LEE ENTERPRISES, INC
Form 10-K
December 09, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For The Fiscal Year Ended September 25, 2011

OR

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

Commission File Number 1-6227
LEE ENTERPRISES, INCORPORATED
(Exact name of Registrant as specified in its Charter)

Delaware	42-0823980
(State of incorporation)	(I.R.S. Employer Identification No.)

201 N. Harrison Street, Suite 600, Davenport, Iowa 52801
(Address of principal executive offices)
(563) 383-2100
Registrant's telephone number, including area code

Title of Each Class	Name of Each Exchange On Which Registered
Securities registered pursuant to Section 12(b) of the Act:	
Common Stock - $2 par value	New York Stock Exchange
Preferred Share Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
Class B Common Stock - $2 par value

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this Chapter) during the preceding 12 months (or such shorter period that the Registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act:

Large accelerated filer [ ] Accelerated filer [X] Non-accelerated filer (Do not check if a smaller reporting company) [ ] Smaller Reporting Company [ ]

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the Registrant's most recently completed second fiscal quarter. Based on the closing price of the Registrant's Common Stock on the New York Stock Exchange on March 27, 2011: approximately $114,069,000. For purposes of the foregoing calculation only, as required, the Registrant has included in the shares owned by affiliates the beneficial ownership of Common Stock and Class B Common Stock of officers and directors of the Registrant and members of their families, and such inclusion shall not be construed as an admission that any such person is an affiliate for any purpose.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of November 30, 2011. Common Stock, $2 par value, 44,957,601 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Lee Enterprises, Incorporated Definitive Proxy Statement to be filed in February 2012 are incorporated by reference in Part III of this Form 10-K.

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References to “we”, “our”, “us” and the like throughout this document refer to Lee Enterprises, Incorporated and subsidiaries (the "Company"). References to 2011, 2010, 2009 and the like mean the fiscal years ended the last Sunday in September.

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements. This report contains information that may be deemed forward-looking that is based largely on our current expectations, and is subject to certain risks, trends and uncertainties that could cause actual results to differ materially from those anticipated. Among such risks, trends and other uncertainties, which in some instances are beyond our control, are the outcome and impact on our business of any resulting proceedings under Chapter 11 of the Bankruptcy Code, our ability to generate cash flows and maintain liquidity sufficient to service our debt, to comply with or obtain amendments or waivers of the financial covenants contained in our credit facilities, if necessary, and to refinance our debt as it comes due.

Other risks and uncertainties include the impact and duration of continuing adverse economic conditions, changes in advertising demand, potential changes in newsprint and other commodity prices, energy costs, interest rates, availability of credit, labor costs, legislative and regulatory rulings, difficulties in achieving planned expense reductions, maintaining employee and customer relationships, increased capital costs, maintaining our listing status on the NYSE, competition and other risks detailed from time to time in our publicly filed documents.

Any statements that are not statements of historical fact (including statements containing the words “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “plan”, “project”, “consider” and similar expressions) generally should be considered forward-looking statements. Readers are cautioned not to place undue reliance on such forward-looking statements, which are made as of the date of this report. We do not undertake to publicly update or revise our forward-looking statements.

PART I

We experienced significant net losses in 2011, 2009 and 2008, due primarily to non-cash charges for impairment of goodwill and other assets. In addition, our ability to operate as a going concern is dependent on our ability to consumate our refinancing plan, and subsequent performance. The information included herein should be evaluated in that context. See Item 1A, “Risk Factors”, and Notes 3 and 4 of the Notes to Consolidated Financial Statements, included herein, for additional information.

ITEM 1. BUSINESS

We are a leading provider of local news and information, and a major platform for advertising, in the markets we serve, which are located primarily in the Midwest, Mountain West and West regions of the United States. With the exception of St. Louis, MO, our 52 markets, across 23 states, are principally midsize or small. Through our print and digital platforms, we reach an overwhelming majority of adults in our markets.

Our platforms include:

- 52 daily and 39 Sunday newspapers with circulation totaling 1.3 million and 1.6 million, respectively, for the six months ended September 2011, read by nearly 4 million people in print;
- Websites in all of our markets that complement our newspapers and attracted almost 22 million unique visitors in September 2011, a 13% increase from September 2010;
- Mobile sites in all of our markets that attracted almost 23 million views in September 2011, a 231% increase from September 2010;
- Smart-phone applications in all markets;
- Tablet applications in operation and in development; and

• Nearly 300 weekly newspapers and classified and niche publications.

Our markets have established retail bases, and most are regional shopping hubs. We are located in four state capitals. Six of our top ten markets by revenue include major universities, and seven are home to major corporate headquarters. Based on data from the Bureau of Labor of Statistics as of September 2011, the unemployment rate in eight of our

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top ten markets by revenue was lower than the national average. We believe that all of these factors have had a positive impact on advertising revenue.

Unlike many other newspaper publishers, we do not face significant competition from other local daily newspapers in most of our markets, although there is significant competition for readers and viewers in those markets from other media. In our top ten markets by revenue, only two have significant local daily print competition. In the balance of our markets, we have little or no local daily print competition.

Lee Enterprises, Incorporated was founded in 1890, incorporated in 1950, and listed on the New York Stock Exchange ("NYSE") in 1978. Until 2001, we also operated a number of network-affiliated and satellite television stations. We have acquired and divested a number of businesses since 2001. The acquisition of Pulitzer Inc., the most significant of these transactions, is discussed more fully below.

STATUS OF DEBT REFINANCING

We have a substantial amount of debt, as discussed more fully (and certain capitalized terms used below defined) in Note 4 of the Notes to Consolidated Financial Statements, included herein. Substantially all of our debt matures in April 2012.

In September 2011, we announced a plan to amend our current Credit Agreement and extend the April 2012 maturity in a structure of first and second lien debt. The first lien debt will consist of a term loan of $689,510,000, along with a $40,000,000 revolving credit facility that is not expected to be drawn at closing. The second lien debt will be a $175,000,000 term loan.

The first lien term loan will bear interest at LIBOR plus 6.25%, with a LIBOR floor of 1.25%. Principal payments for the first lien term loan will be required quarterly beginning in June 2012 and total $10,000,000 annually in the twelve month period ending March 2013, increasing to $12,000,000 in the following twelve months and to $13,500,000 annually thereafter. A quarterly cash flow sweep will also be used to reduce first lien debt. Covenants include a minimum interest coverage ratio, maximum total leverage ratio and capital expenditure limitation. The maturity is in December 2015.

Interest on the revolving credit facility, when used, will be at LIBOR plus 5.5%, with a LIBOR floor of 1.25%. The revolving credit facility will also support issuance of letters of credit. The maturity is in December 2015.

The second lien term loan will bear interest at 15.0% and mature in April 2017. It requires no amortization and has no affirmative financial covenants. Lenders under the second lien term loan will share in the issuance of approximately 6,744,000 shares of our Common Stock, an amount equal to 13% of outstanding shares on a pro forma basis as of the closing date.

As a condition to the refinancing of the Credit Agreement, we were expected to refinance the remaining $138,000,000 of our current Pulitzer Notes debt with a separate $175,000,000 loan to be arranged in the leveraged loan or high yield markets. Subsequent credit market conditions did not allow for that debt to be refinanced on acceptable terms, and as a result, we chose to amend the Pulitzer Notes and extend the maturity with the existing Noteholders.

