

LEE ENTERPRISES INC
Form 10-K/A
January 18, 2005
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended September 30, 2004

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)

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Delaware
(State of incorporation)

42-0823980
(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 - \$2.00 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 - \$2.00 par value	

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this Chapter) 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 an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

State the aggregate market value of voting stock held by nonaffiliates of the Registrant as of November 30, 2004. Common Stock and Class B Common Stock, \$2.00 par value, \$1,995,243,010.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of November 30, 2004. Common Stock, \$2.00 par value, 38,117,166 shares and Class B Common Stock, \$2.00 par value, 7,246,328 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Lee Enterprises, Incorporated Definitive Proxy Statement to be filed in January 2005 are incorporated by reference in Part III of this Form 10-K.

Table of Contents

EXPLANATORY NOTE

Lee Enterprises, Incorporated (the Company) is filing this Form 10-K/A to correct its Form 10-K for the fiscal year ended September 30, 2004, as described more fully below:

(i) the number of shares of Common Stock reserved for issuance to employees under the incentive and nonstatutory stock option and restricted stock plan approved by stockholders described in Part II, Item 8, Note 9 to the Consolidated Financial Statements under Stock Options and Restricted Stock should state 1,640,000 rather than 3,271,000 and such change is reflected in the complete text set forth below;

(ii) the number of shares of Common Stock available for granting of stock options or issuance of restricted Common Stock at September 30, 2004 described in Part II, Item 8, Note 9 to the Consolidated Financial Statements under Stock Options and Restricted Stock should state 718,300 rather than 2,349,000 and such change is reflected in the complete text set forth below;

(iii) the column captioned Number Of Securities Remaining Available For Future Issuance to the equity compensation plans table as of September 30, 2004 in Part III, Item 12 should state 718,273 rather than 3,270,633 and such change is reflected in the complete text set forth below; and

(iv) the cross reference in the second sentence of Section 5 of the Lee Enterprises, Incorporated Incentive Compensation Program included as Exhibit 10.11 should state section 4(d) rather than section 4(c) and such change is reflected in the complete text of Exhibit 10.11 filed herewith.

With the exception of the foregoing corrections, no other information in the Form 10-K for the fiscal year ended September 30, 2004 has been corrected or amended in this Form 10-K/A.

Table of Contents

TABLE OF CONTENTS	PAGE
<u>Forward-Looking Statements</u>	1
<u>Business</u>	1
<u>Properties</u>	9
<u>Legal Proceedings</u>	9
<u>Submission of Matters to a Vote of Security Holders</u>	9
<u>Market for the Registrant's Common Stock and Related Stockholder Matters</u>	10
<u>Selected Financial Data</u>	11
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	12
<u>Quantitative and Qualitative Disclosures about Market Risk</u>	21
<u>Financial Statements and Supplementary Data</u>	22
<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	22
<u>Controls and Procedures</u>	22
<u>Directors and Executive Officers of the Registrant</u>	22
<u>Executive Compensation</u>	22
<u>Security Ownership of Certain Beneficial Owners and Management</u>	22
<u>Certain Relationships and Related Transactions</u>	23
<u>Principal Accounting Fees and Services</u>	23
<u>Exhibits, Financial Statement Schedules and Reports on Form 8-K</u>	23
<u>Signatures</u>	25
<u>Exhibit Index</u>	26
<u>Consolidated Financial Statements</u>	28

Table of Contents

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 and that is based largely on the Company's 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 are changes in advertising demand, newsprint prices, interest rates, labor costs, legislative and regulatory rulings and other results of operations or financial conditions, difficulties in integration of acquired businesses or maintaining employee and customer relationships and increased capital and other costs. The words may, will, would, could, believes, expects, anticipates, intends, plans, projects, considers and similar expressions generally identify 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. The Company does not undertake to publicly update or revise its forward-looking statements.

PART I

ITEM 1. BUSINESS

The Company directly, and through its ownership of associated companies, publishes 44 daily newspapers in 19 states and approximately 200 weekly, classified and specialty publications, along with associated online services. The Company was founded in 1890, incorporated in 1950, and listed on the New York Stock Exchange in 1978. Before 2001, the Company also operated a number of network-affiliated and satellite television stations.

