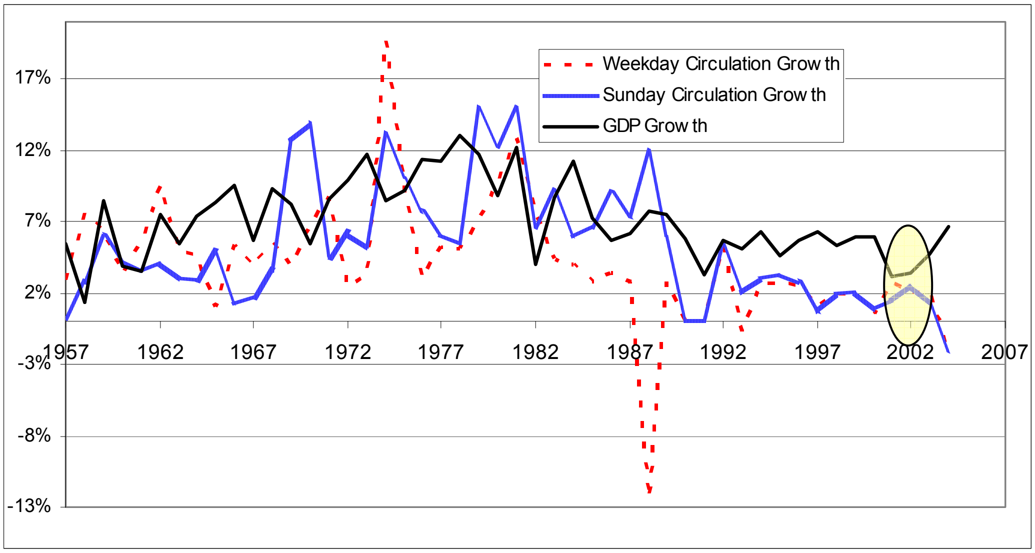
- Local news will always be desired…
- Local clustering leads to economies of scale.
- The company is aggressively trying to sell assets to pay off debt.
- New Britain, CT plant consolidation will lead to an annual savings of $500,000.

Other Cons:

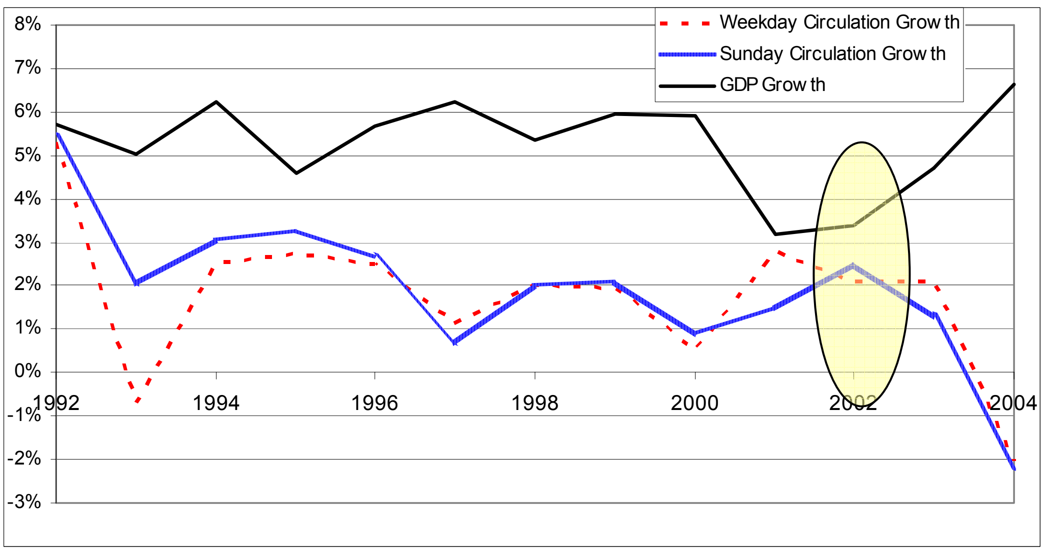
- JRC lacks high profile partnerships such as with the Classified Ventures, LLC
- Existing partnerships, such as the recently penned deal with Yahoo! HotJobs, are inadequate to supplement loss in print advertising
- Lack of diversification in other media such as broadcasting and national newspapers means that the company will have a difficult time competing in the online marketplace with giants such as Gannett
- The company is stuck in a self-perpetuating cycle where declining readership leads to reduced advertising which leads to lower revenues which leads to staff cuts which leads to poor local coverage which leads to declining readership….
- New Haven Register is their flagship paper and is just receiving a website. Both facts are cause for concern. The growth potential from newspaper originated websites will likely take a year or more to realize, and will cost money so the breakeven time is unknown.

Economic Trends:

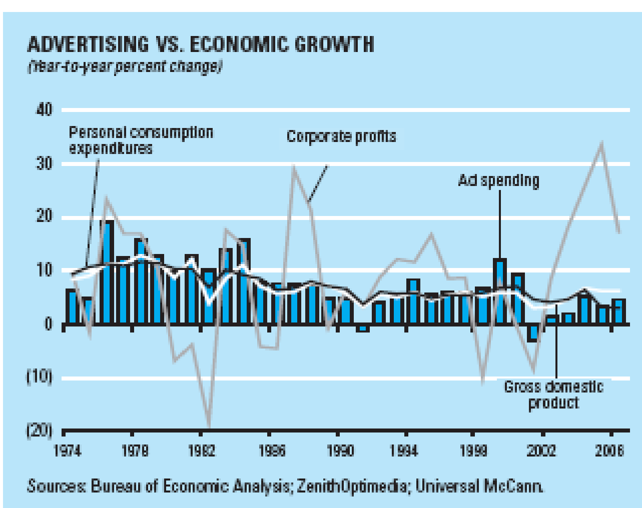
As described in our Newspaper Industry Report, a recent decline in overall advertising expenditures in relation to nominal GDP plus a the decoupling of newspaper advertising growth from nominal GDP growth since 2003 is stressing newspaper publishing companies. This is illustrated below with charts from the Keefe, McFadden Associates *Newspaper Industry Report*, NAA, Advertising Age, and from estimates in Lehman Brothers Media Outlook from 11/28/07.



Source: Newspaper Industry Report – Timothy Keefe, Jennifer McFadden

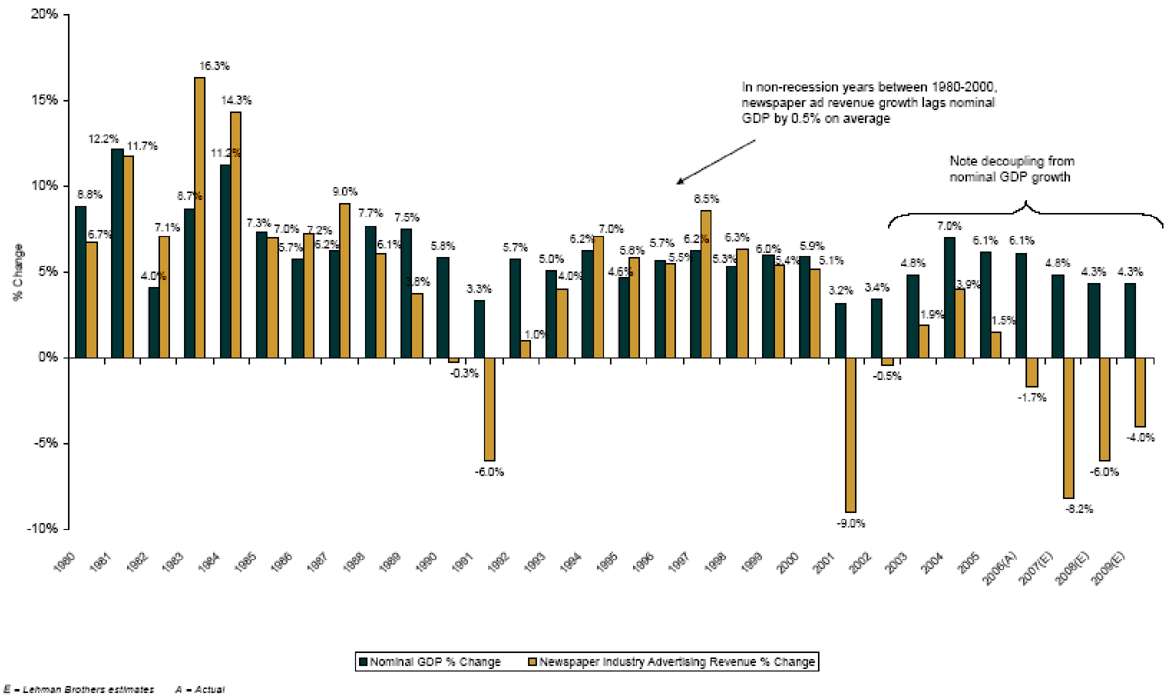


Source: Newspaper Industry Report – Timothy Keefe, Jennifer McFadden



S&P Advertising Industry Survey, August 2007

Nominal GDP and Newspaper Industry Advertising Revenue Percentage Change, 1980–2008E