Under the agreement with the Noteholders, which was announced in December 2011, the amended Pulitzer Notes will carry an interest rate of 10.55%, increasing 0.75% in January 2013 and January of each year thereafter. Annual mandatory principal payments will total $6,400,000 per year. A quarterly cash flow sweep will also be used to reduce the balance of the Pulitzer Notes. Covenants include a minimum EBITDA ratio and capital expenditure limitation. After consideration of unscheduled principal payments totaling $15,145,000 (of which $10,145,000 were made in December 2011), offset by $3,500,000 of non-cash fees to be paid to the Noteholders in the form of additional Pulitzer Notes debt, the amended Pulitzer Notes will have a balance of $126,355,000 at the closing of the transaction. The maturity is in December 2015.

Substantially all of our assets will secure the debt, as is the case today. Our weighted average cost of debt will increase from 5.1% at September 25, 2011 to approximately 9.2% under the refinanced agreements. Mandatory annual principal payments will total $11,400,000 in 2012. Cash payments to the Lenders, Noteholders and legal and professional fees are expected to total approximately $40,000,000, of which $6,273,000 was paid in 2011, $721,000 was charged to expense in 2011 and the remainder of which will be paid and charged to expense in 2012 upon consummation of the transactions. In addition, previously capitalized financing costs of $4,514,000 at September 25, 2011 will be charged to expense in 2012 prior to, or upon consummation of the transactions. The terms of the amended agreements require that substantially all future cash flows be directed toward repayment of the Credit Agreement or Pulitzer Notes and that cash flows of Pulitzer are largely segregated from those of the Credit Parties.

The Credit Agreement and Pulitzer Notes require 100% Lender or Noteholder approval, respectively, for key changes, including extension of maturities. Because credit market conditions dictated the need to extend the Pulitzer Notes with current Noteholders, we were not able to increase the Pulitzer Notes facility to $175,000,000 as discussed above. Consequently, we were unable to redeem the interests of the last 6% of non-consenting Lenders under the Credit Agreement for cash.

As a result, we will make use of a voluntary, prepackaged filing under Chapter 11 of the U.S. Bankruptcy Code on or about December 12, 2011 to effect the amendments to the Credit Agreement and Pulitzer Notes discussed above. This process is not expected to have an adverse effect on our governance or operations. Immediately upon filing, we will request authority to pay all suppliers and other vendors without delay, which request is commonly approved in similar situations. All our digital and print products will be published as usual and no employees will be impacted. Our 50% owned equity interests in Tucson, AZ and Madison, WI are not included in the filing. Lender and Noteholder balloting related to the Chapter 11 process is expected to be completed on or before December 12, 2011.

We expect to complete the restructuring process quickly and without disruption to our business, likely in 60 days or less from the date of filing. We have received commitments for a $40,000,000 debtor-in-possession financing facility that will provide additional liquidity during the restructuring process and will, subject to the satisfaction of certain conditions, be converted into the revolving credit facility under the amended Credit Agreement upon our emergence from Chapter 11 proceedings.

Support agreements have been executed by 94% of Lenders under the Credit Agreement and 100% of Noteholders of the Pulitzer Notes and are in effect as of September 8, 2011 and December 2, 2011, respectively. Such support agreements require the Lenders and Noteholders to support the amendments to the Credit Agreement and Pulitzer Notes, respectively, contemplated in the prepackaged filing. An amendment to the Credit Agreement to allow unscheduled principal payments on the Pulitzer Notes and to facilitate other aspects of the refinancing process was declared effective on December 2, 2011.

We do not expect the refinancing process to affect the trading of our Common Stock on the NYSE. We are currently operating under an approved plan, which is subject to periodic reassessment by the NYSE, to address non-compliance issues, including the need to increase the average closing price of our Common Stock to $1 per share.

Since our refinancing process was not completed at the time of the filing of our Annual Report on Form 10-K, there is significant uncertainty about our ability to operate as a going concern. Accordingly, the opinion of our independent registered accounting firm on our Consolidated Financial Statements contains explanatory going concern language. Our ability to operate as a going concern is dependent on our ability to obtain approval by the U.S. Bankruptcy Court of the refinancing plan approved by creditors and to generate cash flows and maintain liquidity sufficient to service our debt.

STRATEGIC INITIATIVES

We are focused on five strategic initiatives:

Build On Our Position As A Leading Source Of Local News And Information, And A Major Platform For Advertising, In Attractive, Geographically Diverse, Midsize And Small Markets

We are a leading provider of local news and information, and a major platform for advertising, in our markets and have been for many years. Our brands are well known in our markets. We believe we have more journalists than any other local news and information source in our markets and, in many cases, more than all of our local competitors combined. We believe our brand strength and the size of our news staff allow us to provide more comprehensive coverage of local news than our competitors in our markets.

We believe our longstanding commitment to our markets, leading news staffs and close relationships with advertisers in our markets serve as a platform from which to grow in the future.

Drive Revenue

Revenue has been a key imperative among our top priorities since 2001. We pursue revenue opportunities by gaining new local advertisers, introducing new products and increasing our share of advertising spending from existing clients. Our sales force is larger, and we believe of higher quality, than any local competitor, and we invest heavily in training, especially with respect to our expanding array of digital products. As a result of our focus on revenue, our advertising revenues have outperformed the industry average for 33 quarters in a row, since June 2003, as measured by the Newspaper Association of America ("NAA").

Further Expand Our Audiences

The number of customers we reach in our markets is critical to our value to advertisers. As measured in 12 of our top markets by independent, third-party research, we deliver unduplicated reach of print and online readers of an average of 81% of all adults over a seven-day period through our print and digital platforms. Our combined print and digital reach in percentage terms was essentially the same in 2011 as it was in 2007. Among those 18-29 years old, we reach an average of 78%.

We continually strive to increase our reach by creatively and energetically improving our content across print and digital platforms.

Seize Digital Opportunities

We offer advertisers a wide array of digital products, including video, digital couponing, behavioral targeting, banner ads and social networking. Digital advertising revenue increased 27% in 2011 and we expect that digital revenue will continue to grow.

On our digital sites, we provide news stories 24 hours a day and post continual updates of developing stories, often including video. Customers access our stories digitally on websites, mobile devices and tablets. As a result, our digital audience has grown rapidly. In September 2011, unique visitors to our digital sites increased 13% from September 2010 to 22 million.

We have developed mobile sites in all of our markets as well as separate smart phone applications in all markets, and, as a result, we have enjoyed significant audience growth, with mobile page views increasing 231% in September 2011 from September 2010. In most of our markets, our websites are the leading local digital news source. As with mobile, we have moved quickly to develop applications for tablets, including the iPad, and with our mobile audience growth and high advertiser interest we expect mobile and tablet advertising revenue to increase in the next few years. As new digital technologies emerge, we expect to move rapidly to make our content available on them.