The Company is focused on five key strategic priorities. They are to:

- Grow revenue creatively and rapidly;
- Improve readership and circulation;
- Emphasize strong local news;
- Drive the Company's online strength; and
- Exercise careful cost controls.

Certain aspects of these priorities are discussed below.

HOWARD AND SIOUX CITY ACQUISITIONS

In April 2002, the Company acquired ownership of 15 daily newspapers and a 50% interest in the Sioux City, Iowa daily newspaper (SCN) by purchasing Howard Publications, Inc. (Howard). This acquisition was consistent with the strategy the Company announced in 2000 to buy daily newspapers with daily circulation of 30,000 or more. In July 2002, the Company acquired the remaining 50% of SCN. These acquisitions increased the Company's circulation by more than 75 percent, to 1.1 million daily and

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1.2 million on Sunday, and increased its revenue by nearly 50 percent. In February 2004, two daily newspapers acquired in the Howard acquisition were exchanged for two daily newspapers in Burley, Idaho and Elko, Nevada.

A key reason for the acquisitions is that historically, Howard and SCN generated substantially less revenue per paid unit of circulation than the Company's existing newspapers. The expectation was that faster revenue growth could be achieved by applying the Company's successful selling strategies and tactics to Howard and SCN.

In 2002 and 2003, the Company devoted substantial attention to the successful integration of Howard and SCN into its business. The Company made significant and immediate changes to systems, payroll, benefits and other areas of operations. The Company devoted resources and training to bring the Company's successful selling strategies and tactics to Howard and SCN. The Company believes the integration has been completed with minimal disruption to the business and low turnover of key personnel.

Table of Contents

One measure of the success of the Company's strategy to grow is its enterprise value, which is defined as the market value of its equity, plus debt outstanding, less cash assets. The chart above depicts the Company's enterprise value, which has increased more than 112%, to \$2,301,000,000, over the last three years.

MADISON NEWSPAPERS

The Company owns 50% of the capital stock of Madison Newspapers, Inc. (MNI) and 17% of the nonvoting common stock of The Capital Times Company. The Capital Times Company owns the remaining 50% of the capital stock of MNI. The Company has a contract to furnish the editorial and news content for the *Wisconsin State Journal*, which is published by MNI, and periodically provides other services to MNI. The *Wisconsin State Journal* is classified as one of the Lee group of newspapers in the newspaper business and in the rating services. Results of MNI are accounted for using the equity method. In 2003, MNI adopted the trade name Capital Newspapers.

ADVERTISING

Almost 75% of the Company's revenue is derived from advertising. The Company's strategies are to increase its share of local advertising through increased sales pressure in its existing markets and, over time, to increase circulation unit sales through internal expansion into existing and contiguous markets, augmented by selective acquisitions. Acquisition efforts are focused on newspapers with daily circulation of 30,000 or more, as noted above, and other publications that expand the Company's operating revenue.

Many of the Company's 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 or production of the publications. Sales penetration can occur if the sales effort is successful in cross-selling advertising into multiple publications. A table under the caption "Daily Newspapers and Markets" in Item 1 identifies those groups of newspapers operating in clusters.

The Company's newspapers and classified and specialty publications compete with newspapers having regional circulation, magazines, radio, television, other advertising media such as billboards, other classified and specialty publications, direct mail, yellow pages directories, as well as other information content providers such as online services. In addition, several of the Company's daily and Sunday newspapers compete with other local newspapers in nearby cities and towns. The Company estimates that it captures more than one-half of the total advertising dollars spent on print, broadcast and online advertising in substantially all of its markets.

The number of competitors in any given market varies, and cannot be estimated with any degree of certainty. However, all of the forms of competition noted above exist to some degree in the Company's markets, including those listed in a table under the caption "Daily Newspapers and Markets" in Item 1. The Company's competitors use pricing, frequency and other methods to

compete for advertising business.

The following broadly define major categories of advertising revenue:

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.

Table of Contents

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.

Classified advertising, which includes automotive, real estate for sale or rent, employment 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.

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

Online advertising consists of display, banner, classified or other advertising on websites supporting the Company's print publications.

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 system and are particularly effective in larger markets with high media fragmentation in which metropolitan newspapers generally have low penetration.