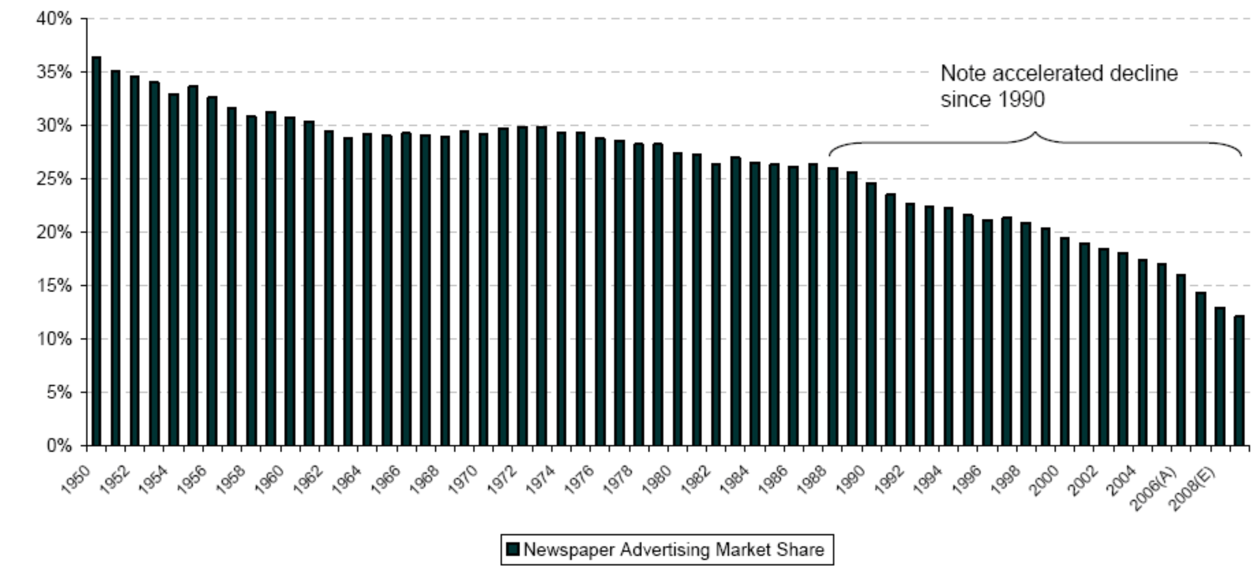


Source: Newspaper Association of America and Lehman Brothers

The Newspaper Industry:

We expect that the newspaper industry will continue to see declining revenues and rising costs in an era of increased competition for advertising dollars and consumer attention. Diversification away from core publishing assets into the provision of information in a multichannel format may provide publishing company's with the opportunity to expand revenues in the future and stave off declines in advertising. The industry will continue to see consolidation, through mergers and acquisitions, and innovative partnerships in order to compete in an increasingly online environment. We expect operating margins to drop in the long run because profit margins in the growing internet ad sector will not be as high as those realized in traditional print ads.

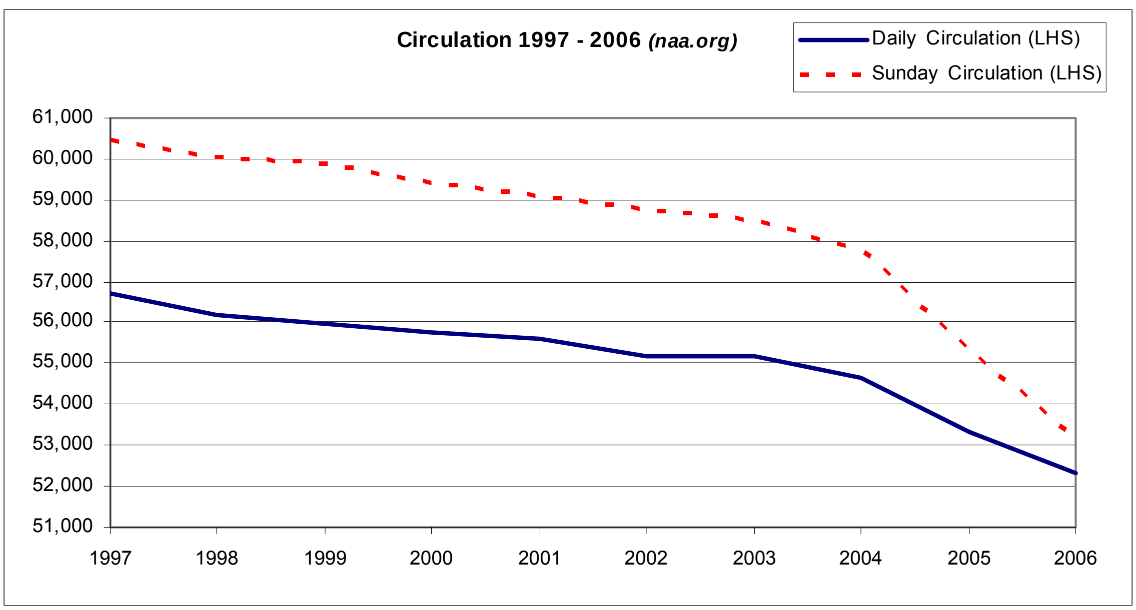
Newspaper Advertising Revenue as % of Total U.S. Advertising Revenue, 1950 – 2008(E)



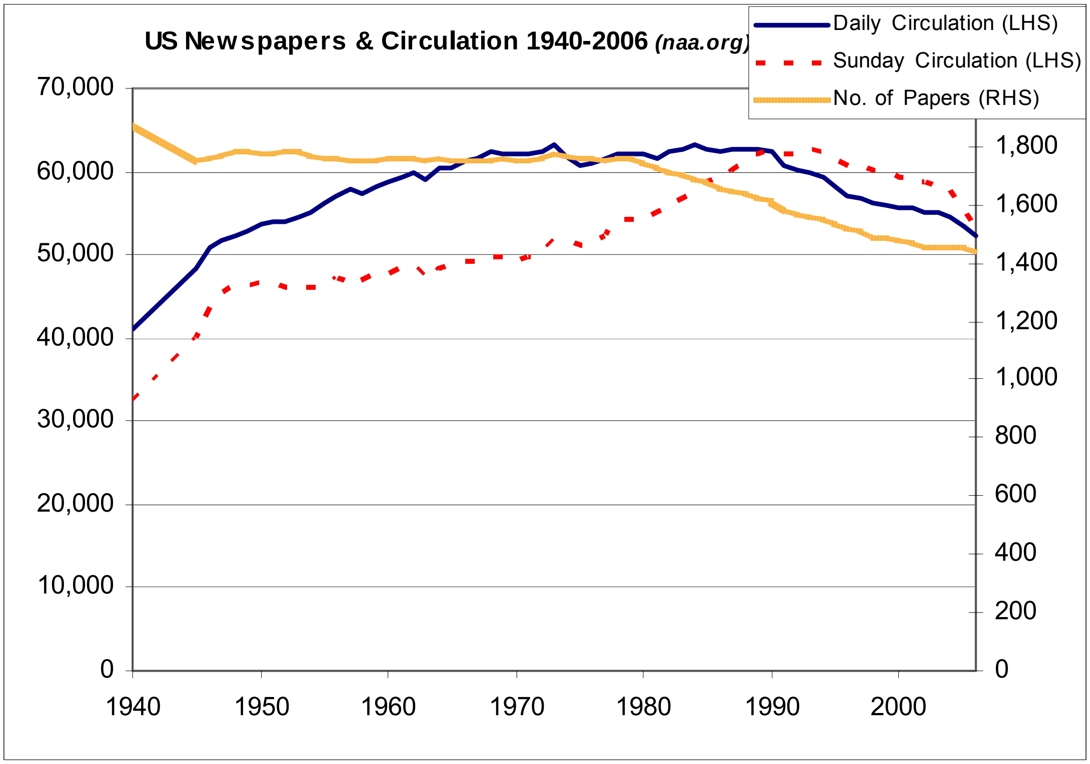
E = Lehman Brothers estimates   A = Actual

Source: Advertising Age by Robert Cohen, McCann-Erickson Inc., Newspaper Association of America, Radio Advertising Bureau, Outdoor Advertising Association of America, Interactive Advertising Bureau, and Lehman Brothers

Daily circulation for the entire industry has been declining by 0.8% per year. As circulation figures continue to drop, it will become increasingly difficult for newspapers to attract advertisers to their online and offline publications.