Aggressively Control Costs

Throughout the recent economic downturn, we have aggressively and carefully managed our costs to maintain our margins and profitability. Since 2007, we reduced cash costs (i.e., compensation, newsprint and ink, other operating expenses and workforce adjustments) $260,000,000, or more than 30%. We regionalized staff functions, consolidated and outsourced printing, discontinued unprofitable niche publications, reduced newsprint volume 49%, and sharpened our focus on cost control in all areas. We have reduced personnel while protecting our strength in news, sales and digital products.

Our cost actions allowed us to maintain significant cash flows despite declining revenues. While future cost reductions will be more difficult to accomplish as a result of the significant reductions to our cost structure that we have achieved, we remain committed to maintaining strong cash flows.

PULITZER ACQUISITION

In 2005, we acquired Pulitzer Inc. (“Pulitzer”). Pulitzer published 14 daily newspapers and more than 100 weekly newspapers and specialty publications. Pulitzer also owned a 50% interest in TNI Partners (“TNI”), as discussed more fully below. The acquisition of Pulitzer increased our paid circulation by more than 50% and revenue by more than 60% at that time. The acquisition was financed primarily with debt.

Pulitzer newspaper operations include St. Louis, Missouri, where its subsidiary, St. Louis Post-Dispatch LLC (“PD

LLC"), publishes the St. Louis Post-Dispatch, the only major daily newspaper serving the greater St. Louis metropolitan area, and a variety of specialty publications, and supports its related digital products. St. Louis newspaper operations also include the Suburban Journals of Greater St. Louis, a group of weekly newspapers and niche publications that focus on separate communities within the metropolitan area.

Pulitzer and its subsidiaries and affiliates currently publish 12 daily newspapers and support the related digital products, as well as publish approximately 75 weekly newspapers, shoppers and niche publications that serve markets in the Midwest, Southwest and West.

TNI Partners

As a result of the acquisition of Pulitzer, we own a 50% interest in TNI, the Tucson, Arizona newspaper partnership. TNI, acting as agent for our subsidiary, Star Publishing Company ("Star Publishing"), and the owner of the remaining 50%, Citizen Publishing Company ("Citizen"), a subsidiary of Gannett Co., Inc., ("Gannett"), is responsible for printing, delivery, advertising and circulation of the Arizona Daily Star and, until May 2009, the Tucson Citizen, as well as their related digital products and specialty publications. In May 2009, Citizen discontinued print publication of the Tucson Citizen.

TNI collects all receipts and income and pays substantially all operating expenses incident to the partnership's operations and publication of the newspapers and other media. Under the amended and restated operating agreement between Star Publishing and Citizen, the Arizona Daily Star remains the separate property of Star Publishing. Results of TNI are accounted for using the equity method. Income or loss of TNI (before income taxes) is allocated equally to Star Publishing and Citizen.

Until the May 2009 discontinuation of print publication of the Tucson Citizen, TNI was subject to the provisions of the Newspaper Preservation Act of 1970, which permits joint operating agreements between newspapers under certain circumstances without violation of the Federal antitrust laws. Agency agreements generally allow newspapers operating in the same market to share certain printing and other facilities and to pool certain revenue and expenses in order to decrease aggregate expenses and thereby allow the continuing operation of multiple newspapers in the same market.

The TNI agency agreement ("Agency Agreement"), which remains in effect, has governed the operation since 1940. Both the Company and Citizen incur certain administrative costs and capital expenditures that are reported by their individual companies. The Agency Agreement expires in 2015, but contains an option, which may be exercised by either party, to renew the agreement for successive periods of 25 years each. Star Publishing and Citizen also have a reciprocal right of first refusal to acquire the 50% interest in TNI owned by Citizen and Star Publishing, respectively, under certain circumstances.

MADISON NEWSPAPERS

We own 50% of the capital stock of Madison Newspapers, Inc. ("MNI") and 17% of the nonvoting common stock of The Capital Times Company ("TCT"). TCT owns the remaining 50% of the capital stock of MNI. MNI publishes daily and Sunday newspapers, and other publications in Madison, Wisconsin, and other Wisconsin locations, and supports their related digital products. MNI conducts business under the trade name Capital Newspapers. We have a contract to furnish the editorial and news content for the Wisconsin State Journal, which is published by MNI, and periodically provide other services to MNI. Results of MNI are accounted for using the equity method. Net income or loss of MNI (after income taxes) is allocated equally to the Company and TCT.

ADVERTISING

Approximately 71% of our 2011 revenue was derived from advertising. Our strategies are to increase our share of local advertising through increased sales activities in our existing markets and, over time, to increase our print and digital audiences through internal expansion into existing and contiguous markets and enhancement of digital products. Since June 2003, our advertising results have benchmarked favorably each quarter to industry averages compiled by the NAA.

Several of our businesses operate in geographic groups of publications, or “clusters,” which provide operational efficiencies and extend sales penetration. Operational efficiencies are obtained through consolidation of sales forces, back office operations such as finance or human resources, management and/or production of the publications. Sales penetration can improve if the sales effort is successful in cross-selling advertising into multiple publications and digital. A table under the caption “Daily Newspapers and Markets” in Item 1, included herein, identifies those groups of our newspapers operating in clusters.

Our newspapers, classified and specialty publications, and digital products compete with newspapers having national or regional circulation, magazines, radio, network, cable and satellite television, other advertising media such as outdoor, mobile, and movie theater promotions, other classified and specialty publications, direct mail, yellow pages directories, as well as other information content providers such as digital sites. Competition for advertising is based on audience size and composition, circulation levels, readership demographics, distribution and display mechanisms, price and advertiser results. In addition, several of our daily and Sunday newspapers compete with other local daily or weekly newspapers. We estimate we capture a substantial share of the total advertising dollars spent in each of our markets.

The number of competitors in any given market varies. However, all of the forms of competition noted above exist to some degree in our markets, including those listed in the table under the caption “Daily Newspapers and Markets” in Item 1, included herein.

The following broadly define major categories of advertising revenue, in descending order of importance:

Retail advertising is revenue earned from sales of display advertising space in the publication, or for preprinted advertising inserted in the publication, to local accounts or regional and national businesses with local retail operations.

Classified advertising, which includes employment, automotive, real estate for sale or rent, legal and other categories, is revenue earned from sales of advertising space in the classified section of the publication or from publications consisting primarily of such advertising. Classified publications are periodic advertising publications available in racks or delivered free, by carriers or third-class mail, to all, or selected, households in a particular geographic area. Classified publications offer advertisers a cost-effective local advertising vehicle and are particularly effective in larger markets with higher media fragmentation.

Digital advertising consists of display, banner, behavioral targeting, search, rich media, directories, classified or other advertising on websites or mobile devices associated and integrated with our print publications, other digital applications, or on third party affiliated websites, such as Yahoo! Inc. (“Yahoo!”).

National advertising is revenue earned from display advertising space, or for preprinted advertising inserted in the publication, to national accounts, if there is no local retailer representing the account in the market.

Niche publications are specialty publications, such as lifestyle, business, health or home improvement publications that contain significant amounts of advertising.

The advertising environment is influenced by the state of the overall economy, including unemployment rates, inflation, energy prices and consumer interest rates. Our enterprises are primarily located in midsize and smaller markets. Historically these markets have been more stable than major metropolitan markets during downturns in advertising spending but may not experience increases in such spending as significant as those in major metropolitan markets in periods of economic improvement.