The Company's many geographic markets have significant differences in their advertising rate structures, some of which are highly complex. A single operation often has scores of rate alternatives.

Late in 2000, the newspaper industry began to experience declining advertising revenue demand for the first time in several years. The chart above compares newspaper advertising spending, as measured by the Newspaper Association of America and the Company's same property advertising revenue, for the last five fiscal years. The advertising environment has continued to be adversely impacted by the state of the overall economy, including higher unemployment rates. The Company's enterprises are generally located in mid-size and smaller markets. These markets have been more stable than major metropolitan markets during the most recent downturn in advertising spending but may not experience increases in such spending as significant as those in major metropolitan markets as the economy continues to improve.

CIRCULATION

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After advertising, circulation is the Company's largest source of revenue. The Company estimates that its products are sold to approximately one-half, and read by approximately three-fourths, of adults in its markets. For the six months ended September 2004, daily circulation of newspapers owned in both 2004 and 2003, which includes Howard and MNI, as measured by the Audit Bureau of Circulations (ABC), was flat, and Sunday circulation declined 0.1%, significantly outperforming the industry as a whole. Growth in circulation can, over time, also positively impact advertising revenue. The Company's strategies to improve readership and circulation include continuous improvement of content and promotional efforts. Content can include focus on local news, features, other content, layout, reduction of factual errors or in

Table of Contents

other ways. Promotional efforts include advertising, contests and other efforts to increase awareness of the products. Customer service can also influence circulation. The Company's enterprises are also focused on increasing the number of subscribers who pay for their subscriptions via automated payment mechanisms, such as credit cards or checking account withdrawals. Customers using these payment methods have historically higher retention. Other initiatives vary from property to property and are determined principally by the publishers at the local level in collaboration with senior management of the Company.

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

Changes in telemarketing regulations effective in October 2003 impacted the Company's ability to obtain new subscribers using this channel. Other methods to attract and retain subscribers have been, and remain in use. However, telemarketing has historically been the largest single source of new subscribers. Circulation starts obtained through the Company's marketing efforts increased more than 10% in 2004, in spite of new telemarketing restrictions.

In 2004, several major newspaper publishers (not including the Company) announced significant downward adjustments to previously reported circulation totals. The Company does not anticipate any impact on its relationships with advertisers. Approximately three-fourths of the Company's circulation is home delivery. Combined with small route sizes and the minimal use of independent distributors, monitoring and inspection of the Company's circulation is not as difficult as in some major metropolitan markets. Nonetheless, the Company has enhanced its existing internal procedures in several areas to further ensure the integrity of its reported circulation.

Table of Contents**DAILY NEWSPAPERS AND MARKETS**

The Company and MNI publish the following daily newspapers:

Newspaper	City	State	Paid Circulation ⁽¹⁾	
			Daily	Sunday
<i>North County Times</i> ⁽⁵⁾	Oceanside and Escondido	California	93,051	97,204
Madison Newspapers ⁽⁴⁾				
<i>Wisconsin State Journal</i>	Madison	Wisconsin	92,558	152,943 ⁽³⁾
<i>The Capital Times</i>	Madison	Wisconsin	19,892	- ⁽³⁾
<i>Daily Citizen</i>	Beaver Dam	Wisconsin	10,621	-
<i>Portage Daily Register</i>	Portage	Wisconsin	5,221	-
<i>Baraboo News Republic</i>	Baraboo	Wisconsin	4,257	-
<i>The Times</i> ⁽⁵⁾	Munster, Valparaiso, and Crown Point	Indiana	86,933	93,463
Lincoln Group				
<i>Lincoln Journal Star</i>	Lincoln	Nebraska	74,893	84,149
<i>Columbus Telegram</i>	Columbus	Nebraska	9,394	10,300
<i>Fremont Tribune</i>	Fremont	Nebraska	8,187	-
<i>Beatrice Daily Sun</i>	Beatrice	Nebraska	8,065	-
Quad-Cities Group				
<i>Quad-City Times</i>	Davenport	Iowa	53,067	72,168
<i>Muscatine Journal</i>	Muscatine	Iowa	8,106	-
<i>Billings Gazette</i>	Billings	Montana	47,105	52,434
<i>Waterloo-Cedar Falls Courier</i> ⁽⁵⁾	Waterloo	Iowa	41,753	51,836
<i>Sioux City Journal</i> ⁽⁵⁾	Sioux City	Iowa	41,182	42,268
Central Illinois Newspaper Group				
<i>Herald & Review</i>	Decatur	Illinois	35,579	42,357
<i>Journal Gazette</i> ⁽⁵⁾	Mattoon	Illinois	10,962	-
<i>Times-Courier</i> ⁽⁵⁾	Charleston	Illinois	6,980	-
<i>The Post-Star</i> ⁽⁵⁾	Glens Falls	New York	34,447	37,550
River Valley Newspaper Group				
<i>La Crosse Tribune</i>	La Crosse	Wisconsin	33,057	41,432
<i>Winona Daily News</i>	Winona	Minnesota	11,535	12,956
<i>Casper Star-Tribune</i> ⁽⁵⁾	Casper	Wyoming	30,790	33,289
Missoula Group				
<i>Missoulian</i>	Missoula	Montana	30,466	34,855
<i>Ravalli Republic</i>	Hamilton	Montana	4,983 ⁽²⁾	-
<i>Rapid City Journal</i>	Rapid City	South Dakota	29,696	34,222
<i>The Journal Times</i>	Racine	Wisconsin	28,934	30,909
<i>The Southern Illinoisan</i>	Carbondale	Illinois	27,671	36,014
<i>The Bismarck Tribune</i>	Bismarck	North Dakota	27,620	31,081
Magic Valley Group				
<i>The Times-News</i> ⁽⁵⁾	Twin Falls	Idaho	21,440	21,480
<i>Elko Daily Free Press</i> ⁽⁶⁾	Elko	Nevada	6,109 ⁽²⁾	-
<i>South Idaho Press</i> ⁽⁶⁾	Burley	Idaho	3,555 ⁽²⁾	3,450 ⁽²⁾
<i>The Daily News</i> ⁽⁵⁾	Longview	Washington	21,257	20,895
<i>Globe Gazette</i>	Mason City	Iowa	18,963	23,311
<i>The Times and Democrat</i> ⁽⁵⁾	Orangeburg	South Carolina	17,947	17,712
Mid-Valley News Group				

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<i>Democrat-Herald</i>	Albany	Oregon	17,702	29,825	(3)
<i>Corvallis Gazette-Times</i>	Corvallis	Oregon	11,999	-	(3)
<i>The Sentinel</i> ⁽⁵⁾	Carlisle	Pennsylvania	14,543	15,037	
<i>Independent Record</i>	Helena	Montana	14,254	14,788	
<i>The Montana Standard</i>	Butte	Montana	13,943	14,135	
<i>The Citizen</i> ⁽⁵⁾	Auburn	New York	12,546	14,241	
<i>The Ledger Independent</i> ⁽⁵⁾	Maysville	Kentucky	8,805	-	
<i>The Chippewa Herald</i>	Chippewa Falls	Wisconsin	6,924	7,006	
<i>Shawano Leader</i> ⁽⁴⁾	Shawano	Wisconsin	6,291	6,732	
			1,113,283	1,180,042	

(1) Source: ABC: Six months ended September 2004, unless otherwise noted.

(2) Source: Company statistics.

(3) Combined edition.

(4) Owned by MNI, which is 50% owned by the Company.

(5) Acquired in 2002.

(6) Acquired in 2004.

Table of Contents

ONLINE ADVERTISING AND SERVICES

The Company's online activities are comprised of websites supporting each of its daily newspapers and certain of its other publications. The Company also owns 81% of an Internet service company (TownNews.com) which provides web infrastructure for more than 800 daily and weekly newspapers, and shoppers. Internet activities of the newspapers and TownNews.com are reported and managed as a part of the Company's publishing operations. In addition, the Company has minority investments in two Internet service companies, PowerOne Media and CityXpress Corp, which provide integrated online classified solutions for the newspaper industry, integrate online editorial content and provide transactional and promotional opportunities.

Online businesses of the Company have experienced rapid, profitable growth over the last several years, which is expected to continue.