Source: Newspaper Industry Report – Timothy Keefe, Jennifer McFadden



Source: Newspaper Industry Report – Timothy Keefe, Jennifer McFadden

Industry declines will only be compounded if the economy slides into a recession. Lehman Brothers estimates for base case advertising revenue growth in 2008 is -6%, but in a recession scenario it would be -15.9%, while for internet advertising the base is +23.6% and +20%.

U.S. Advertising Expenditures by Category, Recession Scenario for 2008 (% Change)

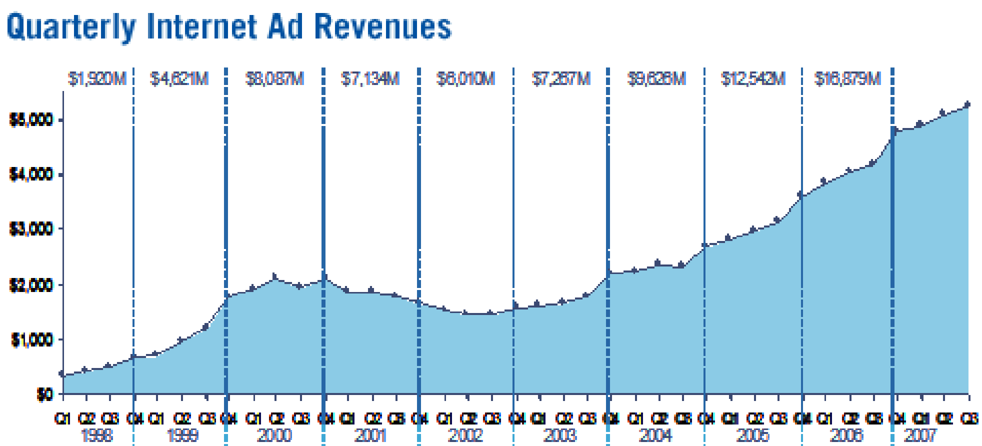
	1991	2001	2007(E)	2008(E)	
	Recession	Recession	Base Case	Base Case	Recession
Newspapers	-6.0%	-9.0%	-8.2%	-6.0%	-15.9%
Magazines	-4.1%	-10.3%	2.5%	2.0%	-10.0%
Broadcast TV	-8.1%	-13.2%	-0.3%	5.0%	1.7%
Cable TV	19.5%	1.8%	7.2%	5.8%	3.3%
Radio	-2.8%	-7.5%	-1.4%	-1.8%	-5.3%
Yellow Pages	2.9%	5.0%	2.1%	-2.0%	-5.5%
Direct Mail	4.7%	0.3%	6.0%	6.0%	0.0%
Business Papers	3.7%	-9.1%	0.0%	0.0%	-10.0%
Outdoor	4.9%	-0.8%	6.4%	5.4%	2.9%
Internet	--	-11.8%	25.6%	23.6%	20.0%
Miscellaneous	-0.1%	-6.8%	3.6%	3.6%	-4.4%
Total Advertising	**-1.9%**	**-6.2%**	**2.6%**	**3.7%**	**-2.1%**
Real GDP	**-0.2%**	**0.8%**	**2.1%**	**2.0%**	**0.0%**
Nominal GDP	**3.3%**	**3.2%**	**4.8%**	**4.3%**	**2.3%**

E = Lehman Brothers estimates A = Actual
Note: Miscellaneous category includes non-daily newspaper advertising, point of purchase advertising, free shoppers, and other not regularly measured media.

Sources: Advertising Age by Robert J. Coen, McCann-Erickson, Inc; Newspaper Association of America; Radio Advertising Bureau; Simba Information; Outdoor Advertising Association of America; Interactive Advertising Bureau (IAB); Lehman Brothers

Competition

JRC's newspaper properties compete with a span of traditional media and advertising outlets, including newspapers, broadcast television stations, radio stations, and yellow pages, as well as internet news, search, classified, and media companies, for advertising revenues and customer attention. We expect that there will be continued pressure from competitors, particularly in the online space, moving into 2008. Quarterly internet advertising revenues have been steadily increasing since 1998, reaching a new high of $5.2 billion in 3Q07. If JRC is able to draw consumers to its websites and finds a viable way to monetize the traffic, then profitability in the sector might increase. Given JRC's current online presence, we do not think that the company has the capacity to properly leverage these assets. In 2006 JRC bought *JobsInTheUS.com* and a majority stake in PowerOne Media. Recently, JRC partnered with *Zillow.com* in November 2007 to place real estate ads on their website. While *Zillow.com* is a recognized name, the company already missed the boat. JRC has also partnered with Yahoo! HotJobs a popular job site, though not as large as *Monster.com* or *CareerBuilder.com*. Competitors such as Gannett have already have partial ownership of CareerBuilder, and *Apartments.com*, and *Cars.com* (through Classified Ventures, LLC), and partnerships with Google to cross promote ads and content.



Source: Interactive Advertising Bureau

According to ZenithOptimedia, newspaper and broadcasting advertising revenues as a percentage of total advertising revenues will continue to decline in 2008 and 2009. As advertising dollars continue to migrate to the web over the next several years, we expect that the company will continue to lose revenues to both local, regional, and national competitors.

AD SPENDING BREAKDOWN, BY MEDIUM
(In millions of dollars)

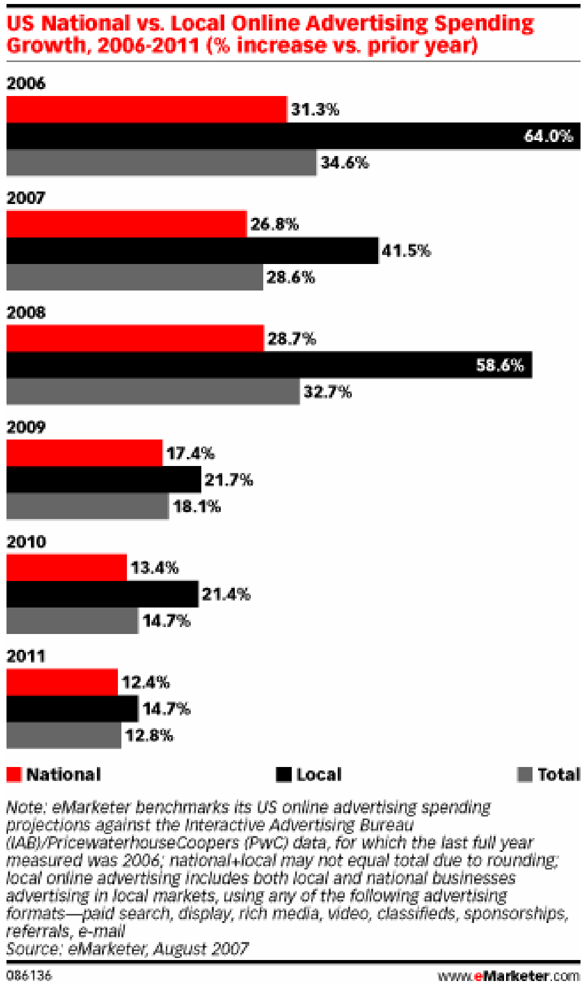
	ADVERTISING EXPENDITURES (MIL. $)				PERCENT OF TOTAL			
	2002	E2007	F2008	F2009	2002	E2007	F2008	F2009
Magazines	20,903	25,688	26,805	28,109	9.1	9.2	9.2	9.4
Consumer	15,611	20,112	21,118	22,279	6.8	7.2	7.3	7.4
Business-to-business	5,292	5,576	5,688	5,830	2.3	2.0	2.0	1.9
Newspapers	45,320	51,493	51,493	52,265	19.7	18.5	17.7	17.4
Television	51,640	58,622	60,581	60,888	22.5	21.0	20.9	20.3
Network	15,799	17,893	18,251	17,886	6.9	6.4	6.3	6.0
Spot	23,430	23,685	24,395	24,151	10.2	8.5	8.4	8.0
Cable	10,129	14,402	15,266	16,182	4.4	5.2	5.3	5.4
Syndication	2,281	2,643	2,669	2,669	1.0	0.9	0.9	0.9
Radio	19,423	21,211	21,541	22,402	8.4	7.6	7.4	7.5
National	1,000	1,116	1,144	1,189	0.4	0.4	0.4	0.4
Local	18,423	20,095	20,397	21,213	8.0	7.2	7.0	7.1
Outdoor	4,945	7,040	7,826	8,712	2.1	2.5	2.7	2.9
Billboards	2,392	3,009	3,190	3,381	1.0	1.1	1.1	1.1
Other out-of-home	2,553	4,031	4,636	5,331	1.1	1.4	1.6	1.8
Internet	7,250	16,112	19,173	20,611	3.2	5.8	6.6	6.9
Cinema	275	529	608	699	0.1	0.2	0.2	0.2
Direct mail	40,330	47,530	49,193	50,669	17.5	17.0	16.9	16.9
Other/Misc.	39,924	50,557	53,085	56,164	17.4	18.1	18.3	18.7
TOTAL	230,010	278,781	290,304	300,519	100.0	100.0	100.0	100.0

E-Estimated. F-Forecast.
Source: ZenithOptimedia.