DIGITAL ADVERTISING AND SERVICES

Our digital activities include websites supporting each of our daily newspapers and certain of our other publications. Certain of our website content is also available through output to mobile devices, including telephones and tablet devices. In addition, we also support a number of discrete mobile applications, such as for high school, college and professional sports. Digital activities of the newspapers are reported and managed as a part of our publishing operations.

In 2007, in conjunction with several other major publishing organizations (“Consortium”), we entered into a strategic alliance with Yahoo!, in which the Consortium offers its classified employment advertising customer base the opportunity to also post job listings and other employment products on Yahoo!'s HotJobs national platform. The HotJobs platform was acquired in August 2010 by Monster Worldwide, Inc., which has assumed the relationship with the Consortium under an amended contract. In addition, the Consortium and Yahoo! have worked together to provide new behavioral targeting, search, content and local applications across the newspapers' digital products, further enhancing the value of these sites as a destination for digital users. The Consortium currently includes more than 30 companies and approximately 800 local newspapers across the United States.

We also own 82.5% of an Internet service company, INN Partners, L.C. (doing business as TownNews.com), which provides digital infrastructure and digital publishing services for more than 1,500 daily and weekly newspapers and shoppers, including those of the Company.

Our digital businesses experienced rapid growth in the second half of 2010 and again in 2011 after recession-related declines in 2008 and 2009. Digital advertising represented 12.0% of total advertising revenue in the 13 weeks ended September 25, 2011.

AUDIENCES

Based on independent research, we estimate that, in an average week, our newspapers and digital products reach approximately 81% of adults in our larger markets. Scarborough Research from 2010 ranks the St. Louis Post-Dispatch and STLtoday.com as the market with the 5th highest combination of newspaper and web reach of the 25 most populated U.S. markets. Readership by young adults is also significant in our larger markets. We are maintaining large audiences in our markets through the combination of stable newspaper readership and digital audience growth, as illustrated in the table below, as well as through additional specialty and niche publications. In 2010, for the first time, we measured use of our daily newspapers by non-readers ("print users").

Audience reach is summarized as follows:

	All Adults					Age 18-29				
(Percent, Past Seven Days)	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
Print users (1)	NA	NA	NA	16	15	NA	NA	NA	23	22
Print only readers	48	49	46	43	42	35	38	40	31	32
Print and digital readers	13	16	16	15	16	14	18	15	13	13
Digital only readers	5	6	7	8	8	6	9	7	9	11
Total reach	66	71	69	82	81	55	65	62	77	78
Total print reach (1)	61	65	62	74	73	49	55	55	68	67
Total digital reach	18	22	22	24	23	20	27	22	22	25

(1)	Print users not measured prior to 2010. As a result, print reach in 2011 and 2010 is not comparable to prior periods presented.
Source:	Lee Enterprises Audience Report, Thoroughbred Research. January - June 2007, 2008, 2009, 2010 and 2011.
Markets:	12 largest markets in 2008-2011. 2007 data excludes Tucson, AZ and La Crosse, WI.
Margin of Error:	Total sample +/- 1.1%, Total digital sample +/- 1.3%

After advertising, print circulation is our largest source of revenue. In 2011 we implemented charges for digital access to our content in certain of our markets. According to Editor and Publisher International Yearbook data as reported by the NAA, nationwide daily newspaper circulation unit sales peaked in 1984 and Sunday circulation unit sales peaked in 1990. For the six months ended September 2011, our daily circulation units, which includes TNI and MNI, as measured by the Audit Bureau of Circulations (“ABC”) were 1.3 million and Sunday circulation units were 1.6 million. Comparable amounts for 2010 are not available due to extensive changes made by the ABC to the measurement of circulation units. The new ABC standards include updated measures for newspaper subscriptions that include hybrid and bundled digital editions, while continuing to address the growing market for paid content across multiple platforms, such as e-readers and mobile apps. These changes were effective in October 2010.

Growth in audiences can, over time, also positively impact advertising revenue. Our strategies to improve audiences include continuous improvement of content and promotional efforts. Content can include focus on local news, features, scope of coverage, accuracy, presentation, writing style, tone and type style. Promotional efforts include advertising, contests and other initiatives to increase awareness of our products. Customer service can also influence print circulation. The introduction in 2010, and expansion in 2011, of new mobile and tablet applications positively impacted our digital audiences.

Our enterprises are also focused on increasing the number of subscribers who pay for their subscriptions via automated payment mechanisms, such as credit cards or bank account withdrawals. Customers using these payment methods have historically higher retention. Other initiatives vary from location to location and are determined principally by management at the local level in collaboration with our senior management. Competition for print circulation is generally based on the content, journalistic quality and price of the publication.

Audience competition exists in all markets, even from unpaid products, but is most significant in markets with competing local daily newspapers. These markets tend to be near major metropolitan areas, where the size of the population may be sufficient to support more than one daily newspaper.

Our circulation sales channels continue to evolve through an emphasis on targeted direct mail and email to acquire new subscribers and retain current subscribers.

DAILY NEWSPAPERS AND MARKETS

The Company, TNI and MNI publish the following daily newspapers and maintain the following primary digital sites:

			Paid Circulation (1)		
Newspaper	Primary Website	Location	Daily (2)		Sunday
St. Louis Post-Dispatch	stltoday.com	St. Louis, MO	191,631		332,825
Arizona Daily Star (3)	azstarnet.com	Tucson, AZ	89,874		143,358
The Times	nwitimes.com	Munster, Valparaiso, and Crown Point, IN	86,894		91,701
Capital Newspapers (4)					
Wisconsin State Journal	madison.com	Madison, WI	84,191		119,192
Daily Citizen	wiscnews.com/bdc	Beaver Dam, WI	8,365		—
Portage Daily Register	wiscnews.com/pdr	Portage, WI	4,207		—
Baraboo News Republic	wiscnews.com/bnr	Baraboo, WI	3,719		—
North County Times and the Californian	nctimes.com	Escondido and Temecula, CA	75,727		80,920
Lincoln Group					
Lincoln Journal Star	journalstar.com	Lincoln, NE	59,955		70,819
Columbus Telegram	columbustelegram.com	Columbus, NE	7,638		8,709
Fremont Tribune	fremonttribune.com	Fremont, NE	7,398		—
Beatrice Daily Sun	beatricedailysun.com	Beatrice, NE	5,039		—
Quad-Cities Group					
Quad-City Times	qctimes.com	Davenport, IA	45,360		59,482
Muscatine Journal	muscatinejournal.com	Muscatine, IA	5,834		—
Central Illinois Newspaper Group					
The Pantagraph	pantagraph.com	Bloomington, IL	39,349		42,786
Herald & Review	herald-review.com	Decatur, IL	28,018	(5)	43,089
Journal Gazette & Times-Courier	jg-tc.com	Mattoon/Charleston, IL	12,773		—
The Courier	wcfcourier.com	Waterloo and Cedar Falls, IA	37,994		44,950
Billings Gazette	billingsgazette.com	Billings, MT	37,310	(5)	44,689
Sioux City Journal	siouxcityjournal.com	Sioux City, IA	33,837	(5)	38,114
The Daily Herald	heraldextra.com	Provo, UT	27,948		43,586
The Post-Star	poststar.com	Glens Falls, NY	26,133		29,719
Missoula Group					
Missoulian	missoulian.com	Missoula, MT	25,966	(5)	28,917
Ravalli Republic	ravallinews.com	Hamilton, MT	4,363	(6)	—
The Southern Illinoisan	thesouthern.com	Carbondale, IL	25,845		33,471