COMMERCIAL PRINTING

The Company offers commercial printing services through the following entities:

	Location
William Street Press	Decatur, Illinois
Hawkeye Printing and Trico Communications	Davenport, Iowa
Platen Press	Butte, Montana
Farcountry Press and Broadwater Printing	Helena, Montana
Journal Star Commercial Printing	Lincoln, Nebraska
Little Nickel Quik Print	Lynnwood, Washington
Spokane Print and Mail	Spokane, Washington
Triangle Press	Chippewa Falls, Wisconsin
Wingra Printing ⁽¹⁾	Madison, Wisconsin

(1) Owned by MNI, which is 50% owned by the Company.

Certain of the Company's newspapers also directly provide commercial printing services. Commercial printing business is highly competitive and generally has lower operating margins than newspapers.

NEWSPRINT

The basic raw material of newspapers, and classified and specialty publications, is newsprint. The Company and its subsidiaries purchase newsprint from U.S. and Canadian producers. The Company believes it will continue to receive a supply of newsprint

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adequate for its needs. Newsprint prices are volatile and fluctuate based upon factors that include both foreign and domestic production capacity and consumption. Between September 2003 and September 2004, the Resource Information Systems, Inc. 30 pound newsprint price index rose 10.0%. Price fluctuations can have a significant effect on the results of operations. For additional information regarding supply of newsprint, see Contractual Obligations under Item 7, included herein. For the quantitative impacts of these fluctuations, see Quantitative And Qualitative Disclosures About Market Risk under Item 7A, included herein.

Table of Contents**EXECUTIVE TEAM**

The following table lists executive team members of the Company as of November 30, 2004:

Name	Age	Service With The Company	Named To Present Office	Present Office
Mary E. Junck	57	June 1999	January 2002	Chairman, President and Chief Executive Officer
Rosanne M. Cheeseman	50	April 1998	November 2004	Vice President Sales & Marketing
Nancy L. Green	62	December 2000	September 2002	Vice President Circulation
Michael R. Gullledge	44	October 1982	February 2002	Group Publisher
Daniel K. Hayes	59	September 1969	April 1998	Director of Communications
James W. Hopson	58	July 2000	July 2000	Vice President Publishing
Brian E. Kardell	41	January 1991	August 2003	Vice President Production and Chief Information Officer
Vytenis P. Kuraitis	56	August 1994	January 1997	Vice President Human Resources
Linda Ritchie Lindus	56	April 2000	February 2002	Group Publisher
Kevin E. Mowbray	42	September 1986	November 2004	Vice President Publishing
Michael E. Phelps	58	February 2000	June 2002	Vice President Publishing
Gregory P. Schermer	50	February 1989	November 1997	Vice President Interactive Media and Corporate Counsel
Carl G. Schmidt	48	May 2001	May 2001	Vice President, Chief Financial Officer and Treasurer
David B. Stoeffler	45	June 1981	December 2001	Vice President News
John VanStrydonck	51	March 1981	June 2000	Vice President Publishing
Greg R. Veon	52	April 1976	November 1999	Vice President Publishing

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Mary E. Junck was elected Chairman, President and Chief Executive Officer in January 2002. From January 2001 to January 2002 she served as President and Chief Executive Officer. From January 2000 to January 2001 she served as President and Chief Operating Officer. From May 1999 to January 2000 she served as Executive Vice President and Chief Operating Officer. From May 1996 to April 1999 she was Executive Vice President of The Times Mirror Company and President of Eastern Newspapers. She was named Publisher and Chief Executive Officer of *The Baltimore Sun* in 1993.

Rosanne M. Cheeseman was appointed Vice President Sales & Marketing in November 2004. From October 2002 to November 2004 she served as Advertising Director of the *North County Times* and was named Associate Publisher in November 2004. From 2000 to October 2002 she served as Director Sales and Development of the Company and from April 1998 to 2000 she served as National Sales Manager.

Table of Contents

Nancy L. Green was appointed Vice President Circulation in September 2002 and named Publisher of the *Waterloo-Cedar Falls Courier* in August 2004. From December 2000 to September 2002, she served as Director of Circulation Sales, Distribution and Marketing. For more than five years prior to December 2000, she served as a vice president in the University System of Georgia.