S&P Advertising Industry Survey, August 2007

In 2007, only 2.9% of the total $97 billion local ad spending is estimated to be online. However, we expect to see continued migration of local advertising dollars to the web. Through 2011, spending for local online advertising will grow at a faster rate than national online advertising, making it a key growth area in a maturing internet advertising space.[18] Although JRC has a presence in several local markets, we do not expect the company to capture a significant portion of these online revenues.

[18] http://www.iab.net/resources/industrystats.2007-09.asp



Risks to our Recommendation

1. The Michigan cluster is able to turn itself around and regain profitability
2. Asset sales will continue to be possible, and at reasonable prices
3. JRC websites are able to leverage website assets to capture a greater portion of the total online advertising stream than is projected.
4. The company is able to attract a much larger portion of the growing local advertising market.

Valuation

Discount Rate:

The company has not attempted to maintain a debt to equity ratio, so the APV method is more appropriate than WACC. The levered equity beta was calculated by regressing JRC's stock returns against the market returns for 5 years. This was done on a monthly rolling basis for 5 ½ years for comparison. As can be seen from the chart below, the beta has increased drastically in the last 30 months. At this time, the stock price began to plummet, losing about 85% of its value while the S&P 500 has gained about 20%. To see if this was simply due to the drastic rise in leverage, we charted the unlevered beta as well. This beta has remained at 0.46 with a standard deviation of 0.02 for 30 months. Therefore, rather than use 12 month average of the 5 year rolling beta of 0.99 or a “smoothed” beta of 1.30, we use the current levered beta of 1.45 as a base.

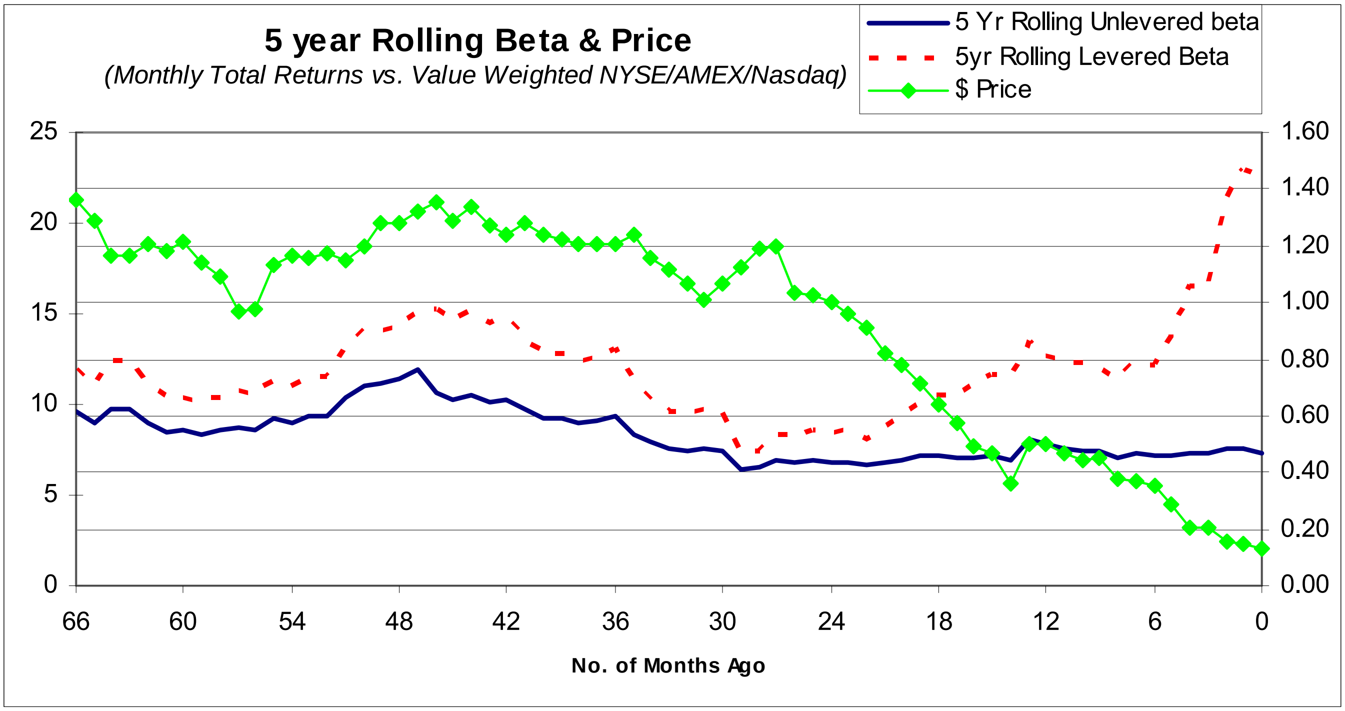
This was then unlevered using a small-capitalization, market weighted average of Market Debt to Market Equity for the target D/E ratio. This rationale was due our belief that the current ratio of 7.47x will decrease as debt gets paid down, and the economics of a small cap locally focused newspaper will be different than those of a diversified large player like Gannett.

rA = Opportunity Cost of Capital (unlevered firm)				Comments
Levered beta	1.45			*Most recent beta, adjusted to the rolling average over the last year*
Current market D/E =	7.47x	Mkt avg:	1.45x	*Current D/E is too high bc of situation, need to adjust to target D/E, use industry avg.*
Unlevered beta (asset)	0.80			*Unlevering beta formula include betaD because debt is not risk free.*
				---> Assume there is uncertainty in assets generating operating income
				---> Assume the risk of the tax shield on interest = risk of the assets (betaU)
Marginal Tax Rate =	39.0%			*From 10K, 2005 and 2004 effective rates. 2006 was inappropriate*
1 mo Treas: Risk free rate 11/30/07	3.63%			*http://www.treasury.gov/offices/domestic-finance/debt-management/interest-rate/yield.shtml*
Market Risk Premium	7.00%			*Ibbotson Associates*
Asset discount rate rA =	9.23%			**Asset rate: rA = rf + betaU*(mkt risk premium)**
				$\beta u = \frac{[\beta e + (\beta d)(D/E)]}{[1+(D/E)]}$
rD = cost of debt financing				
	B+			*Debt Rating (downgraded in Oct 07 from BB-)*
	0.35			*Historical Debt Beta for B+. Range for B's is 0.25 - 0.35*
	6.60%			*Effective interest rate from 10-Q*
rE = cost of equity financing				
	13.81%			**CAPM = rF + betaL*(RP)**
discount rate R for WACC method				
	8.02%			**WACC = E/V*rE + D/V*rD*(1-T)**

Small Cap Newspaper Companies ($ in Ms)

Company	Debt	Mkt Equity	D/E	Weight	Weighted D/E
Lee Enterprises	1,408.9	640.6	2.20x	19.6%	0.43x
Belo Corp.	1,202.8	1,650.0	0.73x	50.5%	0.37x
Media General	938.0	527.7	1.78x	16.2%	0.29x
GateHouse Media	1,195.0	448.5	2.66x	13.7%	0.37x
		3,266.8		100.0%	
		Avg:	1.84x	Wt Avg:	1.45x

Source: Google Finance as of 12/3/07 and 3Q 10-Qs



Source: CRSP and Yahoo Finance

Key Assumptions:

- **Revenues:** Revenue growth for circulation, advertising, and commercial Printing and other were forecasted individually. Circulation growth is **-10.0%** and is adjusted to **0.0%** by 2012. Advertising growth is **-10.0%** adjusted to **1.0%** by 2012. The assumption for advertising recovery is that newspaper websites will slowly add to advertising revenue while print advertising declines. Commercial Printing and Other revenue growth is **0.8%.**

- **COGS**: COGS includes two components: Salaries and Employee Benefits, and Newsprint, Ink and Printing Charges. Salaries and Employee Benefits were forecast using the historical average percent of Revenue of 38.8%, but adjusted upwards to reflect recent increases in Salaries and Employee Benefits to **40.0%**. Newsprint, Ink and Printing Charges growth is forecasted using the historical average of 8.6%, but adjusted downward to a target of **8.0%** to reflect forecasted declining circulation figures.

- **SG&A and other items:** SG&A was forecast based on the 3 year historical average as a percent of Revenue of **14.5%**, and then stepped down to a target of **13%** in 2012. **Unfunded pension obligations** of were $7.6M out of $116M at year-end 2006, which we do not see as significant. The company will be changing to defined contribution plans from defined benefit plans. In light of this, we do not think the after-tax unfunded pension obligation would need to be subtracted from equity value.