Newspaper	Primary Website	Location	Paid Circulation [1] Daily [2]		Sunday
River Valley Newspaper Group					
La Crosse Tribune	lacrossetribune.com	La Crosse, WI	25,720		45,332
Winona Daily News	winonadailynews.com	Winona, MN	9,240		10,351
The Chippewa Herald	chippewa.com	Chippewa Falls, WI	5,388	(7)	5,462
The Journal Times	journaltimes.com	Racine, WI	25,532	(5)	28,330
The Bismarck Tribune	bismarcktribune.com	Bismarck, ND	25,393		28,643
Rapid City Journal	rapidcityjournal.com	Rapid City, SD	24,842		29,829
Casper Star-Tribune	trib.com	Casper, WY	24,516		24,172
The Daily News	tdn.com	Longview, WA	22,695	(5)	24,078
Magic Valley Group					
The Times-News	magicvalley.com	Twin Falls, ID	17,508	(5)	21,509
Elko Daily Free Press	elkodaily.com	Elko, NV	5,654	(6)	—
Mid-Valley News Group					
Albany Democrat-Herald	democratherald.com	Albany, OR	14,399	(5)	15,084
Corvallis Gazette-Times	gazettetimes.com	Corvallis, OR	10,351	(5)	10,517
Globe Gazette	globegazette.com	Mason City, IA	14,049	(5)	18,380
Central Coast Newspapers					
Santa Maria Times	santamariatimes.com	Santa Maria, CA	13,961		18,382
The Lompoc Record	lompocrecord.com	Lompoc, CA	2,492	(8)	3,647
Helena/Butte Group					
Independent Record	helenair.com	Helena, MT	12,740		13,510
The Montana Standard	mtstandard.com	Butte, MT	12,432	(5)	12,637
Napa Valley Register	napavalleyregister.com	Napa, CA	12,710		12,722
The Sentinel	cumberlink.com	Carlisle, PA	12,118	(5)	13,556
The Times and Democrat	thetandd.com	Orangeburg, SC	11,863	(5)	12,351
The Garden Island	kauaiworld.com	Lihue, HI	11,259	(5)	8,763
Arizona Daily Sun	azdailysun.com	Flagstaff, AZ	10,000	(5)	10,541
The World	theworldlink.com	Coos Bay, OR	9,697		—
The Citizen	auburnpub.com	Auburn, NY	8,659		10,406
The Sentinel	hanfordsentinel.com	Hanford, CA	8,556		—
The Ledger Independent	maysville-online.com	Maysville, KY	6,697		—
Daily Journal	dailyjournalonline.com	Park Hills, MO	5,814	(5)	—
			1,339,653		1,634,529

(1) Source: ABC: Six months ended September 2011, unless otherwise noted.
(2) Daily amounts are Monday - Friday average, unless otherwise noted.
(3) Owned by Star Publishing but published through TNI.
(4) Owned by MNI.
(5) Daily amounts are Monday - Saturday average.
(6) Source: Company statistics.
(7) Daily amounts are Monday - Thursday average and Saturday.
(8) Daily amounts are Tuesday - Friday average.

NEWSPRINT

The basic raw material of newspapers, and classified and specialty publications, is newsprint. We purchase newsprint from U.S. and Canadian producers. We believe we will continue to receive a supply of newsprint adequate for our

needs and consider our relationships with newsprint producers to be good. Newsprint purchase prices can be volatile and fluctuate based upon factors that include foreign currency exchange rates and both foreign and domestic production capacity and consumption. In 2011, newsprint prices were stable after rising throughout 2010. Price fluctuations can have a significant effect on our results of operations. We have not entered into derivative contracts for newsprint. For the quantitative impacts of these fluctuations, see Item 7A, "Quantitative and Qualitative Disclosures about Market Risk", included herein.

EXECUTIVE TEAM

The following table lists our executive team members as of November 30, 2011:

Name	Age	Service With The Company	Named To Current Position	Current Position
Mary E. Junck	64	June 1999	January 2002	Chairman, President and Chief Executive Officer
Joyce L. Dehli	53	August 1987	February 2006	Vice President - News
Paul M. Farrell	55	May 2007	May 2007	Vice President - Sales & Marketing
Suzanna M. Frank	41	December 2003	March 2008	Vice President - Audience
Michael R. Gulledge	51	October 1982	May 2005	Vice President - Publishing
Daniel K. Hayes	66	September 1969	September 2005	Vice President - Corporate Communications
Michele Fennelly White	49	June 1994	June 2011	Vice President - Information Technology and Chief Information Officer
Vytenis P. Kuraitis	63	August 1994	January 1997	Vice President - Human Resources
Kevin D. Mowbray	49	September 1986	November 2004	Vice President - Publishing
Gregory P. Schermer	57	February 1989	November 1997	Vice President - Interactive Media
Carl G. Schmidt	55	May 2001	May 2001	Vice President, Chief Financial Officer and Treasurer
Greg R. Veon	59	April 1976	November 1999	Vice President - Publishing

Mary E. Junck was elected Chairman, President and Chief Executive Officer in 2002. She was elected to the Board of Directors of the Company in 1999.

Joyce L. Dehli was appointed Vice President - News in February 2006.

Paul M. Farrell was appointed Vice President - Sales & Marketing in May 2007. From 2004 to May 2007 he served as Senior Vice President of The Providence Journal Co., a subsidiary of A.H. Belo Corp.

Suzanna M. Frank was appointed Vice President - Audience in March 2008. From 2003 to March 2008 she served as Director of Research and Marketing.

Michael R. Gulledge was elected a Vice President - Publishing in May 2005 and named Publisher of the Billings Gazette in 2000.

Daniel K. Hayes was appointed Vice President - Corporate Communications in September 2005.

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Michele Fennelly White was appointed Vice President - Information Technology and Chief Information Officer in June 2011. From June 1999 to June 2011, she served as Director of Technical Support.

Vytenis P. Kuraitis was elected Vice President - Human Resources in 1997.

Kevin D. Mowbray was elected a Vice President - Publishing in November 2004 and named Publisher of the St. Louis Post-Dispatch in May 2006.

Gregory P. Schermer was elected Vice President - Interactive Media in 1997. He was elected to the Board of Directors of the Company in 1999.

Carl G. Schmidt was elected Vice President, Chief Financial Officer and Treasurer in 2001. Since 2007, he has also served as a Vice President - Publishing.

Greg R. Veon was elected a Vice President - Publishing in 1999 and named Publisher of the Quad-City Times in June 2011.

Elected officers are considered to be executive officers for United States Securities and Exchange Commission ("SEC") reporting purposes.