Michael R. Gulledge was appointed Group Publisher in February 2002 and named Publisher of the *Billings Gazette* in October 2000. From November 1996 to October 2000, he served as General Manager and Publisher of the *Herald & Review*.

Daniel K. Hayes was appointed Director of Communications in 1998.

James W. Hopson was elected Vice President Publishing and named Publisher of the *Wisconsin State Journal* in July 2000. He is also Chairman of MNI. For more than five years prior to July 2000, he served as Chief Executive Officer of Thomson Newspapers Central Ohio Strategic Marketing Group.

Brian E. Kardell was appointed Vice President Production and Chief Information Officer in August 2003. From 2001 to August 2003, he served as Vice President Information Systems and Chief Information Officer. From 1997 to 2001, he served as Director of Information Services and Chief Information Officer.

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

Linda Ritchie Lindus was appointed Group Publisher in February 2002 and named Publisher of the *Herald & Review* in July 2002. From April 2000 to February 2002, she served as Publisher of *The Southern Illinoisan*. From 1999 to April 2000 she served as Publisher of *The Spectrum* and Chief Executive Officer of Thomson Newspapers Utah Strategic Marketing Group.

Kevin E. Mowbray was elected Vice President Publishing and named Publisher of *The Times* in November 2004. From July 2002 to November 2004 he served as Vice President Sales & Marketing of the Company. From 2000 to July 2002 he served as Publisher of *The Bismarck Tribune*. From 1998 to 2000 he served as General Manager of the *Missoulian*.

Michael E. Phelps was elected Vice President Publishing and named Publisher of the *Quad-City Times* in June 2002. From February 2000 to June 2002 he served as Vice President Sales and Marketing of the Company. For more than five years prior to February 2000, he was managing principal of Phelps, Cutler & Associates, newspaper management consultants.

Gregory P. Schermer was elected Vice President Interactive Media in November 1997. He has served as Corporate Counsel of the Company since 1989.

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Carl G. Schmidt was elected Vice President, Chief Financial Officer and Treasurer in May 2001. For more than five years prior to May 2001, he served as Senior Vice President and Chief Financial Officer of Johnson Outdoors Inc.

David B. Stoeffler was appointed Vice President News in December 2001. From 1997 to December 2001, he served as Editor of the *Lincoln Journal Star*.

John VanStrydonck was elected Vice President Publishing in June 2000 and named Publisher of the *Missoulian* in October 2002. From September 1994 to June 2000 he served as Publisher of the *Rapid City Journal*.

Greg R. Veon was elected Vice President Publishing in November 1999.

EMPLOYEES

At September 30, 2004, the Company had approximately 6,700 employees, including approximately 1,500 part-time employees, exclusive of MNI. The Company considers its relationship with its employees to be good.

Approximately 100 employees in three locations are members of collective bargaining units.

Table of Contents

CORPORATE GOVERNANCE AND PUBLIC INFORMATION

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

In addition, information with regard to the Company's revenue, including same property results, is reported to the public on a monthly basis, as is certain other statistical information, improving the timeliness of reporting of information to investors. The Company was also among the first in the nation to voluntarily record expense related to employee stock options.

At www.lee.net, one may access a wide variety of information, including news releases, Securities and Exchange Commission filings, financial statistics, annual reports, presentations, governance facts, newspaper profiles and online links. The Company makes available via its website all filings made by the Company under the Securities Exchange Act of 1934, including Forms 10-K, 10-Q and 8-K, and amendments thereto as soon as reasonably practicable after such filing with the Securities and Exchange Commission.

OTHER MATTERS

In the opinion of management, compliance with present statutory and regulatory requirements respecting environmental quality will not necessitate significant capital outlays, materially affect the earning power of the business of the Company, or cause material changes in the Company's business, whether present or intended.

ITEM 2. PROPERTIES

The Company's executive offices are located in leased facilities at 201 North Harrison Street, Suite 600, Davenport, Iowa. The lease expires in 2019.

All of the Company's principal printing facilities (except Madison, Wisconsin, which is owned by MNI, a leased plant in Spokane, Washington and leased land for the Helena, Montana plant) are owned. All facilities are well maintained, in good condition, suitable for existing office and publishing operations and adequately equipped. None of the Company's facilities is individually significant to its business.