- **Capex:** Capex was forecast at its 5 year historical average as a percent of revenue equaling **4.7%.**

- **Goodwill:** We estimated a 50% probability of a further write-down of Goodwill for the Michigan cluster in 2008. The 2006 write-down was $36M, and we estimate the same amount in 2008.

- **Tax Rate:** The tax rate of **39%** is estimated based upon the Company's 2006 10-K in which the effective tax rates for 2004 and 2005 were 39%. The tax rate in 2006 was not meaningful. There are

$30M in **NOLs** (net operating loss carry forwards) that will be used to offset some taxes through 2008, but like unfunded pension obligations, we also omit this for simplicity and uncertainty.

- **Working Capital:**
  - Receivables were forecast as a 6 year historical average percent of sales of **12%**.
  - Inventory was forecast as the 6 year average percent of COGS of **3.6%.**
  - Payables were forecast as the 6 year average percent of Revenues of **3.6%.**

- **Depreciation & PPE:** Depreciation was forecast using **5.7%** of Gross PPE which was the average for the last 5 years, and there were no extraordinary amortizations in this period. Gross PPE was found to have an average of **63.2%** of Revenues

Terminal Value

We have assumed a terminal growth rate of **1.0%** in 5 years which is based on our assumption that JRC will be able to benefit from advertising on local newspaper websites and will grow their total advertising component at a little below average GDP since JRC's growth will be handicapped by debt service costs for many years. Additionally their high exposure to stagnant or declining growth DMAs (designated market areas) and probable difficulty in selling off more assets for a reasonable price will propel JRC along on a long slow decline.

A sensitivity analysis was done to check our assumptions. While positive changes in the Terminal Growth Rate make JRC look like an undervalued company, we maintain our negative assumptions. *(Red areas are below the current market price)*

Terminal Growth Rate	Discount Rate									
$0.81	7.5%	8.0%	8.5%	9.0%	9.5%	10.0%	10.5%	11.0%	11.5%	12.0%
-0.25%	1.95	1.24	0.61	0.04	-0.47	-0.92	-1.34	-1.72	-2.07	-2.38
0.00%	2.24	1.49	0.82	0.23	-0.30	-0.77	-1.21	-1.60	-1.96	-2.29
0.25%	2.55	1.75	1.05	0.43	-0.12	-0.62	-1.07	-1.47	-1.85	-2.19
0.50%	2.88	2.04	1.30	0.65	0.07	-0.45	-0.92	-1.34	-1.73	-2.08
0.75%	3.23	2.34	1.56	0.87	0.26	-0.28	-0.77	-1.21	-1.61	-1.97
1.00%	3.61	2.66	1.84	1.11	0.47	-0.09	-0.60	-1.06	-1.48	-1.86
1.25%	4.03	3.01	2.13	1.37	0.70	0.10	-0.43	-0.91	-1.34	-1.74
1.50%	4.47	3.39	2.45	1.64	0.93	0.31	-0.25	-0.75	-1.20	-1.61
1.75%	4.96	3.79	2.79	1.93	1.18	0.52	-0.06	-0.58	-1.05	-1.48
2.00%	5.49	4.23	3.16	2.25	1.45	0.75	0.14	-0.41	-0.90	-1.34
2.25%	6.07	4.71	3.56	2.58	1.74	1.00	0.35	-0.22	-0.73	-1.19
2.50%	6.71	5.23	3.99	2.94	2.04	1.26	0.58	-0.02	-0.56	-1.04

Bankruptcy Costs Default Rates by Bond Rating Classes		
Bond Rating	*Default Rate*	
D	100.00%	
C	80.00%	
CC	65.00%	
CCC	46.61%	
B-	32.50%	
B	26.36%	
B+	**19.28%**	**<--- Journal Register**
BB	12.20%	
BBB	2.30%	
A-	1.41%	
A	0.53%	
A+	0.40%	
AA	0.28%	
AAA	0.01%	
Source: Altman and Kishore (1998)		

Expected bankruptcy cost =Probability of bankruptcy * Cost of bankruptcy % * Unlevered firm value

Source: Damodaran, A.: http://pages.stern.nyu.edu/~adamodar/New_Home_Page/valquestions/apv.htm#_ftn2

% Cost	Source
Indirect:	
25-30	Shapiro, A,, and S. Titman, 1986, An integrated approach to corporate risk management, in J. Stern and D. Chew, eds.: The Revolution in Corporate Finance (Basil Blackwell, New York)
Direct:	
5	Warner, J., 1976, Bankruptcy Costs: Some Evidence, The Journal of Finance, Vol. 32, No. 2, Papers and Proceedings of the Thirty-Fifth Annual Meeting of the American Finance Association, Atlantic City, New Jersey, September 16-18, 1976. (May, 1977), pp. 337-347.
35%	

DCF Calculations: Below are the results of the valuation:

Journal Register Co. (NYSE:JRC)								
For the Fiscal Period Ending In Thousands	12 months Dec-31-2007E USD Thousands	12 months Dec-31-2008E USD Thousands	12 months Dec-31-2009E USD Thousands	12 months Dec-31-2010E USD Thousands	12 months Dec-31-2011E USD Thousands	12 months Dec-31-2012E USD Thousands	Step	Target
Revenues								
Circulation	92,072	84,706	77,930	71,696	65,960	60,683	2.0%	0.0%
Commercial Printing and Other	19,175	19,326	19,479	19,633	19,788	19,944	0.0%	0.8%
Advertising	361,866	333,640	307,616	283,622	261,500	241,103	2.2%	1.0%
Total Revenues	**473,113**	**437,673**	**405,025**	**374,950**	**347,247**	**321,730**		
Expenses								
Salaries and Employee Benefits	(189,245)	(175,069)	(162,010)	(149,980)	(138,899)	(128,692)	0.0%	40.0%
Newsprint, Ink and Printing Charges	(37,849)	(35,014)	(32,402)	(29,996)	(27,780)	(25,738)	0.0%	8.0%
	(227,094)	(210,083)	(194,412)	(179,976)	(166,679)	(154,430)		
Selling, General and Administrative	(67,182)	(62,150)	(57,514)	(53,243)	(49,309)	(45,686)	(0.3%)	13.0%
Depreciation and Amortization	(16,920)	(15,652)	(14,485)	(13,409)	(12,419)	(11,506)	0.0%	3.6%
Write Down of Goodwill	0	**(18,000)**	0	0	0	0		
Write-off of Debt Issuance Costs	0	0	0	0	0	0		
Write-down of Investments	0	0	0	0	0	0		
Others	(64,343)	(59,524)	(55,083)	(50,993)	(47,226)	(43,755)	0.0%	13.6%
Net Interest and Other Expenses	(29,137)	(26,955)	(24,944)	(23,092)	(21,386)	(19,814)	0.0%	6.2%
Gains on Sales of Newspaper Properties	-	-	-	-	-	-		
Earnings before Taxes	**68,436**	**45,310**	**58,587**	**54,237**	**50,230**	**46,538**		
	2007	**2008**	**2009**	**2010**	**2011**	**2012**		
EBIT	97,573	72,264	83,531	77,329	71,615	66,353		
EBIT Margin	*20.6%*	*16.5%*	*20.6%*	*20.6%*	*20.6%*	*20.6%*		
-- Taxes on EBIT	(38,054)	(28,183)	(32,577)	(30,158)	(27,930)	(25,878)		
= Net Operating Profit Less Adjusted Taxes	59,520	44,081	50,954	47,171	43,685	40,475		
+ Depreciation & Amortization	16,960	15,690	14,519	13,441	12,448	11,533		
-- Change in Working Capital Requirements								
+ Δ A/R	2,020	(4,265)	(3,929)	(3,619)	(3,334)	(3,071)		
+ Δ Inventories	(597)	(604)	(557)	(513)	(472)	(435)		
+ Δ in Cash & Equivalents	5,532	(709)	(653)	(601)	(554)	(510)		
+ Δ in Prepaid Expenses and Other Current /	(1,852)	(1,127)	(1,038)	(956)	(881)	(811)		
- Δ A/P	(1,979)	(1,277)	(1,176)	(1,084)	(998)	(920)		
- Δ in Other Accrued Expenses	(716)	(3,276)	(3,018)	(2,780)	(2,561)	(2,359)		
- Δ in Taxes Payable	(1,217)	(1,240)	(1,143)	(1,053)	(970)	(893)		
-- Capex (net)	22,175	20,514	18,984	17,574	16,276	15,080		
= Free Cash Flow	**45,291**	**40,168**	**47,329**	**43,811**	**40,570**	**37,585**		