EMPLOYEES

At September 25, 2011, we had approximately 6,200 employees, including approximately 1,600 part-time employees, exclusive of TNI and MNI. Full-time equivalent employees at September 25, 2011 totaled approximately 5,700. We consider our relationships with our employees to be good.

Bargaining unit employees represent 518, or 70%, of the total employees of the St. Louis Post-Dispatch, which has contracts with bargaining unit employees with expiration dates through 2015. New contracts were reached with various units in the last several years: the United Media Guild ("St. Louis Newspaper Guild") (207 employees) was signed in 2010 and expires in 2015; Miscellaneous Drivers, Helpers, and Health Care and Public Employee's Local Union 610 (5 dock employees) was signed in 2011 and expires in 2014; the CWA Local 6300, Print and Media Sector (5 typographical employees) was signed in 2009 and expires in 2012; the Graphic Communications Conference/IBT Local 38N (68 press operators) was signed in 2006 and expires in October 2012; the International Association of Machinists and Aerospace Workers, District No. 9 (9 machinists) was signed in 2011 and expires in 2014; the International Association of Machinists and Aerospace Workers, District No. 9 (6 electricians) was signed in 2008 and expires in 2012; and the Communication Workers of America AFL-CIO Local 14620 (218 mailers) was signed in 2011 and expires in 2014.

Approximately 60 employees in six additional locations are represented by collective bargaining units. A contract at one of these locations has expired and negotiations are ongoing.

In 2009, employees of selected departments of The Pantagraph, in an election conducted by the National Labor Relations Board, overwhelmingly rejected an organization attempt by the St. Louis Newspaper Guild.

CORPORATE GOVERNANCE AND PUBLIC INFORMATION

We have a long, substantial history of sound corporate governance practices. The Board of Directors has a lead independent director, and has had one for many years. Currently, nine of eleven members of the Board of Directors are independent, as are all members of the Board's Audit, Executive Compensation and Nominating and Corporate Governance committees. The Audit Committee approves all services to be provided by our independent registered public accounting firm and its affiliates.

At www.lee.net, one may access a wide variety of information, including news releases, SEC filings, financial statistics, annual reports, investor presentations, governance documents, newspaper profiles and digital links. We make available via our website all filings made by the Company under the Securities Exchange Act of 1934 (the "Exchange Act"), including Forms 10-K, 10-Q and 8-K, and related amendments, as soon as reasonably practicable after they are filed with, or furnished to, the SEC. All such filings are available free of charge. The content of any website referred to in this Annual Report on Form 10-K is not incorporated by reference unless expressly noted.

ITEM 1A. RISK FACTORS

Risk exists that our past results may not be indicative of future results. A discussion of our risk factors follows. See also, “Forward-Looking Statements”, included herein. In addition, a number of other factors (those identified elsewhere in this document) may cause actual results to differ materially from expectations.

DEBT AND LIQUIDITY

Our Refinancing May Not Be Completed And We May Have Insufficient Earnings Or Liquidity
To Meet Our Future Debt Obligations

We have a substantial amount of debt, as discussed more fully (and certain capitalized terms used below defined) in Item 7, “Status of Debt Refinancing and Liquidity" and Note 4 of the Notes to Consolidated Financial Statements, included herein. In February 2009, we completed a comprehensive restructuring of our Credit Agreement and a refinancing of our Pulitzer Notes debt, substantially enhancing our liquidity and operating flexibility until April 2012.

At September 25, 2011, we had $286,425,000 outstanding under the revolving credit facility, and after consideration of the 2009 Amendments and letters of credit, have approximately $75,677,000 available for future use. Including cash and restricted cash, our liquidity at September 25, 2011 totals $104,204,000. This liquidity amount excludes any future cash flows. Since February 2009, we have satisfied all interest payments and substantially all principal payments due under our debt facilities with our cash flows.

All of our debt matures in April 2012, and we do not have sufficient cash flows to repay it without refinancing substantially all of the balance. We will use a voluntary, prepackaged filing under Chapter 11 of the U. S. Bankruptcy Code to accomplish the refinancing. We have a refinancing plan in place that has been agreed to by 94% of lenders, substantially more than the required 67%, and by 100% of Noteholders. However, there can be no assurance the U.S. Bankruptcy Court will approve the plan in its present form. Interest expense will increase under the plan and mandatory principal payments will be reduced. Our ability to make payments on our indebtedness will depend on our ability to generate future cash flows. This ability, to a certain extent, is subject to general economic, financial, competitive, business, legislative, regulatory and other factors that are beyond our control.

Since our refinancing process was not completed at the time of the filing of our Annual Report on Form 10-K, there is significant uncertainty about our ability to operate as a going concern. Accordingly, the opinion of our independent registered accounting firm on our Consolidated Financial Statements contains explanatory going concern language. Our ability to operate as a going concern is dependent on our ability to obtain approval by the U.S. Bankruptcy Court of the refinancing plan approved by creditors and to generate cash flows and maintain liquidity sufficient to service our debt.

There are numerous potential consequences under the Credit Agreement, and Guaranty Agreement and Note Agreement related to the Pulitzer Notes, if an event of default, as defined, occurs and is not remedied. Many of those consequences are beyond our control and the control of Pulitzer and PD LLC, respectively. The occurrence of one or more events of default would give rise to the right of the Lenders or the Noteholders, or both of them, to exercise their remedies under the Credit Agreement and the Note and Guaranty Agreements, respectively, including, without limitation, the right to accelerate all outstanding debt and take actions authorized in such circumstances under applicable collateral security documents.

Since November 30, 2009, the full amount of the outstanding balance under the Credit Agreement has been subject to floating interest rates as all interest rate swaps and collars expired or were terminated. See Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operation”, and Item 7A, “Interest Rates”, included herein, for additional information on the risks associated with our financing arrangements.

ECONOMIC CONDITIONS

General Economic Conditions May Continue To Impact Our Revenue And Operating Results

According to the National Bureau of Economic Research, the United States economy was in a recession from December 2007 until June 2009. It is widely believed that certain elements of the economy, such as housing, auto sales and employment, were in decline before December 2007, and have still not recovered to pre-recession levels. 2009, 2010 and 2011 revenue, operating results and cash flows were significantly impacted by the recession and its aftermath.

The duration and depth of an economic recession, and pace of economic recovery, in markets in which we operate may influence our future results.

OPERATING REVENUE

Our Revenue May Not Return To Historical Levels

A significant portion of our revenue is derived from advertising. The demand for advertising is sensitive to the overall level of economic activity, both locally and nationally.

Operating revenue in most categories decreased in 2011, 2010 and 2009 and may decrease in the future. Such decreases may not be offset by growth in advertising in other categories, such as digital revenue which, until 2008, had been rising significantly and began to rise again in 2010. Historically, newspaper publishing has been viewed as a cost-effective method of delivering various forms of advertising. There can be no guarantee that this historical perception will guide future decisions on the part of advertisers. Web sites and applications for mobile devices distributing news and other content continue to gain popularity. As a result, audience attention and advertising spending are shifting and may continue to shift from traditional media to digital media. We expect that advertisers will allocate greater portions of their future budgets to digital media, which can offer more measurable returns than traditional print media through pay for performance and keyword-targeted advertising. If our efforts to adapt to evolving technological developments in the media industry are unsuccessful, or if we fail to correctly anticipate shifts in audience demand and digital media trends, we may be unable to provide the services, media and content that audiences and potential audiences in our markets prefer and we may be unable to provide the returns that our advertisers seek. To the extent that advertisers shift advertising expenditures to other media outlets, including those on the Internet, the profitability of our business may continue to be impacted.