The Baraboo News Republic, Beatrice Daily Sun, Corvallis Gazette-Times, Daily Citizen, Journal Gazette, Muscatine Journal, Ravalli Republic, Times Courier and Winona Daily News, as well as many of the Company's and MNI's approximately 200 other publications, are printed at other Lee facilities to enhance operating efficiency. The Company's newspapers and other publications have formal or informal arrangements for backup of printing in the event of a disruption in production capability.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

Table of Contents**PART II****ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK
AND RELATED STOCKHOLDER MATTERS**

Common Stock of the Company is listed on the New York Stock Exchange. Class B Common Stock is not traded on an exchange but is readily convertible to Common Stock. Class B Common Stock was issued to stockholders of record of the Company in 1986 pursuant to a 100% stock dividend and is converted at sale, or at the option of the holder, into Common Stock. The table below shows the high and low prices of Common Stock for each quarter during the past three years, the closing price at the end of each quarter and the dividends per share.

	Quarter			
	1st	2nd	3rd	4th
STOCK PRICES				
2004				
High	\$ 44.15	\$ 46.94	\$ 49.83	\$ 48.78
Low	38.67	43.35	45.05	44.65
Closing	43.65	45.18	48.01	46.34
2003				
High	\$ 34.70	\$ 34.50	\$ 38.55	\$ 40.68
Low	29.75	30.35	31.35	36.40
Closing	33.52	31.52	37.53	38.67
2002				
High	\$ 37.60	\$ 37.23	\$ 40.09	\$ 35.87
Low	29.88	33.36	34.86	28.90
Closing	36.37	36.90	35.00	32.86
DIVIDENDS				
2004	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18
2003	0.17	0.17	0.17	0.17
2002	0.17	0.17	0.17	0.17

Common Stock and Class B Common Stock have identical rights with respect to cash dividends and upon liquidation. For a more complete description of the relative rights of Common Stock and Class B Common Stock, see Note 8 of the Notes to Consolidated Financial Statements, included herein.

At September 30, 2004, the Company had 2,396 holders of Common Stock and 1,646 holders of Class B Common Stock.

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During the three months ended September 30, 2004, the Company purchased shares of Common Stock, as noted in the table below, in transactions with participants in its 1990 Long-Term Incentive Plan. The transactions resulted from the withholding of shares to fund the exercise price and/or taxes related to the exercise of stock options. The Company is not currently engaged in share repurchases related to a publicly announced plan or program.

Month	Total Number Of Shares	Average Price
	Purchased	Per Share
July 2004	107	\$48.57

On November 17, 2004, the Board of Directors declared a dividend in the amount of \$0.18 per share on the issued and outstanding Common Stock and Class B Common Stock of the Company, to be paid on January 3, 2005, to stockholders of record on December 1, 2004.

Table of Contents**ITEM 6. SELECTED FINANCIAL DATA**

<i>(Thousands, Except Per Common Share Data)</i>	Year Ended September 30				
	2004	2003	2002	2001	2000
			(1)	(2)(3)	(3)
OPERATING RESULTS					
Operating revenue	\$ 683,324	\$ 647,333	\$ 518,568	\$ 426,966	\$ 416,089
Depreciation and amortization	48,027	45,507	34,464	31,357	28,571
Operating income, before equity in net income of associated companies	138,214	129,640	109,350	76,622	91,394
Equity in net income of associated companies	8,340	8,053	9,057	7,651	9,377
Operating income	146,554	137,693	118,407	84,273	100,771
Financial income	1,066	1,120	6,007	28,548	3,259
Financial expense	(12,665)	(16,535)	(15,777)	(11,963)	(12,643)
Income from continuing operations	86,469	77,881	78,505	58,071	68,489
Discontinued operations	(398)	160	1,325	254,399	13,546
Net income	\$ 86,071	\$ 78,041	\$ 79,830	\$ 312,470	\$ 82,035
EARNINGS PER COMMON SHARE					
Basic:					
Continuing operations	\$ 1.93	\$ 1.76	\$ 1.78	\$ 1.33	\$ 1.56
Discontinued operations	(0.01)	-	0.03	5.81	0.31
Net income	\$ 1.92	\$ 1.76	\$ 1.81	\$ 7.14	\$ 1.86
Diluted:					
Continuing operations	\$ 1.92	\$ 1.75	\$ 1.77	\$ 1.32	\$ 1.54
Discontinued operations	(0.01)	-	0.03	5.77	0.31
Net income	\$ 1.91	\$ 1.75	\$ 1.80	\$ 7.09	\$ 1.85
Weighted average common shares:					
Basic	44,792	44,316	44,087	43,784	44,005
Diluted	45,092	44,513	44,351	44,089	44,360
Dividends per common share	\$ 0.72	\$ 0.68	\$ 0.68	\$ 0.68	\$ 0.64
BALANCE SHEET INFORMATION (End of Year)					
Total assets	\$ 1,403,844	\$ 1,421,377	\$ 1,463,830	\$ 1,000,397	\$ 762,236
Debt, including current maturities	213,600	305,200	409,300	173,400	214,173
Stockholders' equity	876,843	802,156	742,774	683,193	396,242