		2007	2008	2009	2010	2011	2012
EBIT		97,573	72,264	83,531	77,329	71,615	66,353
EBIT Margin		*20.6%*	*16.5%*	*20.6%*	*20.6%*	*20.6%*	*20.6%*
-- Taxes on EBIT		(38,054)	(28,183)	(32,577)	(30,158)	(27,930)	(25,878)
= Net Operating Profit Less Adjusted Taxes		59,520	44,081	50,954	47,171	43,685	40,475
+ Depreciation & Amortization		16,960	15,690	14,519	13,441	12,448	11,533
-- Change in Working Capital Requirements							
+ Δ A/R		2,020	(4,265)	(3,929)	(3,619)	(3,334)	(3,071)
+ Δ Inventories		(597)	(604)	(557)	(513)	(472)	(435)
+ Δ in Cash & Equivalents		5,532	(709)	(653)	(601)	(554)	(510)
+ Δ in Prepaid Expenses and Other Current Assets		(1,852)	(1,127)	(1,038)	(956)	(881)	(811)
- Δ A/P		(1,979)	(1,277)	(1,176)	(1,084)	(998)	(920)
- Δ in Other Accrued Expenses		(716)	(3,276)	(3,018)	(2,780)	(2,561)	(2,359)
- Δ in Taxes Payable		(1,217)	(1,240)	(1,143)	(1,053)	(970)	(893)
-- Capex (net)		22,175	20,514	18,984	17,574	16,276	15,080
= Free Cash Flow		**45,291**	**40,168**	**47,329**	**43,811**	**40,570**	**37,585**
WACC or APV methiod?	**apv**						
Period Number		0.25	1	2	3	4	5
Discount Rate		9.23%	9.23%	9.23%	9.23%	9.23%	9.23%
Present Value of Cash Flow (2007-2012)	207,019	44,302	36,773	39,666	33,614	28,496	24,168
Growth rate	1.00%						
Terminal Value at year 5	461,085					Terminal Value:	461,085
PV of TV	296,493						
NPV of Equity Cash Flows	**503,512**	**9.23% Discount Rate on Operating Cash Flows**					
		39.00% Tax Rate					
Tax Rate	39.0%						
		640,000	640,000	590,000	530,000	470,000	470,000
Avg Interest Rate	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	**8.0%**
Annual Interest Expense, end of year pmt		42,240	42,240	38,940	34,980	31,020	37,600
Debt Tax Shield		16,474	16,474	15,187	13,642	12,098	14,664
Present Value of Debt Tax Shield Yr 1-5	75,641	16,212	15,454	13,364	11,262	9,369	9,980
Present Value of Debt Tax Shield Perpetuity	124,751					Terminal Value:	183,300
NPV of Interest Tax Shield	**200,392**						
Enterprise Value	**703,904**						
With Bankruptcy Costs for APV? **(y / n)**	Y						
Less Bankruptcy Costs	33,977						
Less Net Debt (Debt + Capital Leases - Cash - STI)	638,371						
Equity Value	**31,556**						
# of Share Outstanding	39,150						
Share Value $	$0.81						

Advertising Growth Rate	**Asset Discount Rate**									
$0.81	7.5%	8.0%	8.5%	9.0%	9.5%	10.0%	10.5%	11.0%	11.5%	12.0%
-15.0%	1.90	1.08	0.37	-0.25	-0.80	-1.29	-1.73	-2.12	-2.48	-2.81
-13.0%	2.55	1.69	0.93	0.27	-0.31	-0.83	-1.30	-1.72	-2.10	-2.44
-11.0%	3.25	2.33	1.53	0.82	0.20	-0.35	-0.84	-1.29	-1.69	-2.06
-9.0%	3.99	3.01	2.16	1.41	0.75	0.17	-0.36	-0.83	-1.26	-1.65
-7.0%	4.78	3.73	2.83	2.04	1.34	0.71	0.16	-0.35	-0.80	-1.21
-5.0%	5.61	4.50	3.54	2.70	1.95	1.29	0.70	0.17	-0.32	-0.76
-3.0%	6.50	5.32	4.29	3.40	2.61	1.91	1.28	0.71	0.20	-0.27
-1.0%	7.43	6.18	5.09	4.14	3.30	2.56	1.89	1.29	0.74	0.25
1.0%	8.43	7.09	5.94	4.93	4.04	3.24	2.53	1.89	1.31	0.79
3.0%	9.48	8.06	6.83	5.76	4.81	3.97	3.21	2.53	1.92	1.36
5.0%	10.59	9.09	7.78	6.64	5.63	4.74	3.93	3.21	2.56	1.97
7.0%	11.77	10.17	8.78	7.57	6.50	5.54	4.69	3.93	3.24	2.61

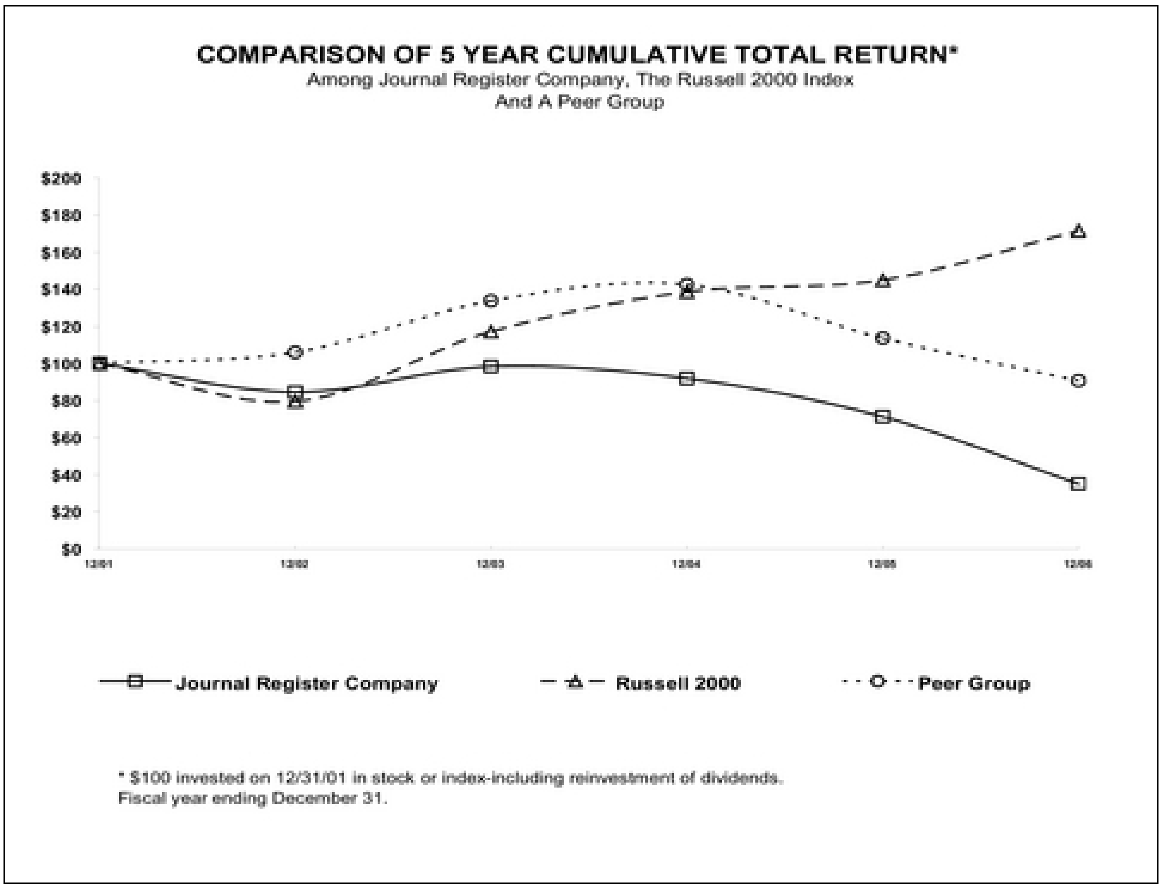
Advertising Growth Rate	**COGS - Salaries and Benefits only (approx. 80% of COGS)**									
$0.81	37.0%	37.8%	38.3%	38.8%	39.3%	39.8%	40.3%	40.8%	41.3%	41.8%
-10.0%	2.76	2.27	1.95	1.62	1.30	0.97	0.64	0.32	-0.01	-0.34
-9.0%	3.10	2.60	2.26	1.93	1.60	1.26	0.93	0.59	0.26	-0.07
-8.0%	3.45	2.93	2.59	2.25	1.91	1.56	1.22	0.88	0.54	0.19
-7.0%	3.81	3.28	2.93	2.58	2.23	1.87	1.52	1.17	0.82	0.47
-6.0%	4.17	3.63	3.27	2.91	2.55	2.19	1.83	1.47	1.11	0.75
-5.0%	4.55	4.00	3.63	3.26	2.89	2.52	2.16	1.79	1.42	1.05
-4.0%	4.95	4.38	4.00	3.62	3.24	2.86	2.49	2.11	1.73	1.35
-3.0%	5.35	4.77	4.38	3.99	3.60	3.21	2.82	2.44	2.05	1.66
-2.0%	5.76	5.17	4.77	4.37	3.97	3.57	3.17	2.78	2.38	1.98
-1.0%	6.19	5.58	5.17	4.76	4.35	3.94	3.53	3.12	2.72	2.31
0.0%	6.63	6.00	5.58	5.16	4.74	4.32	3.90	3.48	3.06	2.65
1.0%	7.08	6.44	6.00	5.57	5.14	4.71	4.28	3.85	3.42	2.99