The rates we charge for advertising are, in part, related to the size of the audience of our publications and digital products. There is significant competition for readers and viewers from other media. Our business may be adversely affected to the extent individuals decide to obtain news, entertainment, classified listings and local shopping information from Internet-based or other media, to the exclusion of our outlets for such information.

Retail Advertising

Many advertisers, including major retail store chains, automobile manufacturers and dealers, banks and telecommunications companies, have experienced significant merger and acquisition activity over the last several years, and some have gone out of business, effectively reducing the number of brand names under which the merged entities operate. Our retail revenue is also being impacted by the current economic environment. For example, a decline in the housing market negatively impacts retail advertising related to home improvement, furniture and home electronics.

Classified Advertising

Classified advertising is the category that has been most significantly impacted by the current economic environment. In 2009 employment classified advertising, including both print and digital, declined as unemployment increased. This trend began to reverse in 2010 and employment revenue grew in 2011.

Automotive classified advertising revenue declined in 2009 and 2010, due to industry-wide issues affecting certain domestic auto manufacturers and overall weak economic conditions.

In 2009, 2010 and 2011 real estate classified advertising also suffered declines due primarily to cyclical issues, such as declining sale prices and high levels of unsold homes, affecting the residential real estate market nationally.

See Item 1, “Advertising”, included herein, for additional information on the risks associated with advertising revenue.

Circulation

Although our overall audience is stable and our circulation unit results have historically benchmarked favorably to national averages, as compiled by the ABC, circulation unit sales have nonetheless been declining fractionally for several years. The possibility exists that future circulation price increases may be difficult to accomplish as a result of future declines in circulation unit sales, and that price decreases may be necessary to retain or grow circulation unit volume. We are maintaining strong audiences through stable newspaper readership and rapid digital audience growth.

Nonetheless, declines in circulation unit sales could also adversely impact advertising revenue.

In addition, as audience attention increasingly focuses on digital media, circulation of our newspapers may be adversely affected, which may decrease circulation revenue and exacerbate declines in print advertising. If we are not successful in growing our digital businesses to offset declines in revenues from our print products, our business, financial condition and prospects will be adversely affected.

See Item 1, “Audiences”, included herein, for additional information on the risks associated with circulation revenue.

OPERATING EXPENSES

We May Not Be Able To Reduce Future Expenses To Offset Potential Revenue Declines

We reduced cash costs (i.e., compensation, newsprint and ink, other operating expenses and workforce adjustments) $260,000,000, or more than 30%, since 2007. Such expense reductions are not expected to significantly impact our ability to deliver advertising and content to our customers.

As a result of the significant reductions of our cost structure we have achieved since 2007, future cost reductions will be more difficult to accomplish. Cash costs are expected to decrease 1.5 - 2.5% in 2012 on a comparable basis from the 2011 level, excluding a 53rd week of business activity in 2012.

Newsprint comprises a significant amount of our operating costs. See Item 1, “Newsprint” and Item 7A, “Commodities” included herein, for additional information on the risks associated with changes in newsprint costs.

In addition, technological developments and any changes we make to our business may require significant capital investments. We may be limited in our ability to invest funds and resources in digital products, services or opportunities and we may incur costs of research and development in building and maintaining the necessary and continually evolving technology infrastructure. As a result, our digital business could suffer.

We May Incur Additional Non-Cash Impairment Charges

We have significant amounts of goodwill and identified intangible assets. In 2011 and 2009, we recorded substantial impairment charges to reduce the value of certain of these assets. Should general economic, market or business conditions decline, and have a negative impact on our stock price or projected future cash flows, we may be required to record additional impairment charges in the future. See Item 7, “Critical Accounting Policies”, included herein, for additional information on the risks associated with such assets.

Sustained Increases In Funding Requirements Of Our Pension And Postretirement
Obligations May Reduce The Cash Available For Our Business

Our pension and postretirement plans invest in a variety of equity and debt securities, many of which were affected by the disruption in the credit and capital markets in 2008, 2009 and 2011. Future volatility and disruption in the stock and bond markets could cause further declines in the asset values of our pension plans. In addition, a decrease in the discount rate used to determine the liability for pension obligations could result in increased future contributions. If either occurs, we may need to make additional cash contributions above what is currently estimated, which could reduce the cash available for our business. Moreover, under the Pension Protection Act of 2006, continued losses of asset values may necessitate accelerated funding of pension plans in the future to meet minimum federal statutory requirements.

EQUITY CAPITAL

A Decrease In Our Stock Price May Limit The Ability To Trade Our Stock
Or For The Company To Raise Equity Capital

As of July 1, 2011, our Common Stock traded at an average 30-day closing market price of less than $1 per share. Under the NYSE listing standards, if our Common Stock fails to maintain an adequate per share price and total market capitalization, our Common Stock could be removed from the NYSE and traded in the over the counter market. In July 2011, the NYSE first notified us that our Common Stock did not meet the NYSE continued listing standard due to the failure to maintain an adequate share price. Under the NYSE rules related to the average share price, Lee Common

Stock is allowed to continue to be listed during a cure period. Continued listing is subject to ongoing reassessment by the NYSE and the return to compliance with all quantitative listing requirements, which would require an increase in the average closing price to $1.12 per share (or $1.00 per share if the refinancing of our debt discussed more fully in Note 4 of the Notes to Consolidated Financial Statements, included herein, is consumated). We are currently operating under an NYSE-approved plan to address those quantitative listing requirements as to which we are non-compliant, and expect those issues to be successfully addressed within the time frames required under the NYSE rules. We may be able to mitigate the effect of a low stock price in the future through implementation of a reverse stock split.

OTHER

Our Operations Will Be Subject To The Uncertainties of The Bankruptcy Process

While our voluntary, prepackaged refinancing plan has been approved by substantially all of our creditors and we expect to complete the filing process expeditiously, negative events or publicity associated with our process and events during the proceedings could adversely affect our relationships with customers, vendors or employees, which in turn could adversely affect our operations and financial condition. Further, our ability to obtain court approval of routine motions that will allow us to operate our business normally is not within our control. The voluntary, prepackaged refinancing plan is also subject to certain closing conditions including, but not limited to, achieving a minimum level of liquidity, all of which must be satisfied in order for the Company to emerge from the Chapter 11 process.

Cybersecurity Risks Could Harm Our Ability To Operate Effectively

In 2011, 11.2% of our advertising revenue was obtained from advertising in our digital products and one of our businesses provides digital infrastructure and digital publishing services for other companies. We use computers in substantially all aspects of our business operations. Such uses give rise to cybersecurity risks. We have preventive systems and processes in place to protect against the risk of cyber incidents. Prolonged system outages or a cyber incident that would be undetected for an extended period could reduce our digital revenue, increase our operating costs, or disrupt our operations. We maintain insurance coverage against certain of such risks.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our executive offices are located in leased facilities at 201 North Harrison Street, Suite 600, Davenport, Iowa. The initial lease term expires in 2019.