(1) Includes six months of operations from the Howard acquisition, which was consummated in April 2002.

(2) Includes gain on the sale of the Company's broadcast properties, as reported in discontinued operations.

(3) Effective in 2002, the Company adopted FASB Statement 142.

Table of Contents

	2004	Year Ended September 30			2000
		2003	2002	2001	
OTHER INFORMATION					
Operating income as a percent of revenue	21.4%	21.3%	22.8%	19.7%	24.2%
Income from continuing operations as a percent of revenue	12.7	12.0	15.1	13.6	16.5
Dividends as a percent of income from continuing operations	37.5	38.9	38.3	51.3	41.3

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion includes comments and analysis relating to the Company's results of operations and financial condition as of, and for the three years ended, September 2004. This discussion should be read in conjunction with the Consolidated Financial Statements and related Notes thereto.

NON-GAAP FINANCIAL MEASURES**Operating Cash Flow**

Operating cash flow, which is defined as operating income before depreciation, amortization, and equity in net income of associated companies, and operating cash flow margin (operating cash flow divided by operating revenue) represent non-GAAP financial measures that are used in the analysis below. The Company believes that operating cash flow and the related margin percentage are useful measures of evaluating its financial performance because of their focus on the Company's results from operations before depreciation and amortization. The Company also believes that these measures are several of the alternative financial measures of performance used by investors, lenders, rating agencies and financial analysts to estimate the value of a company and evaluate its ability to meet debt service requirements.

A reconciliation of operating cash flow to operating income, the most directly comparable measure under accounting principles generally accepted in the United State of America (GAAP), is included in the table below:

	Year Ended September 30		
(Thousands)	2004	2003	2002
Operating cash flow	\$ 186,241	\$ 175,147	\$ 143,814
Depreciation and amortization	48,027	45,507	34,464
Operating income, before equity in net income of associated companies	138,214	129,640	109,350

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Equity in net income of associated companies	8,340	8,053	9,057
Operating income	\$ 146,554	\$ 137,693	\$ 118,407

SAME PROPERTY COMPARISONS

Certain information below, as noted, is presented on a same property basis, which is exclusive of acquisitions and divestitures consummated in the current or prior year. The Company believes such comparisons provide meaningful information for an understanding of changes in its revenue and operating expenses. Same property comparisons exclude MNI. The Company owns 50% of the capital stock of MNI, which for financial reporting purposes is reported using the equity method of accounting. Same property comparisons also exclude corporate office costs.

CRITICAL ACCOUNTING POLICIES

The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's Consolidated Financial Statements, which have been prepared in accordance with

Table of Contents

GAAP. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to intangible assets and income taxes. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Additional information follows with regard to certain of the most critical of the Company's accounting policies.

Goodwill and Other Intangible Assets

In assessing the recoverability of the Company's goodwill and other intangible assets, the Company must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets. The Company analyzes its goodwill and indefinite life intangible assets for impairment on an annual basis or more frequently if impairment indicators are present. See Note 5 of the Notes to Consolidated Financial Statements, included herein, for a more detailed explanation of the Company's intangible assets.

Income Taxes

Deferred income taxes are provided using th