Appendix

2001-2006 Stock Performance Relative to the Market & Peer Group

	12/01	12/02	12/03	12/04	12/05	12/06
Journal Register Company	**100.0**	**84.51**	**98.38**	**91.87**	**71.23**	**35.08**
Russell 2000	**100.0**	**79.52**	**117.0**	**138.5**	**144.8**	**171.4**
Peer Group	**100.0**	**105.9**	**133.7**	**142.4**	**113.5**	**90.65**

Source: 2006 Annual Report



Source: 2006 Annual Report

For the Fiscal Period Ending In Currency	Dec-30-2001 USD Thousands	Dec-29-2002 USD Thousands	Dec-28-2003 USD Thousands	Dec-26-2004 USD Thousands	Dec-25-2005 USD Thousands	Dec-31-2006 USD Thousands
Cash and Cash Equivalents	110	33	31	2,003	2,410	3,930
As a % of Revenues	0.03%	0.01%	0.01%	0.47%	0.47%	0.78%
Accounts Receivables	49,920	48,101	43,591	64,116	56,569	54,914
As a % of Revenues	12.7%	11.8%	10.9%	15.0%	11.0%	10.9%
Inventories	5,535	6,869	6,597	8,244	8,463	8,663
As a % of COGS	3.1%	3.8%	3.5%	4.1%	3.4%	3.4%
Gross PPE	245,013	257,629	269,411	299,998	285,566	309,040
Gross PPE as a % of Revenues	62.1%	63.2%	67.5%	70.3%	55.3%	61.1%
Net PPE	124,440	125,680	126,013	158,005	148,112	161,874
Net PPE as a % of Revenues	31.6%	30.8%	31.6%	37.0%	28.7%	32.0%
Accumulated Depreciation	(120,573)	(131,949)	(143,398)	(141,993)	(137,454)	(147,166)
ACCUM Depreciation as a % of Gross PP&E	49.2%	51.2%	53.2%	47.3%	48.1%	47.6%
Accounts Payable	15,988	11,942	9,454	20,465	19,188	19,028
As a % of Revenues	4.1%	2.9%	2.4%	4.8%	3.7%	3.8%
Other Accrued Expenses and Current Liabilities	22,367	15,533	14,564	27,048	19,897	20,564
As a % of Revenues	5.7%	3.8%	3.6%	6.3%	3.9%	4.1%
Income Taxes Payable	113,674	112,421	89,898	17,239	17,608	17,776
As a % of Revenues	28.82%	27.57%	22.53%	4.04%	3.41%	3.51%

Source: Capital IQ, Keefe, McFadden Assoc.

Journal Register Company
Income Statement 2001-2006

For the Fiscal Period Ending In Currency	12 months Dec-30-2001 USD Thousands	12 months Dec-29-2002 USD Thousands	12 months Dec-28-2003 USD Thousands	12 months Dec-26-2004 USD Thousands	12 months Dec-25-2005 USD Thousands	12 months Dec-31-2006 USD Thousands
Revenues						
Circulation	87,737.0	91,123.0	83,108.0	80,507.0	94,405.0	93,581.0
Commercial Printing and Other	18,809.0	19,575.0	16,966.0	17,032.0	18,617.0	19,270.0
Advertising	287,859.0	297,056.0	298,986.0	329,205.0	403,566.0	393,214.0
Total Revenues	**394,405.0**	-	**399,060.0**	**426,744.0**	**516,588.0**	**506,065.0**
Expenses						
Salaries and Employee Benefits	(140,522.0)	(150,614.0)	(155,355.0)	(164,426.0)	(202,256.0)	(205,778.0)
Newsprint, Ink and Printing Charges	(37,741.0)	(32,023.0)	(31,181.0)	(36,280.0)	(46,221.0)	(49,423.0)
Selling, General and Administrative	(47,810.0)	(52,976.0)	(51,932.0)	(61,675.0)	(75,396.0)	(73,165.0)
Depreciation and Amortization	(26,317.0)	(14,927.0)	(14,893.0)	(14,818.0)	(17,778.0)	(18,091.0)
Write Down of Goodwill	-	-	-	-	-	(33,660.0)
Write-off of Debt Issuance Costs	-	-	-	(1,211.0)	-	(5,662.0)
Write-down of Investments	-	-	-	-	-	(2,412.0)
Others	(53,474.0)	(56,866.0)	(51,408.0)	(52,385.0)	(66,331.0)	(69,077.0)
Net Interest and Other Expenses	(30,490.0)	(23,677.0)	(16,181.0)	(19,700.0)	(38,994.0)	(44,367.0)
Gains on Sales of Newspaper Properties	32,212.0	-	-	-	-	-
Earnings before Taxes	**90,263.0**	**76,671.0**	**78,110.0**	**76,249.0**	**69,612.0**	**4,430.0**
Taxes and Other Expenses						
Provision for Income Tax	(10,818.0)	(27,444.0)	(6,120.0)	35,172.0	(27,220.0)	(14,124.0)
Equity Interest	(1,313.0)	-	-	-	-	-
Earnings of Discontinued Operations	-	-	-	5,092.0	4,476.0	3,456.0
Net Income (Loss)	**78,132.0**	**49,227.0**	**71,990.0**	**116,513.0**	**46,868.0**	**(6,238.0)**
Supplementary Info						
Operating Income (Loss)	88,541.0	100,348.0	94,291.0	97,160.0	108,606.0	56,871.0
Basic Eps-continuing Operations	1.85	1.18	1.75	2.66	1.02	(0.25)
Basic Eps-discontinued Operations	-	-	-	0.12	0.11	0.09
Basic Earnings Per Share – Total	-	-	-	2.78	1.13	(0.16)
Diluted Eps-continuing Operations	1.83	1.16	1.72	2.62	1.01	(0.25)
Diluted Eps-discontinued Operations	-	-	-	0.12	0.11	0.09
Diluted Earnings Per Share – Total	-	-	-	2.74	1.12	(0.16)