All of our principal printing facilities, except Madison, Wisconsin (which is owned by MNI), Tucson (which is jointly owned by Star Publishing and Citizen), St. Louis (as described below) and leased land for the Helena, Montana and Lihue, Hawaii plants, are owned. All facilities are well maintained, in good condition, suitable for existing office and publishing operations, as applicable, and adequately equipped. With the exception of St. Louis, none of our facilities is individually significant to our business.

Information related to St. Louis facilities at September 25, 2011 is as follows:

(Square Feet)	Owned	Leased
PD LLC	749,000	21,000
Suburban Journals	41,000	26,000

Several of our daily newspapers, as well as many of our and MNI's nearly 300 other publications, are printed at other Company facilities, or such printing is outsourced, to enhance operating efficiency. We are continuing to evaluate additional insourcing and outsourcing opportunities in order to more effectively manage our operating and capital costs.

Our newspapers and other publications have formal or informal backup arrangements for printing in the event of a disruption in production capability.

ITEM 3. LEGAL PROCEEDINGS

In 2008, a group of newspaper carriers filed suit against us in the United States District Court for the Southern District of California, claiming to be our employees and not independent contractors. The plaintiffs seek relief related to alleged violations of various employment-based statutes, and request punitive damages and attorneys' fees. In July 2010, the trial court granted the plaintiffs' petition for class certification. We filed an interlocutory appeal which was denied. After concluding discovery, we filed a motion to reverse the class certification ruling. This motion is currently pending before the trial court. The Company denies the allegations of employee status, consistent with our past practices and industry standards, and will continue to vigorously contest the action, which is not covered by insurance. At this time we are unable to predict whether the ultimate economic outcome, if any, could have a material effect on our Consolidated Financial Statements, taken as a whole.

We are involved in a variety of other legal actions that arise in the normal course of business. Insurance coverage mitigates potential loss for certain of these other matters. While we are unable to predict the ultimate outcome of these other legal actions, it is our opinion that the disposition of these matters will not have a material adverse effect on our Consolidated Financial Statements, taken as a whole.

ITEM 4. REMOVED AND RESERVED

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Common Stock is listed on the NYSE. In March 2011, in accordance with the sunset provisions established in 1986, we effected conversion of all outstanding shares of Class B Common Stock to Common Stock. The table below includes the high and low prices of Common Stock for each calendar quarter during the past three years and the closing price at the end of each quarter.

	Quarter Ended			
(Dollars)	December	March	June	September
2011				
High	2.94	3.41	3.47	1.15
Low	1.72	2.24	0.79	0.58
Closing	2.46	2.70	0.89	0.78
2010				
High	4.50	4.77	4.52	3.15
Low	2.15	2.96	2.49	1.93
Closing	3.47	3.39	2.57	2.68
2009				
High	3.97	0.65	1.89	3.43
Low	0.30	0.24	0.29	0.50
Closing	0.41	0.28	0.53	2.75

As of July 1, 2011, our Common Stock traded at an average 30-day closing market price of less than $1 per share. Under the NYSE listing standards, if our Common Stock fails to maintain an adequate per share price and total market capitalization, our Common Stock could be removed from the NYSE and traded in the over the counter market. In July 2011, the NYSE first notified us that our Common Stock did not meet the NYSE continued listing standard due to the failure to maintain an adequate share price. Under the NYSE rules related to the average share price, Lee Common Stock is allowed to continue to be listed during a cure period. Continued listing is subject to ongoing reassessment by the NYSE and the return to compliance with all quantitative listing requirements, which would require an increase in the average closing price to $1.12 per share (or $1.00 per share if the refinancing of our debt discussed more fully in Note 4 of the Notes to Consolidated Financial Statements, included herein, is consumated). We are currently operating under an NYSE-approved plan to address those quantitative listing requirements as to which we are non-compliant, and expect those issues to be successfully addressed within the time frames required under the NYSE rules. We may be able to mitigate the effect of a low stock price in the future through implementation of a reverse stock split.

At September 25, 2011, we had 7,532 holders of Common Stock.

The 2009 Amendments to our Credit Agreement require us to suspend stockholder dividends and share repurchases through April 2012. See Note 4 of the Notes to Consolidated Financial Statements, included herein.

Performance Presentation

The following graph compares the quarterly percentage change in the cumulative total return of the Company, the Standard & Poor's ("S&P") 500 Stock Index, and a Peer Group Index, in each case for the five years ended September 30, 2011 (with September 30, 2006 as the measurement point). Total return is measured by dividing (a) the sum of (i) the cumulative amount of dividends declared for the measurement period, assuming dividend reinvestment and (ii) the difference between the issuer's share price at the end and the beginning of the measurement period, by (b) the share price at the beginning of the measurement period.

The value of $100 invested on September 30, 2006 in stock of the Company, the Peer Group and in the S&P 500 Stock Index, including reinvestment of dividends, is summarized in the table below.

	September 30					
(Dollars)	2006	2007	2008	2009	2010	2011
Lee Enterprises, Incorporated	100.00	63.51	15.92	12.51	12.19	3.55
Peer Group Index	100.00	85.13	49.49	38.61	37.03	28.46
S&P 500 Stock Index	100.00	116.44	90.85	84.58	93.17	94.24

The S&P 500 Stock Index includes 500 U.S. companies in the industrial, transportation, utilities and financial sectors and is weighted by market capitalization. The Peer Group Index is comprised of eight U.S. publicly traded companies with significant newspaper publishing operations (excluding the Company) and is weighted by market capitalization. The Peer Group Index includes A.H. Belo Corp., Gannett, Journal Communications, Inc., The McClatchy Company, Media General, Inc., The New York Times Company, The E.W. Scripps Company, and The Washington Post Company.

ITEM 6. SELECTED FINANCIAL DATA

Selected financial data is as follows:

(Thousands of Dollars and Shares, Except Per Common Share Data)	2011	2010	2009	2008	2007
OPERATING RESULTS [1]					
Operating revenue	756,104	780,648	842,030	1,028,868	1,120,194
Operating expenses, excluding depreciation, amortization, and impairment of goodwill and other assets	593,364	609,745	675,035	821,846	853,375
Depreciation and amortization	71,334	73,179	79,599	91,078	92,700
Impairment of goodwill and other assets [2]	205,139	3,290	245,953	1,070,808	—
Curtailment gains	16,137	45,012	—	—	3,731
Equity in earnings of associated companies	6,151	7,746	5,120	10,211	20,124
Reduction in investment in TNI [2]	11,900	—	19,951	104,478	—
Operating income (loss)	(103,345)	147,192	(173,388)	(1,049,131)	197,974
Financial income	296	411	1,886	5,857	7,613
Financial expense	(65,308)	(71,631)	(92,892)	(71,472)	(90,341)
Income (loss) from continuing operations	(146,681)	46,178	(180,062)	(871,228)	81,397
Discontinued operations	—	—	(5)	285	671
Net income (loss)	(146,681)	46,178	(180,067)	(870,943)	82,068
Income (loss) attributable to Lee Enterprises, Incorporated	(146,868)	46,105	(123,191)	(880,316)	