Source: Capital IQ

Journal Register Company
Balance Sheet 2001-2006

For the Fiscal Period Ending In Currency	Dec-30-2001 USD Thousands	Dec-29-2002 USD Thousands	Dec-28-2003 USD Thousands	Dec-26-2004 USD Thousands	Dec-25-2005 USD Thousands	Dec-31-2006 USD Thousands
Current Assets						
Cash and Cash Equivalents	110.0	33.0	31.0	2,003.0	2,410.0	3,930.0
Accounts Receivables	49,920.0	48,101.0	43,591.0	64,116.0	56,569.0	54,914.0
Inventories	5,535.0	6,869.0	6,597.0	8,244.0	8,463.0	8,663.0
Deferred Income Taxes	3,962.0	4,208.0	3,719.0	13,097.0	10,234.0	9,441.0
Other Current Assets	7,046.0	6,172.0	4,149.0	8,526.0	7,151.0	7,456.0
Current Assets of Discontinued Operations	-	-	-	-	5,485.0	5,058.0
Total Current Assets	**66,573.0**	**65,383.0**	**58,087.0**	**95,986.0**	**90,312.0**	**89,462.0**
Non Current Assets						
Land	10,408.0	10,408.0	10,720.0	14,406.0	13,890.0	13,647.0
Machinery, Equipment	161,784.0	170,297.0	174,519.0	187,069.0	172,099.0	181,131.0
Buildings and Improvements	69,448.0	71,356.0	76,759.0	93,298.0	92,896.0	99,876.0
Construction and Equipment Installation in Progress	3,373.0	5,568.0	7,413.0	5,225.0	6,681.0	14,386.0
Accumulated Depreciation	(120,573.0)	(131,949.0)	(143,398.0)	(141,993.0)	(137,454.0)	(147,166.0)
Goodwill	492,349.0	491,385.0	491,833.0	772,683.0	757,780.0	726,897.0
Other Intangible Assets	12,841.0	15,885.0	14,500.0	155,365.0	150,623.0	144,850.0
Non-current Assets of Discontinued Operations	-	-	-	-	30,524.0	30,448.0
Other Assets	14,968.0	3,370.0	2,627.0	3,431.0	3,349.0	1,277.0
Fair Market Value of Hedges	-	-	-	-	7,189.0	5,974.0
Total Assets	**711,171.0**	**701,703.0**	**693,060.0**	**1,185,470.0**	**1,187,890.0**	**1,160,780.0**
Current Liabilities						
Accounts Payable	15,988.0	11,942.0	9,454.0	20,465.0	19,188.0	19,028.0
Accrued Salaries and Vacation	5,266.0	6,472.0	6,455.0	12,418.0	10,704.0	10,409.0
Accrued Interest	3,791.0	2,446.0	2,062.0	4,051.0	6,603.0	6,409.0
Other Accrued Expenses and Current Liabilities	22,367.0	15,533.0	14,564.0	27,048.0	19,897.0	20,564.0
Current Maturities of Long-term Debt	30,254.0	32,912.0	37,853.0	-	7,500.0	22,500.0
Deferred Subscription Revenue	9,750.0	10,514.0	10,614.0	14,810.0	13,757.0	13,482.0
Dividend Payable	-	-	-	-	809.0	813.0
Fair Market Value of Hedges	5,715.0	5,162.0	2,483.0	44.0	-	-
Current Liabilities of Discontinued Operations	-	-	-	-	2,067.0	2,157.0
Total Current Liabilities	**93,131.0**	**84,981.0**	**83,485.0**	**78,836.0**	**80,525.0**	**95,362.0**
Non Current Liabilities						
Long-term Debt-less Current Maturities	-	-	-	-	740,700.0	707,700.0
Senior Debt	492,517.0	450,457.0	380,492.0	778,300.0	-	-
Capital Lease Obligations, Net of Current Maturities	-	-	-	3,647.0	3,628.0	3,465.0
Accrued Retiree Benefits and Other Liabilities	12,114.0	18,373.0	19,462.0	19,256.0	14,865.0	11,980.0
Deferred Income Taxes	35,933.0	39,350.0	47,379.0	87,872.0	99,619.0	115,207.0
Income Taxes Payable	113,674.0	112,421.0	89,898.0	17,239.0	17,608.0	17,776.0
Non-current Liabilities of Discontinued Operation	-	-	-	-	8,902.0	9,449.0
Shareholders' Equity						
Common Stock-par Value	484.0	484.0	484.0	484.0	484.0	484.0
Additional Paid in Capital	358,263.0	358,242.0	359,359.0	361,369.0	361,494.0	362,236.0
Treasury Stock-common	(101,778.0)	(100,074.0)	(100,817.0)	(94,711.0)	(121,953.0)	(137,366.0)
Accumulated Deficit	(288,643.0)	(239,416.0)	(167,426.0)	(50,913.0)	(5,680.0)	(15,104.0)
Accumulated Other Comprehensive Loss	(4,524.0)	(23,115.0)	(19,256.0)	(15,395.0)	(12,230.0)	(10,407.0)
Unearned Compensation	-	-	-	(514.0)	(73.0)	-
Total Shareholders Equity	**(36,198.0)**	**(3,879.0)**	**72,344.0**	**200,320.0**	**222,042.0**	**199,843.0**
Total Liabilities & Shareholders Equity	**711,171.0**	**701,703.0**	**693,060.0**	**1,185,470.0**	**1,187,890.0**	**1,160,780.0**

Source: Capital IQ

Journal Register Company
Cash Flow Statement 2001-2006

For the Fiscal Period Ending In Currency	12 months Dec-30-2001 USD Thousands	12 months Dec-29-2002 USD Thousands	12 months Dec-28-2003 USD Thousands	12 months Dec-26-2004 USD Thousands	12 months Dec-25-2005 USD Thousands	12 months Dec-31-2006 USD Thousands
Operating Activities						
Net Income	78,132.0	49,227.0	71,990.0	116,513.0	46,868.0	(6,238.0)
Depreciation and Amortization	-	-	-	14,819.0	17,779.0	18,091.0
Depreciation Expenses	12,069.0	13,679.0	14,062.0	-	-	-
Amortization Expenses	14,248.0	1,248.0	831.0	-	-	-
Write-off of Debt Issuance Costs	-	-	-	1,211.0	-	5,662.0
Gain/loss on Sale of Assets	(16.0)	(728.0)	-	(1.0)	(60.0)	237.0
Gains on Sales of Newspaper Properties	(32,212.0)	-	-	-	-	-
Write-down of Asset	-	-	-	-	-	36,072.0
Loss on Equity Investments	1,313.0	-	-	-	-	-
Provision for Losses on Accounts Receivable	4,585.0	5,025.0	3,830.0	4,373.0	4,434.0	2,763.0
Net Cash (Used In) Provided By Operating Activities of Discontinued Operations	-	-	-	7,629.0	6,598.0	7,632.0
Other Net	-	-	-	-	-	1,808.0
Noncash Interest Expense	-	-	554.0	898.0	1,438.0	994.0
Loss (Income) from Discontinued Operations, Net of Income Taxes	-	-	-	(5,092.0)	(4,476.0)	(3,456.0)
Accounts Receivable	1,542.0	(2,405.0)	680.0	(7,452.0)	(1,713.0)	(1,108.0)
Income Taxes Payables	(7,784.0)	(1,253.0)	(21,310.0)	(69,051.0)	44.0	168.0
Deferred Taxes	6,587.0	14,474.0	7,989.0	15,809.0	19,659.0	13,307.0
Accrued Retiree Benefits and Other Non-current Liabilities	(2,052.0)	(12,692.0)	1,089.0	(253.0)	(162.0)	948.0
Other Assets and Liabilities, Net	1,254.0	(7,611.0)	3,383.0	5,536.0	(2,609.0)	(1,714.0)
Cash Flow from Operating Activities	**77,666.0**	**58,964.0**	**83,098.0**	**84,939.0**	**87,800.0**	**75,166.0**
Investing Activities						
Capital Expenditures	(34,929.0)	(13,010.0)	(15,129.0)	(13,553.0)	(15,654.0)	(30,761.0)
Net Proceeds from Sale of Property, Plant and Equipment and Other Assets	49.0	297.0	28.0	-	588.0	248.0
Purchases of Businesses-net of Cash Acquired	(77,828.0)	(8,609.0)	(450.0)	(426,026.0)	(13,528.0)	(2,942.0)
Proceeds from Sale of Newspaper Properties	54,601.0	-	-	-	-	-
Net Cash Provided By (Used In) Investing Activities of Discontinued Operations	-	-	-	(1,802.0)	(679.0)	(1,146.0)
Cash Flow from Investing Activities	**(58,107.0)**	**(21,322.0)**	**(15,551.0)**	**(441,381.0)**	**(29,273.0)**	**(34,601.0)**
Financing Activities						
Repayment of Long-term Debt	-	(39,402.0)	(65,024.0)	(62,471.0)	(30,100.0)	(7,500.0)
Proceeds from (Payment of) Long-term Debt	28,136.0	-	-	-	-	-
Proceeds from Issuance of Long-term Debt	-	-	-	795,000.0	-	755,500.0
Extinguishment of Prior Long-term Debt	-	-	-	(372,573.0)	-	(755,500.0)
Net Payments Related to Revolving Credit Facility	-	-	-	-	-	(10,500.0)
Proceeds from Exercise of Stock Options	194.0	1,768.0	7,067.0	6,190.0	496.0	-
Treasury Stock Purchases	(54,274.0)	(85.0)	(7,905.0)	-	(27,690.0)	(15,433.0)
Dividends Paid	-	-	-	-	(826.0)	(3,182.0)
Deferred Loan Costs	-	-	-	(11,558.0)	-	(2,430.0)
Cash Flow from Financing Activities	**(25,944.0)**	**(37,719.0)**	**(65,862.0)**	**354,588.0**	**(58,120.0)**	**(39,045.0)**
Other Adjustements						
Cash Flow Net Changes in Cash	(6,385.0)	(77.0)	1,685.0	(1,854.0)	407.0	1,520.0

Source: Capital IQ

Important Disclaimer

Please read this document before reading this report.

This report has been written by MBA students at Yale's School of Management in partial fulfillment of their course requirements. *The report is a **student and not a professional*** report. It is intended solely to serve as an example of student work at Yale's School of Management. It is not intended as investment advice. It is based on publicly available information and may not be complete analyses of all relevant data.

If you use this report for any purpose, you do so at your own risk. **YALE UNIVERSITY, YALE SCHOOL OF MANAGEMENT, AND YALE UNIVERSITY'S OFFICERS, FELLOWS, FACULTY, STAFF, AND STUDENTS MAKE NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, ABOUT THE ACCURACY OR SUITABILITY FOR ANY USE OF THESE REPORTS, AND EXPRESSLY DISCLAIM RESPONSIBIITY FOR ANY LOSS OR DAMAGE, DIRECT OR INDIRECT, CAUSED BY USE OF OR RELIANCE ON THESE REPORTS.**